

**Gettysburg Borough Storm Water
Authority**

(A Component Unit of the Borough of Gettysburg)

Financial Statements

Year Ended December 31, 2019 with
Independent Auditor's Report

GETTYSBURG BOROUGH STORM WATER AUTHORITY

(A COMPONENT UNIT OF THE BOROUGH OF GETTYSBURG)

YEAR ENDED DECEMBER 31, 2019

TABLE OF CONTENTS

Independent Auditor's Report

Financial Statements:

| | |
|--|---|
| Balance Sheet | 1 |
| Statement of Revenues, Expenses, and Changes in Net Position | 2 |
| Statement of Cash Flows | 3 |
| Notes to Financial Statements | 4 |

Independent Auditor's Report

**Board of Directors
Gettysburg Borough
Storm Water Authority**

Report on the Financial Statements

We have audited the accompanying financial statements of the Gettysburg Borough Storm Water Authority (Authority), a component unit of the Borough of Gettysburg, as of and for the year ended December 31, 2019, 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 an opinion 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2019, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Maher Duessel

Harrisburg, Pennsylvania
May 21, 2020

GETTYSBURG BOROUGH STORM WATER AUTHORITY

(A Component Unit of the Borough of Gettysburg)

BALANCE SHEET

DECEMBER 31, 2019

| Assets | |
|---|-------------------|
| Current assets: | |
| Cash and cash equivalents | \$ 144,008 |
| Accounts receivable | 39,973 |
| Total current assets | 183,981 |
| Total Assets | \$ 183,981 |
| Liabilities and Net Position | |
| Liabilities: | |
| Current liabilities: | |
| Accounts payable | \$ 17,955 |
| Unearned revenue | 202,825 |
| Total current liabilities | 220,780 |
| Total Liabilities | 220,780 |
| Net Position: | |
| Unrestricted | (36,799) |
| Total Net Position | (36,799) |
| Total Liabilities and Net Position | \$ 183,981 |

The accompanying notes are an integral part of these financial statements.

GETTYSBURG BOROUGH STORM WATER AUTHORITY

(A Component Unit of the Borough of Gettysburg)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

YEAR ENDED DECEMBER 31, 2019

Operating Revenues:

| | |
|-----------------------------|----------------|
| Storm water management fees | \$ 252,909 |
| Penalties | 880 |
| Total operating revenues | <u>253,789</u> |

Operating Expenses:

| | |
|--------------------------|---------------|
| Office expenses | 9,595 |
| Supplies | 2,182 |
| Professional fees | 78,370 |
| Repairs and maintenance | 1,592 |
| Total operating expenses | <u>91,739</u> |

Operating Income

162,050

Nonoperating Revenues (Expenses):

| | |
|--|------------------|
| Contribution to primary government | <u>(198,849)</u> |
| Total nonoperating revenues (expenses) | <u>(198,849)</u> |

Change in Net Position

(36,799)

Net Position:

| | |
|-------------------|---------------------------|
| Beginning of year | <u>-</u> |
| End of year | <u><u>\$ (36,799)</u></u> |

The accompanying notes are an integral part of these financial statements.

GETTYSBURG BOROUGH STORM WATER AUTHORITY

(A Component Unit of the Borough of Gettysburg)

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2019

Cash Flows from Operating Activities:

| | |
|--|----------------|
| Receipts from customers | \$ 416,641 |
| Payments to suppliers | (73,784) |
| Net cash and cash equivalents provided by operating activities | <u>342,857</u> |

Cash Flows from Capital and Related Financing Activities:

| | |
|--|------------------|
| Contribution to primary government | <u>(198,849)</u> |
| Net cash and cash equivalents used in capital and related financing activities | <u>(198,849)</u> |

| | |
|---|---------|
| Net Increase in Cash and Cash Equivalents | 144,008 |
|---|---------|

Cash and Cash Equivalents:

| | |
|-------------------|--------------------------|
| Beginning of year | - |
| End of year | <u><u>\$ 144,008</u></u> |

Reconciliation of Operating Income to Net Cash and Cash Equivalents Provided by Operating Activities:

| | |
|--|------------|
| Operating income | \$ 162,050 |
| Adjustments to reconcile operating income to net cash and cash equivalents provided by operating activities: | |
| Decrease (increase) in assets: | |
| Accounts receivable | (39,973) |
| Increase (decrease) in liabilities: | |
| Accounts payable | 17,955 |
| Unearned revenue | 202,825 |

| | |
|--|--------------------------|
| Net cash and cash equivalents provided by operating activities | <u><u>\$ 342,857</u></u> |
|--|--------------------------|

The accompanying notes are an integral part of these financial statements.

GETTYSBURG BOROUGH STORM WATER AUTHORITY

(A Component Unit of the Borough of Gettysburg)

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

1. Summary of Significant Accounting Policies

Purpose of Organization

The Gettysburg Borough Storm Water Authority (Authority) was formed in accordance with the Pennsylvania Municipality Authorities Act of 1945 and incorporated as a nonprofit municipal corporation and organized under the laws governing authorities within the Commonwealth of Pennsylvania. The Authority commenced operations on December 10, 2018 for the purpose of administering, assessing, constructing, improving, maintaining, and operating the Borough of Gettysburg's (Borough) municipal storm water system.

Reporting Entity

The Authority is considered a blended component unit of the Borough. The Borough appointed the initial Board of the Authority when the articles of incorporation were created. Once the initial terms of the Authority Board expire, the Authority's Board will nominate and appoint all new members. During the year ended December 31, 2019, four of the five Authority Board members were also Borough Council members. Also, a financial burden exists as the Authority transfers all storm water capital-related projects to the Borough. Due to the Authority not having employees, the operational responsibility of the Authority rests with Borough management.

Basis of Accounting, Financial Statement Presentation, and Measurement Focus

The Authority utilizes the accrual basis of accounting. Accordingly, revenues are recognized when earned, and expenses are recognized when incurred, regardless of the timing of the related cash flows.

All activities of the Authority are accounted for within a proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses) of providing the goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or

GETTYSBURG BOROUGH STORM WATER AUTHORITY

(A Component Unit of the Borough of Gettysburg)

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are charges for storm water improvements. Operating expenses include the cost of services, administrative expenses, and professional fees. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with operations are included on the Balance Sheet.

Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, the Authority considers all assets with maturities of three months or less to be cash or cash equivalents.

Accounts Receivable

Accounts receivable are carried at original value. The Authority may place a lien against the property and its owner for delinquent payments. Management has determined that all accounts receivable are collectible, and no allowance for doubtful accounts reported.

Unearned Revenue

Unearned revenue consists of storm water fees received prior to year end for the subsequent year. Revenue is not recognized until the year earned.

GETTYSBURG BOROUGH STORM WATER AUTHORITY

(A Component Unit of the Borough of Gettysburg)

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

Net Position

Net position (i.e., total assets net of total liabilities) is segregated into “net investment in capital assets,” “restricted,” and “unrestricted” components. The Authority’s net position is classified as unrestricted. These resources are used for transactions relating to general operations of the Authority and may be used at the discretion of the governing Board to meet current expenses for any purpose.

When both restricted and unrestricted resources are available for use, it is the Authority’s policy to use restricted resources first, then unrestricted resources as they are needed.

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; inquiries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs. There were no significant reductions in insurance coverage in 2019. Settlement amounts have not exceeded insurance coverage for the current year.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates based on management’s knowledge and experience. Due to their prospective nature, actual results could differ from those estimates.

2. Deposits

Pennsylvania statutes provide for investment of governmental funds into certain authorized investment types, in addition to deposits in institutions insured by the Federal Deposit Insurance Corporation. The Authority may invest in any of the following: United States Treasury Bills; other short-term United States government obligations; short-term commercial paper issued by a public corporation; banker’s acceptances; insured or collateralized time deposits; and certificates of deposit.

GETTYSBURG BOROUGH STORM WATER AUTHORITY

(A Component Unit of the Borough of Gettysburg)

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

Custodial Credit Risk - 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 formal deposit policy for custodial credit risk. As of December 31, 2019, bank and book balances were \$142,403 and \$144,008, respectively. The entire bank balance of \$142,403 was covered by federal depository insurance.

3. Related Party Transactions

The Authority entered into a management agreement effective February 11, 2019 with the Borough. The Borough provides financial, engineering, administrative, and construction services to the Authority in order to maintain compliance with the federally mandated storm water management requirements. The Authority makes periodic payments to the Borough upon receipt of an itemized invoice for services rendered. During the year ended December 31, 2019, \$67,412 was paid to the Borough related to such services. No amounts were due to the Borough as of December 31, 2019.

Additionally, the Authority incurred expenses related to the Borough's storm water improvement projects during the year. Work is performed on behalf of the Borough and any costs incurred related to these projects are capitalized on the Borough's financial statements. The total capital improvement expenses for the year ended December 31, 2019 totaled \$198,849. These costs are shown as a non-operating expense on the Statement of Revenues, Expenses, and Changes in Net Position.

4. Litigation and Contingencies

During the normal course of performing its duties to the public which it serves, the Authority is subject to potential lawsuits and complaints. In the opinion of management, there were no claims that management feels the ultimate outcome would have a material adverse effect on the Authority's financial position.

GETTYSBURG BOROUGH STORM WATER AUTHORITY

(A Component Unit of the Borough of Gettysburg)

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

5. Subsequent Event

In early 2020, an outbreak of a novel strain of coronavirus was identified, and infections have been found in a number of countries around the world, including the United States. The coronavirus and its associated impacts on supply chains, travel, employee productivity, and other economic activities has had, and may continue to have, a material effect on financial markets and economic activity. The extent of the impact of the coronavirus on the Authority's operational and financial performance is currently uncertain and cannot be predicted.