

Borough of Gettysburg

Financial Statements and Required
Supplementary Information and
Supplementary Information

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

MaherDuessel
Certified Public Accountants

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BOROUGH OF GETTYSBURG

YEAR ENDED DECEMBER 31, 2019

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BOROUGH OF GETTYSBURG

YEAR ENDED DECEMBER 31, 2019

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Independent Auditor's Report

**Borough Council
Borough of Gettysburg**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Borough of Gettysburg (Borough) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Gettysburg Municipal Authority (Authority), which represents 100 percent of the assets and deferred outflows of resources, net position, and revenues of the discretely presented component unit. Those statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of the other auditor. 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, based on our audit and the report of another auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Borough as of December 31, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Management has omitted the 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the historical pension plan information and budgetary comparison, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit

of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Maher Duessel

Harrisburg, Pennsylvania
October 1, 2020

BOROUGH OF GETTYSBURG

STATEMENT OF NET POSITION

DECEMBER 31, 2019

<u>Assets and Deferred Outflows of Resources</u>	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<u>Assets:</u>				
Current assets:				
Cash and cash equivalents	\$ 2,079,494	\$ 144,008	\$ 2,223,502	\$ 7,789,618
Investments	1,085,960	-	1,085,960	520,580
Taxes receivable, net	404,109	-	404,109	-
Accounts and grants receivable - billed	67,025	39,973	106,998	594,402
Accounts receivable - unbilled	-	-	-	687,346
Due from other entity	13,526	-	13,526	-
Accrued interest receivable	-	-	-	11,114
Inventories	12,695	-	12,695	56,750
Prepaid expenses	184,384	-	184,384	62,029
Total current assets	3,847,193	183,981	4,031,174	9,721,839
Noncurrent assets:				
Prepaid bond insurance	12,500	-	12,500	29,699
Net pension asset	390,886	-	390,886	-
Capital assets not being depreciated:				
Collections	14,150	-	14,150	-
Construction in progress	937,300	-	937,300	541,330
Land	806,165	-	806,165	392,360
Capital assets net of accumulated depreciation:				
Land improvements	521,448	-	521,448	-
Buildings and improvements	4,477,935	-	4,477,935	16,078,612
Machinery and equipment	739,538	-	739,538	30,486,396
Infrastructure	8,133,658	-	8,133,658	-
Total noncurrent assets	16,033,580	-	16,033,580	47,528,397
Total Assets	19,880,773	183,981	20,064,754	57,250,236
<u>Deferred Outflows of Resources:</u>				
Deferred charges on bond refunding	37,215	-	37,215	235,001
Deferred outflows related to pensions	-	-	-	212,032
Total Deferred Outflows of Resources	37,215	-	37,215	447,033
Total Assets and Deferred Outflows of Resources	\$ 19,917,988	\$ 183,981	\$ 20,101,969	\$ 57,697,269

(Continued)

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Liabilities, Deferred Inflows of Resources, and Net Position				
Liabilities:				
Current liabilities:				
Accounts payable	\$ 224,881	\$ 17,955	\$ 242,836	\$ 217,970
Accrued wages and withholdings	77,370	-	77,370	36,905
Accrued interest	16,890	-	16,890	43,109
Customer deposits	-	-	-	14,108
Unearned revenue	8,185	202,825	211,010	-
Long-term liabilities, due within one year:				
Bonds and notes payable	498,548	-	498,548	887,733
Capital lease payable	80,654	-	80,654	-
Compensated absences	16,690	-	16,690	-
Total current liabilities	923,218	220,780	1,143,998	1,199,825
Noncurrent liabilities:				
Long-term liabilities, due in more than one year:				
Bonds and notes payable	5,254,729	-	5,254,729	14,230,112
Capital lease payable	168,227	-	168,227	-
Compensated absences	310,496	-	310,496	-
Net pension liability	-	-	-	304,062
Total noncurrent liabilities	5,733,452	-	5,733,452	14,534,174
Total Liabilities	6,656,670	220,780	6,877,450	15,733,999
Deferred Inflows of Resources:				
Deferred inflows related to pensions	538,403	-	538,403	244,487
Total Deferred Inflows of Resources	538,403	-	538,403	244,487
Net Position:				
Net investment in capital assets	10,118,599	-	10,118,599	32,503,688
Restricted	552,803	-	552,803	-
Unrestricted	2,051,513	(36,799)	2,014,714	9,215,095
Total Net Position	12,722,915	(36,799)	12,686,116	41,718,783
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 19,917,988	\$ 183,981	\$ 20,101,969	\$ 57,697,269

(Concluded)

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

BOROUGH OF GETTYSBURG

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2019

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
Primary government:								
Governmental activities:								
General government	\$ 848,351	\$ 124,214	\$ 57,875	175,700	\$ (490,562)	\$ -	\$ (490,562)	\$ -
Public safety	2,360,157	177,299	200,847	-	(1,982,011)	-	(1,982,011)	-
Public works	1,879,797	1,416,832	-	31,470	(431,495)	-	(431,495)	-
Culture and recreation	154,316	-	204,697	-	50,381	-	50,381	-
Community development	118,961	-	-	73,473	(45,488)	-	(45,488)	-
Interest	151,576	-	-	-	(151,576)	-	(151,576)	-
Total Governmental activities	5,513,158	1,718,345	463,419	280,643	(3,050,751)	-	(3,050,751)	-
Business-type activities:								
Storm Water Authority	91,739	253,789	-	-	-	162,050	162,050	-
Total Business-type activities	91,739	253,789	-	-	-	162,050	162,050	-
Total Primary Government	\$ 5,604,897	\$ 1,972,134	\$ 463,419	\$ 280,643	(3,050,751)	162,050	(2,888,701)	-
Component unit:								
Municipal Authority - Sewer and Water	\$ 6,365,402	\$ 6,277,940	\$ -	\$ -	-	-	-	\$ (87,462)
General revenues:								
Taxes								
Property taxes, levied for general purposes					1,934,116	-	1,934,116	-
Property taxes, levied for specific purposes					125,489	-	125,489	-
Earned income tax					529,521	-	529,521	-
Real estate transfer tax					97,349	-	97,349	-
Local services tax					281,250	-	281,250	-
Admission tax					185,671	-	185,671	-
Occupational and per capita taxes					33,329	-	33,329	-
Other taxes					2,300	-	2,300	-
Unrestricted investment earnings					50,266	-	50,266	30,478
Unrestricted grants					194,579	-	194,579	-
Miscellaneous income					55,092	-	55,092	102,657
Transfers - internal activities					198,849	(198,849)	-	-
Total general revenues					3,687,811	(198,849)	3,488,962	133,135
Change in Net Position					637,060	(36,799)	600,261	45,673
Net Position								
Beginning of year					12,085,855	-	12,085,855	41,673,110
End of year	\$ 12,722,915	\$ (36,799)	\$ -	\$ -	\$ 12,722,915	\$ (36,799)	\$ 12,686,116	\$ 41,718,783

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

BOROUGH OF GETTYSBURG
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2019

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 1,321,997	\$ 202,511	\$ 554,986	\$ 2,079,494
Investments	511,877	-	574,083	1,085,960
Accounts and grants receivable	67,025	-	-	67,025
Taxes receivable, net	395,660	-	8,449	404,109
Due from other entity	13,526	-	-	13,526
Due from other funds	160	-	23,323	23,483
Inventories	12,695	-	-	12,695
Prepaid expenses	184,384	-	-	184,384
Total Assets	\$ 2,507,324	\$ 202,511	\$ 1,160,841	\$ 3,870,676
Liabilities, Deferred Inflows of Resources, and Fund Balance				
Liabilities:				
Accounts payable	\$ 224,167	\$ -	\$ 714	\$ 224,881
Unearned parking revenue	8,185	-	-	8,185
Due to other funds	23,323	160	-	23,483
Accrued wages, benefits, and withholdings	77,370	-	-	77,370
Total Liabilities	333,045	160	714	333,919
Deferred Inflows of Resources:				
Unavailable tax revenue	167,186	-	6,516	173,702
Total Deferred Inflows of Resources	167,186	-	6,516	173,702
Fund Balance:				
Nonspendable	197,079	-	-	197,079
Restricted	8,652	202,351	782,648	993,651
Committed	-	-	370,963	370,963
Assigned	608,355	-	-	608,355
Unassigned	1,193,007	-	-	1,193,007
Total Fund Balance	2,007,093	202,351	1,153,611	3,363,055
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 2,507,324	\$ 202,511	\$ 1,160,841	\$ 3,870,676

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

BOROUGH OF GETTYSBURG

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

DECEMBER 31, 2019

Total Fund Balance - Governmental Funds \$ 3,363,055

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the fund balance sheet, but are reported in the governmental activities statement of net position.

Cost of assets	\$ 28,638,627	
Accumulated depreciation	<u>(13,008,433)</u>	
		15,630,194

Prepaid bond insurance is expensed in governmental funds when the debt is first issued. The statement of net position reports prepaid bond insurance as an asset.

12,500

Taxes and grants receivable are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the fund balance sheet. However, these are recorded as revenue and receivable when levied or expenses are incurred for the government-wide statements.

173,702

Some liabilities are not due and payable in the current period and are, therefore, excluded from the fund balance sheet, but are included in the governmental activities statement of net position. Net pension asset is only recorded in the governmental activities statement of net position.

Bonds and notes payable	(5,677,083)	
Unamortized bond premium	(76,194)	
Deferred charge on bond refunding	37,215	
Accrued interest	(16,890)	
Compensated absences	(327,186)	
Capital leases	(248,881)	
Net pension asset	390,886	
Deferred inflows of resources related to pensions	<u>(538,403)</u>	
		<u>(6,456,536)</u>

Total Net Position of Governmental Activities

\$ 12,722,915

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

BOROUGH OF GETTYSBURG

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2019

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 3,052,252	\$ -	\$ 125,348	\$ 3,177,600
Licenses and permits	147,841	-	6,904	154,745
Fines and forfeits	273,047	-	-	273,047
Investment earnings	23,636	5,865	20,765	50,266
Intergovernmental	411,991	121,126	276,814	809,931
Charges for services	1,279,547	-	-	1,279,547
Donations	49,282	-	-	49,282
Miscellaneous	51,122	-	13,963	65,085
Total revenues	5,288,718	126,991	443,794	5,859,503
Expenditures:				
Current:				
General government	849,425	84	8	849,517
Public safety	2,151,750	-	82,506	2,234,256
Public works	1,362,057	1,185,180	556,144	3,103,381
Culture and recreation	133,365	-	-	133,365
Community development	45,488	-	73,473	118,961
Debt service:				
Principal	40,550	-	488,399	528,949
Interest	6,683	-	143,629	150,312
Total expenditures	4,589,318	1,185,264	1,344,159	7,118,741
Excess (Deficiency) of Revenues Over (Under) Expenditures	699,400	(1,058,273)	(900,365)	(1,259,238)
Other Financing Sources (Uses):				
Capital lease	168,431	-	-	168,431
Proceeds from sale of assets	6,925	-	-	6,925
Transfers in	-	-	604,855	604,855
Transfers out	(604,855)	-	-	(604,855)
Total other financing sources (uses)	(429,499)	-	604,855	175,356
Net Change in Fund Balance	269,901	(1,058,273)	(295,510)	(1,083,882)
Fund Balance:				
Beginning of year	1,737,192	1,260,624	1,449,121	4,446,937
End of year	\$ 2,007,093	\$ 202,351	\$ 1,153,611	\$ 3,363,055

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

BOROUGH OF GETTYSBURG

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2019

Net Change in Fund Balance - Total Governmental Funds

\$ (1,083,882)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense differs from capital outlays and retirements in the period. Also, transfers to/from business-type activities, capital contributions, and loss on disposal are not reported in the governmental funds.

Depreciation expense	\$ (899,955)	
Loss on disposal	(1,338)	
Transfers of capital assets from business-type activities	198,849	
Capital contribution	175,700	
Capital outlays	<u>2,061,542</u>	1,534,798

Bond, note, and capital lease proceeds are reported as a financing source in governmental funds and, thus, contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities.

(168,431)

Because some taxes and grant revenue will not be collected for several months after the Borough's fiscal year end, they are not considered as "available" revenues in the governmental funds.

(78,231)

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

(11,190)

Governmental funds report repayment of bond, note, and capital lease principal as an expenditure. In contrast, the statement of net position treats such repayments as a reduction in long-term liabilities. This is the amount of repayments.

528,945

Governmental funds report prepaid bond insurance and premiums as expenditures and other financing sources (uses). However, in the statement of activities, these costs are amortized over the life of the related bond. This is the amount of amortization expense for prepaid bond insurance and bond premiums.

(3,219)

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds. This is the difference between the amount incurred and the amount paid for:

Accrued interest expense	1,959	
Compensated absences	(64,779)	
Net pension asset/liability and related deferred outflows and inflows	<u>(18,910)</u>	<u>(81,730)</u>

Change in Net Position - Governmental Activities

\$ 637,060

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

BOROUGH OF GETTYSBURG

STATEMENT OF FUND NET POSITION - PROPRIETARY FUND

DECEMBER 31, 2019

	<u>Major Fund</u> <u>Storm Water</u> <u>Authority</u>
Assets	
<hr/>	
Current assets:	
Cash and cash equivalents	\$ 144,008
Accounts receivable	39,973
Total current assets	<u>183,981</u>
Total Assets	<u><u>\$ 183,981</u></u>
Liabilities and Net Position	
<hr/>	
Liabilities:	
Current liabilities:	
Accounts payable	\$ 17,955
Unearned revenue	202,825
Total current liabilities	<u>220,780</u>
Total Liabilities	<u>220,780</u>
Net Position:	
Unrestricted	<u>(36,799)</u>
Total Net Position	<u>(36,799)</u>
Total Liabilities and Net Position	<u><u>\$ 183,981</u></u>

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

BOROUGH OF GETTYSBURG

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - PROPRIETARY FUND

YEAR ENDED DECEMBER 31, 2019

	<u>Major Fund Storm Water Authority</u>
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	<u>162,050</u>
Transfers of capital assets to governmental activities	<u>(198,849)</u>
Change in Net Position	(36,799)
Net Position:	
Beginning of year	-
End of year	<u>\$ (36,799)</u>

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

BOROUGH OF GETTYSBURG

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

YEAR ENDED DECEMBER 31, 2019

	<u>Major Fund Storm Water Authority</u>
Cash Flows from Operating Activities:	
Receipts from customers	\$ 416,641
Payments to suppliers	<u>(73,784)</u>
Net cash and cash equivalents provided by operating activities	<u>342,857</u>
Cash Flows from Capital and Related Financing Activities:	
Purchase of capital assets on behalf of Borough	<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	<u>-</u>
End of year	<u>\$ 144,008</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	<u>202,825</u>
Net cash and cash equivalents provided by operating activities	<u>\$ 342,857</u>

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

BOROUGH OF GETTYSBURG

STATEMENT OF FIDUCIARY NET POSITION

DECEMBER 31, 2019

	<u>Private Purpose Trust Fund</u>
Assets	
<hr/>	
Investments	<u>\$ 8,576</u>
Net Position	
<hr/>	
Restricted: held in trust for charitable purposes	<u><u>\$ 8,576</u></u>

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

BOROUGH OF GETTYSBURG

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED DECEMBER 31, 2019

	<u>Private Purpose Trust Fund</u>
Additions:	
<u>Interest, dividends, and other</u>	<u>\$ -</u>
Total additions	<u>-</u>
Deductions:	
<u>Administrative</u>	<u>-</u>
Total deductions	<u>-</u>
Change in Plan Net Position	-
Net Position Held in Trust for Charitable Purposes:	
<u>Beginning of year</u>	<u>8,576</u>
End of year	<u><u>\$ 8,576</u></u>

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

BOROUGH OF GETTYSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

1. Summary of Significant Accounting Policies

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

The financial statements of the Borough have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The government's more significant accounting policies are described below.

Reporting Entity

The GASB defines the criteria used to determine the composition of the reporting entity. It requires that the reporting entity include (a) the primary government, (b) organizations for which the primary government is financially accountable and (c) organizations that are fiscally dependent on the primary government and a financial benefit or burden exists, and (d) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for the governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation in some manner for the debt of the organization; or (c) is obligated in some manner for the debt of the organization.

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Some organizations are included as component units because of their fiscal dependency on the primary government. An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes or set rates or charges, or issue bonded debt without approval by the primary government.

Based upon the application of these criteria, the following is a brief review of the potential component unit addressed in defining the government's reporting entity.

The following component unit meets the criteria for blended presentation and is included within the reporting entity as a proprietary fund:

- In November 2018, the Borough approved an ordinance to create and establish the Gettysburg Borough Storm Water Authority (Storm Water Authority), whereby the Storm Water Authority will have such purposes and powers as set forth in the Pennsylvania Municipality Authorities Act including, but not limited to, the administration and assessment of related fees in connection with the construction, operation, maintenance and repairs necessary for the implementation and operation of the Borough's municipal separate storm sewer system. Borough Council appointed the initial five-member Board of the Storm Water Authority when the articles of incorporation were created. Once the initial terms of the Storm Water Authority Board expire, the Storm Water Authority's Board will nominate and appoint all new members. The Authority is reported as a blended component unit due to the appointment of all Board members, existence of a financial benefit or burden relationship, and the operational responsibility of the Storm Water Authority resting with Borough Management. Separate financial statements were issued by the Authority and can be obtained by contacting the Borough.

The following component unit meets the criteria for discrete presentation and is included within the reporting entity:

- The Gettysburg Municipal Authority (Authority) is governed by a board appointed by Borough Council. The Authority owns the water and sewer plant which services the Borough and neighboring townships, Cumberland and Straban. The Borough has also issued general obligation bonds on behalf of the Authority and guaranteed certain other bond issues. The debt service for these bond issues is paid entirely by the Authority. See Note 7 for additional information. Separate financial statements of the Authority are available at the Authority's Administrative office located at 601 East Middle Street, Gettysburg, PA 17325.

BOROUGH OF GETTYSBURG

NOTES TO FINANCIAL STATEMENTS

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Joint Ventures

Gettysburg Area Recreational Authority

On January 28, 2014, the Borough entered into a cooperative agreement with the Township of Cumberland to create the Gettysburg Area Recreation Authority (GARA) for the purpose of providing and managing recreation programs to the citizens of the Borough and the Township. For the year ended December 31, 2019, the total per capita charge paid by the Borough to GARA was \$66,164. Separately published financial statements for GARA are available at the Borough's administrative office.

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

Fund Accounting

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

Governmental Funds

Governmental Funds are those through which most governmental functions of the Borough are financed.

The Borough reports the following major governmental funds:

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

BOROUGH OF GETTYSBURG

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YEAR ENDED DECEMBER 31, 2019

- Capital Projects Fund – This fund is used to account for financial resources that are restricted, committed, or assigned for the acquisition or construction of major capital facilities and other capital assets (other than those financed by enterprise funds).

The Borough reports the following non-major governmental funds:

- Capital Reserve Fund – This fund is used to account for street cutting permit fees that are restricted to pay for future capital improvements.
 - Special Revenue Funds – These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term *proceeds of specific revenue sources* establishes that one or more specific restricted or committed revenues should be the foundation for a special revenue fund. The Borough has the following Special Revenue Funds:
 - *Highway Aid Fund* – is used to account for the proceeds and disposition of state liquid fuels entitlements that are legally restricted to expenditures for specific purposes, primarily building and maintaining local roads and bridges.
 - *Company K Fund* – is used to account for the proceeds and disposition of funds donated to the Borough that are restricted for the perpetual care and maintenance of the Company K Memorial Monument.
 - *Fire Tax Fund* – is used to account for real estate taxes assessed for providing fire protection services within the Borough.
 - *Small Communities Program Fund* – is used to account for the proceeds and disposition of various federal and state grants that are restricted by grant agreements to expenditures for community development projects.
 - *Revolving Loan Fund* – is used to track funds available to provide low interest rate loans to local businesses to help build up the local community and support growth in the area.
 - Debt Service Fund – is used to hold funds necessary to make required annual debt payments of the Borough.
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BOROUGH OF GETTYSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

Proprietary Funds

Proprietary funds focus on the determination of the changes in net position, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service; the Borough has no internal service funds.

- Enterprise Funds - Enterprise funds are used to account for any activity for which a fee is charged to external users for goods or services. The major enterprise fund of the Borough is the Storm Water Authority, which accounts for transactions related to stormwater operations.

Fiduciary Funds

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

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

Basis of Presentation

Government-wide Financial Statements

The statements of net position and activities display information about the Borough as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The Borough's public safety, health and human services, public works (including highways and parking facilities), culture and recreation, community development, and general administrative services are classified as governmental activities. The Borough's Storm Water Authority services are classified as business-type activities. The statements distinguish between these activities of the Borough that are governmental, business-type, and the discretely presented component unit.

The government-wide financial statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund

BOROUGH OF GETTYSBURG

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and fiduciary fund financial statements, but differs from the manner in which governmental fund financials are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide financial statements and statements for governmental funds.

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

Fund Financial Statements

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

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

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 Borough's enterprise funds 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

BOROUGH OF GETTYSBURG

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nonoperating revenues and expenses. The proprietary fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with operations are included in the statement of net position. Net position (i.e., total assets, net of total liabilities) is all shown as unrestricted.

Basis of Accounting

Accrual

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

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

Modified Accrual

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

BOROUGH OF GETTYSBURG

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

Cash and Cash Equivalents

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

Investments

All certificate of deposits with original maturities of more than three months are considered investments. Investments are stated at fair value. The Borough categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

Capital Assets

General capital assets are those assets that generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the governmental fund balance sheet.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their acquisition on the date donated. Acquisition value is the price that the Borough would have paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date. Capital assets with a value of \$1,000 or more are capitalized by the Borough. Infrastructure acquired after January 1, 2003 (in accordance with GASB provisions) is capitalized and depreciated over its estimated useful life. When an asset is disposed of, cost and related accumulated depreciation are removed and any gain or loss arising from its disposal is credited or charged to operations.

BOROUGH OF GETTYSBURG

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YEAR ENDED DECEMBER 31, 2019

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

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

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

Deferred Outflows and Inflows of Resources

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

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

Unearned Revenue

Unearned revenue in the proprietary fund consists of storm water fees either paid or billed prior to year end for the subsequent year. Revenue is not recognized until the year earned.

BOROUGH OF GETTYSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

Net Position

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

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

Deferred outflows of resources and deferred inflows of resources attributable to acquisition, construction, or improvement of capital 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. As of December 31, 2019, restricted net position consisted of:

Restricted for:

Housing and redevelopment	\$	334,184
Highway Department		156,356
Company K maintenance		7,158
Community development		1,090
Fire Department		45,363
Police Department		8,652
	\$	<u>552,803</u>

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

NOTES TO FINANCIAL STATEMENTS

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Net Position Flow Assumption

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

Fund Balance – Governmental Funds

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

- **Nonspendable** – This classification includes amounts that cannot be spent because they are either (1) not in spendable form; or (2) legally or contractually required to be maintained intact. This classification includes items such as prepaid amounts, inventories, and the long-term portion of loans and notes receivable.
- **Restricted** – This classification includes amounts where the constraints placed on the use of resources are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, change or mandate payment and includes a legally enforceable requirement on the use of these funds.
- **Committed** – This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Borough's highest level of decision-making authority. This formal action is in the form of a resolution which is made by the Borough Council. Once an amount is committed, it cannot be used for any other purpose unless changed by the same type of formal action used to initially constrain the funds.
- **Assigned** – This classification includes spendable amounts that are reported in governmental funds other than in the General Fund, that are neither restricted nor committed, and amounts in the General Fund that are intended to be used for a specific purpose. The intent of an assigned fund balance should be expressed by either the Borough Council, or a subordinate high-level body, such as the finance committee,

BOROUGH OF GETTYSBURG

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borough manager, or finance director that is authorized to assign amounts to be used for specific purposes. The assignment of fund balance cannot result in a negative unassigned fund balance.

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

Fund Balance Flow Assumption

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

Minimum Fund Balance Policy

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

The Borough has established a policy to set aside fund balance in the Debt Service Fund at December 31 an amount that is equivalent to a minimum of fifty percent (50%) of the budgeted debt payments for that fiscal year.

BOROUGH OF GETTYSBURG

NOTES TO FINANCIAL STATEMENTS

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Interfund Activity

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

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

Budgets and Budgetary Accounting

Annual budgets are adopted for the General Fund, Fire Tax Fund, Small Communities Program Fund, Company K Memorial Fund, Capital Projects Fund, Debt Service Fund, Capital Reserve Fund, Highway Aid Fund, Revolving Loan Fund, and the Eichelberger-Stahle Charitable Trust Fund. The budgets are prepared on a basis consistent with accounting principles generally accepted in the United States of America. All appropriations lapse at year-end.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures at the date of the financial statements. Actual results could differ from those estimates.

Long-Term Obligations

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

BOROUGH OF GETTYSBURG

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

Pension Plans

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

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

The Borough has established two defined benefit pension plans for the benefit of substantially all full-time employees, the police plan and non-uniformed plan. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. See Note 8 for additional information on these pension plans.

Other Post-Employment Benefits (OPEB)

The Borough offers retirees the option to stay on the Borough's insurance plan, but retirees who elect to participate are required to pay 110% of the premium. The 110% is comprised of the full premium, plus a 10% administrative fee. The Borough assumes no liability or cost related to the retirees participating in the plan.

Compensated Absences

The liability for compensated absences is accounted for in accordance with the provisions of the GASB, which require entities to accrue for employees' rights to receive compensation for

BOROUGH OF GETTYSBURG

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vacation leave, or payments in lieu or accrued vacation or sick leave, as such benefits are earned and payment becomes probable.

Under terms of the Borough's employment agreements, employees are granted vacation, personal, and sick leave in varying amounts. Personal time must be used during the calendar year for all employees and cannot be carried over. Five days of vacation may be carried over from one year to the next. This liability is not significant and is not included in these financial statements. Upon retirement from the Borough, non-uniformed employees and police are reimbursed for accumulated sick leave in accordance with personnel policies.

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

Discretely Presented Municipal Authority

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

Accounts Receivable and Concentration of Credit Risk

The Authority provides water and sewer service to customers within the Gettysburg area. Receivables are recorded at face amount. An allowance for doubtful account of \$74,183 as of December 31, 2019 has been recorded based on management's estimates based on historical collections and the ability to file liens against property.

Unbilled Revenue

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

Capital Assets

Capital assets consist of property and equipment and are stated at cost or, if contributed, at the acquisition value at time of contribution. Depreciation is charged as an expense against

BOROUGH OF GETTYSBURG

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YEAR ENDED DECEMBER 31, 2019

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 infrastructure	5 - 40 years
Wells	25 years
Equipment and lines	5 - 50 years
Lift stations	25 years

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 a calendar year basis. With few exceptions, employees may not accumulate and carryover any unused vacation leave.

Pending Pronouncements

In June of 2017, GASB issued Statement No. 87, "*Leases.*" This Statement improves the accounting and financial reporting for leases. The provisions of GASB Statement No. 87 are effective for the Borough's December 31, 2022 financial statements.

In June of 2018, GASB issued Statement No. 89, "*Accounting for Interest Cost Incurred Before the end of a Construction Period.*" This Statement improves financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period. The resulting information also will enhance the comparability of information about capital assets and the cost of borrowing for a reporting period for both governmental activities and business-type activities. The provisions of GASB Statement No. 89 are effective for the Borough's December 31, 2021 financial statements.

In June of 2020, the GASB issued Statement No. 97, "*Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.*" The primary objectives of this Statement are to: (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans, and employee benefit plans other than pension plans or OPEB plans

BOROUGH OF GETTYSBURG

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(other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The provisions of this Statement are effective for the Borough's December 31, 2022 financial statements.

The effect of implementation of these Statements has not yet been determined.

2. Cash and Investments

Borough

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

- United States Treasury bills.
- Short-term obligations of the United States Government or its agencies or instrumentalities.
- Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund to the extent that such accounts are so insured and, for any amounts above the insured maximum, provided that approved collateral as provided by law therefore shall be pledged by the depository.
- Obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the respective government entity.
- Shares of an investment company registered under the Investment Company Act of 1940.
- Obligations, participations, or other instruments of any federal agency, instrumentality, or United States government-sponsored enterprise if the debt obligations are rated at least "A" or its equivalent.

BOROUGH OF GETTYSBURG

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- Commercial paper issued by corporations or other business entities organized in accordance with federal or state law, with a maturity not to exceed 270 days.
- Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers' acceptances, if the banker's acceptances do not exceed 180 days.
- Negotiable certificates of deposit or other evidences of deposit, with a remaining maturity of three years or less. All certificate of deposits are considered level 1 investments.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Borough's deposits may not be returned to it. The Borough does not have a written policy for custodial credit risk. As of December 31, 2019, the Borough's book balance was \$3,318,038 and the bank balance was \$3,326,084. Of the bank balance, \$642,403 was covered by federal depository insurance and the remaining \$2,683,681 was collateralized under Act No. 72 (Act) of the 1971 Session of the Pennsylvania General Assembly, in which financial institutions were granted the authority to secure deposits of public bodies by pledging a pool of assets, as defined by the Act, to cover all public funds deposited in excess of federal depository insurance limits.

Deposits:	
Governmental activities:	
Unrestricted cash and cash equivalents	\$ 2,079,494
Unrestricted investments	1,085,960
Business-type activities:	
Unrestricted cash and cash equivalents	144,008
Fiduciary funds	8,576
Total deposits	<u>\$ 3,318,038</u>

BOROUGH OF GETTYSBURG

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Discretely Presented Municipal Authority

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

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a written policy for custodial credit risk. As of December 31, 2019, \$5,016,306 of the Authority's bank balance of \$5,317,485 was exposed to custodial credit risk. Included in this amount is \$520,580 of certificates of deposit, which are classified as investments on the statement of net position. Deposits of \$5,016,306 were uninsured and collateralized with securities held by the pledging bank's trust department, but not in the Authority's name.

Included in cash and cash equivalents in the financial statements are pooled investments in the Pennsylvania Local Government Investment Trust (PLGIT) – Class and PLGIT-Prime. PLGIT is an external investment pool. These funds operate similarly to mutual funds that consist of short-term money market instruments and seek to maintain a constant net asset value of \$1 per share. PLGIT is not registered with the Securities and Exchange Commission (SEC); however, PLGIT follows investment procedures similar to those followed by SEC registered money market funds. There is no regulatory oversight for the pools which are governed by the Board of Trustees. The Authority's investments in PLGIT are valued at amortized cost, which approximates fair value and is determined by the pools' share price. The Authority has no limitations or restrictions on withdrawals on accounts held by PLGIT.

3. Taxes Receivable and Deferred Inflows

Property taxes are levied on March 1 for the tax year. Taxes are payable at a 2% discount if paid before May 1 and at a 10% penalty if paid after the due date of June 30. On December 31 of the current year, the bill becomes delinquent and such property taxes are turned over to Adams County for collections and placement of liens, if necessary. Taxes are recorded as revenue by the Borough when received from the tax collector, and accruals are recorded at year-end for taxes expected to be received within 60 days of December 31 in accordance with the modified accrual basis of accounting. The Borough has established an allowance for uncollectible taxes based on an evaluation of historical collections. The total assessed valuation as of December 31, 2019 is \$507,549,800.

BOROUGH OF GETTYSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

Taxes receivable in the balance sheet – governmental funds consists of the following as of December 31, 2019:

Real estate and real estate transfer	\$ 177,005
Fire tax	8,449
Per capita	15,632
Earned income	132,633
Occupational	41,486
Local services tax	57,143
Admission	14,172
Allowance for uncollectible accounts	<u>(42,411)</u>
Total taxes receivable	404,109
Taxes collected within sixty days, recorded as revenues in governmental funds	<u>(230,407)</u>
Taxes estimated to be collected after sixty days, recorded as deferred inflows in governmental funds	<u><u>\$ 173,702</u></u>

4. Interfund Receivables and Payables and Transfers

Borough

Due from/to other funds consist of the following as of December 31, 2019:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 160	\$ 23,323
Capital Projects	-	160
Nonmajor Governmental Fund:		
Capital Reserve Fund	6,904	-
Fire Tax Fund	16,419	-
	<u>\$ 23,483</u>	<u>\$ 23,483</u>

BOROUGH OF GETTYSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

Interfund transfers were as follows during the year ended December 31, 2019:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>
General Fund	Debt Service Fund	<u>\$ 604,855</u>

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

During the year ended December 31, 2019, capital assets totaling \$198,849 were transferred from the Storm Water Authority and business-type activities to governmental activities.

BOROUGH OF GETTYSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

5. Capital Assets

Borough

Capital asset activity for the Borough's governmental activities consists of the following as of and for the year ended December 31, 2019:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Construction in progress	\$ 792,100	\$ 872,843	\$ 727,643	\$ 937,300
Collections	14,150	-	-	14,150
Land	769,565	36,600	-	806,165
Capital assets being depreciated:				
Land improvements	1,104,710	-	-	1,104,710
Infrastructure	13,116,380	1,815,158	-	14,931,538
Buildings and improvements	8,148,628	194,169	-	8,342,797
Machinery and equipment	2,420,290	244,964	221,455	2,443,799
Furniture and fixtures	58,168	-	-	58,168
Total cost	<u>26,423,991</u>	<u>3,163,734</u>	<u>949,098</u>	<u>28,638,627</u>
Less accumulated depreciation:				
Land improvements	(536,397)	(46,865)	-	(583,262)
Infrastructure	(6,331,276)	(466,604)	-	(6,797,880)
Buildings and improvements	(3,650,936)	(213,926)	-	(3,864,862)
Machinery and equipment	(1,751,818)	(172,560)	(220,117)	(1,704,261)
Furniture and fixtures	(58,168)	-	-	(58,168)
Total accumulated depreciation	<u>(12,328,595)</u>	<u>(899,955)</u>	<u>(220,117)</u>	<u>(13,008,433)</u>
Capital assets, net	<u>\$ 14,095,396</u>	<u>\$ 2,263,779</u>	<u>\$ 728,981</u>	<u>\$ 15,630,194</u>

BOROUGH OF GETTYSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

Depreciation expense for the year ended December 31, 2019 was charged as follows:

General government	\$	93,027
Public safety		37,891
Public works		748,086
Culture and recreation		20,951
	\$	<u>899,955</u>

Discretely Presented Municipal Authority

Capital asset activity for the Authority consists of the following as of and for the year ended December 31, 2019:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 392,360	\$ -	\$ -	\$ 392,360
Construction in progress	929,127	768,741	(1,156,538)	541,330
Capital assets being depreciated:				
Building and plant	38,830,085	-	-	38,830,085
Wells	3,379,061	-	-	3,379,061
Lift stations	775,711	-	-	775,711
Utility and general equipment	49,918,461	1,323,311	-	51,241,772
Total cost	<u>94,224,805</u>	<u>2,092,052</u>	<u>(1,156,538)</u>	<u>95,160,319</u>
Less accumulated depreciation:				
Building and plant	(21,655,734)	(1,095,739)	-	(22,751,473)
Wells	(1,798,065)	(102,592)	-	(1,900,657)
Lift stations	(635,251)	(25,374)	-	(660,625)
Utility and general equipment	(21,279,183)	(1,069,683)	-	(22,348,866)
Total accumulated depreciation	<u>(45,368,233)</u>	<u>(2,293,388)</u>	<u>-</u>	<u>(47,661,621)</u>
Capital assets, net	<u>\$ 48,856,572</u>	<u>\$ (201,336)</u>	<u>\$ (1,156,538)</u>	<u>\$ 47,498,698</u>

BOROUGH OF GETTYSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

6. Mortgages and Notes Receivable

The following is a summary of changes in mortgages receivable for the year ended December 31, 2019:

	Beginning Balance	Additions	Reductions	Ending Balance	Accrued Interest	Current Portion
Pathstone Corporation 3rd Mortgage	\$ 59,718	\$ -	\$ -	\$ 59,718	\$ 12,192	\$ -
Pathstone Corporation 4th Mortgage	150,000	-	-	150,000	30,000	-
Pathstone Corporation 5th Mortgage	40,000	-	-	40,000	8,000	-
Subtotal - mortgages	249,718	-	-	249,718	50,192	-
Allowance for uncollectible accounts	(249,718)			(249,718)	(50,192)	-
Net mortgages receivable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Pathstone Corporation 3rd Mortgage

On January 6, 1993, Pathstone Corporation, formerly Gettysburg Scattered Sites Associates, entered into a mortgage with the Borough. The principal amount of \$44,235 was raised to \$59,718 on July 28, 1999 and accrues interest at a rate of 1% per annum. All payments of principal and interest are deferred until the low-income housing project is sold and to the extent that funds are available after repayment of prior liens. Accrued interest as of December 31, 2019 totaled \$12,192.

Pathstone Corporation 4th Mortgage

On January 6, 1993, Pathstone Corporation, formerly Gettysburg Scattered Sites Associates, entered into a mortgage with the Borough. The principal amount of \$150,000 accrues interest at a rate of 1% per annum. All payments of principal and interest are deferred until the low-income housing project is sold and to the extent that funds are available after repayment of prior liens. Accrued interest as of December 31, 2019 of \$30,000 excludes interest through December 31, 1999 of \$10,500, which was forgiven in prior years.

Pathstone Corporation 5th Mortgage

On January 6, 1993, Pathstone Corporation, formerly Gettysburg Scattered Sites Associates, entered into a mortgage with the Borough. The principal amount of \$40,000 accrues interest at a rate of 1% per annum. All payments of principal and interest are deferred until the low-income housing project is sold and to the extent that funds are available after repayment of

BOROUGH OF GETTYSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

prior liens. Accrued interest as of December 31, 2019 of \$8,000 excludes the accrued interest that was rolled into principal during 1999.

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

7. Long-Term Liabilities

Borough

The changes in long-term liabilities during the year ended December 31, 2019 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds and notes payable:					
2015 PIB Loan	\$ 300,012	\$ -	\$ (37,929)	\$ 262,083	\$ 38,548
2016 GO Bond	5,840,000	-	(425,000)	5,415,000	460,000
Bond (Discount)/Premium	83,942	-	(7,748)	76,194	-
Subtotal - bonds and notes	6,223,954	-	(470,677)	5,753,277	498,548
Capital lease payable	146,466	168,431	(66,016)	248,881	80,654
Compensated absences	262,407	65,803	(1,024)	327,186	16,690
Total long-term liabilities	<u>\$ 6,632,827</u>	<u>\$ 234,234</u>	<u>\$ (537,717)</u>	<u>\$ 6,329,344</u>	<u>\$ 595,892</u>

Bonds and Notes Payable

PIB Loan of 2015 (Private Placement)

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

In the event of any default, the unpaid principal balance plus any accrued interest plus any other sums payable under this agreement shall become due and payable immediately, as defined in the loan agreement.

BOROUGH OF GETTYSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

General Obligation Bonds – Series of 2016

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

In the event of any default, such defaulted payment shall be payable to the person in whose name the 2016 Bonds are registered at the close of business on a special record date, as defined in the bond documents.

The following is a schedule by years and in the aggregate of future minimum debt principal and interest payments as of December 31, 2019.

	2015 PIB Loan		2016 GO Bond (Borough Portion)		Governmental Activities Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 38,548	\$ 4,103	\$ 460,000	\$ 119,733	\$ 498,548	\$ 123,836
2021	39,177	3,474	490,000	105,933	529,177	109,407
2022	39,816	2,835	505,000	91,324	544,816	94,159
2023	40,466	2,185	515,000	81,133	555,466	83,318
2024	41,126	1,525	525,000	70,833	566,126	72,358
2025-2029	62,950	1,026	2,920,000	186,502	2,982,950	187,528
	<u>\$ 262,083</u>	<u>\$ 15,148</u>	<u>\$ 5,415,000</u>	<u>\$ 655,458</u>	<u>\$ 5,677,083</u>	<u>\$ 670,606</u>

Interest Expense

For the year ended December 31, 2019, the Borough incurred interest expense of \$149,263.

BOROUGH OF GETTYSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

Discretely Presented Municipal Authority

The changes in long-term liabilities during the year ended December 31, 2019 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
2012 GO Bonds - sewer	\$ 4,220,000	\$ -	\$ (815,000)	\$ 3,405,000	\$ 796,761
Unamortized premium	60,452	-	(11,855)	48,597	33,684
	<u>4,280,452</u>	<u>-</u>	<u>(826,855)</u>	<u>3,453,597</u>	<u>830,445</u>
2015 Sewer revenue bonds	5,315,000	-	(5,000)	5,310,000	5,000
Unamortized premium	19,610	-	(1,238)	18,372	1,238
	<u>5,334,610</u>	<u>-</u>	<u>(6,238)</u>	<u>5,328,372</u>	<u>6,238</u>
2016 Sewer revenue bonds	6,430,000	-	(55,000)	6,375,000	55,000
Unamortized discount	(43,074)	-	3,950	(39,124)	(3,950)
	<u>6,386,926</u>	<u>-</u>	<u>(51,050)</u>	<u>6,335,876</u>	<u>51,050</u>
Total long-term liabilities	<u>\$ 16,001,988</u>	<u>\$ -</u>	<u>\$ (884,143)</u>	<u>\$ 15,117,845</u>	<u>\$ 887,733</u>

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

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

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

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

BOROUGH OF GETTYSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

In the event of any default, receipts and revenues from the sewer system will be transferred to the paying agent in an amount at least equal to the requirements of the sinking fund and/or use to make any other required payments.

Sewer Revenue Bonds – Series of 2015 – In May 2015, the Authority issued Revenue Bonds in the principal amount of \$5,355,000 to fund capital improvements to its public sanitary sewer system and to pay the costs of issuing and insuring the bonds. The Borough guaranteed the payment of the bonds by pledging its full faith, credit, and taxing power. The bonds are payable in annual principal installments ranging from \$5,000 to \$1,315,000 through November 15, 2034, with interest ranging from 2.00% to 4.00%.

In the event of any default, the Trustee may request receipt of not less than 25% in aggregate principal amount and will proceed to protect and enforce its rights and the rights of the Bondholders by the exercise of proper legal remedies, as advised by counsel, as the most effectual.

Sewer Revenue Bonds – Series of 2016 – In June 2016, the Authority issued Revenue Bonds in the principal amount of \$6,540,000 to refund the 2010 Sewer Revenue Bonds. The Borough guaranteed the payment of the bonds by pledging its full faith, credit, and taxing power. The bonds are payable from revenues of the Authority. Principal installments range from \$20,000 to \$1,080,000 through November 15, 2029, with interest rates ranging from 2.00% to 2.50%.

In the event of any default, the Trustee may request receipt of not less than 25% in aggregate principal amount and will proceed to protect and enforce its rights and the rights of the Bondholders by the exercise of proper legal remedies, as advised by counsel, as the most effectual.

General Obligation Bonds Water – Series of 2016 – In June 2016, the Borough issued General Obligation Bonds to presently refund the 2010 General Obligation Bonds. The Authority portion of this issuance in the amount of \$1,340,000 was payable from the revenues of the Authority. Annual installments ranged from \$200,000 to \$565,000 through November 15, 2018, with interest ranging from 2.00% to 3.00%.

BOROUGH OF GETTYSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

The following is a schedule by years and in the aggregate of future minimum debt principal and interest payments required at December 31, 2019.

	Total	
	Principal	Interest
2020	\$ 895,000	\$ 415,638
2021	910,000	397,740
2022	930,000	379,472
2023	950,000	358,580
2024	970,000	335,200
2025-2029	5,185,000	1,351,061
2030-2034	5,250,000	523,668
	<u>\$ 15,090,000</u>	<u>\$ 3,761,359</u>

Interest Expense

For the year ended December 31, 2019, the Authority incurred interest expense of \$471,625.

Capital Leases

The Borough is financing various equipment through capital leases with vendors. At December 31, 2019, the leased assets have a gross capitalized value of \$388,159 and accumulated depreciation of \$76,945, leaving a net book value of \$311,214 that is included in capital assets.

The aggregate amount of future payments required on capital leases at December 31, 2019 is as follows:

2020	\$ 91,957
2021	72,281
2022	72,281
2023	24,410
2024	12,590
	<u>273,519</u>
Less: amount representing interest	<u>(24,638)</u>
	<u>\$ 248,881</u>

BOROUGH OF GETTYSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

8. Pension Plans

General Information About the Pension Plans - Borough

Plan Description

The Borough contributes to two defined benefit pension plans: The Police Pension Plan and Non-Uniformed Pension Plan. The plans are administered by the Municipal Retirement Trust (MRT). MRT is a multiple-employer trust that pools the investments of all participants. Separate accounts are maintained for each employer and this is considered an agent multiple-employer plan. MRT issues financial statements, which may be obtained by writing to Municipal Retirement Trust, 2941 North Front Street, Harrisburg, PA 17110.

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

The Borough does not issue stand-alone financial reports for the police and non-uniformed pension plans.

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

Non-Uniformed Pension Plan Description – The Plan covers all full-time non-uniformed employees as of the first day of a participant's employment. The plan provides retirements, disability, and death benefits to plan members and their beneficiaries.

Benefits Provided

Police Pension Plan Benefits

Vesting – Members are 100% vested after 12 years of service.

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

BOROUGH OF GETTYSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

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

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

Non-Uniformed Pension Plan Benefits

Vesting – Members are 40% vested after four years of service and 10% additionally for each year thereafter. Members are fully vested after 10 years of service.

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

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

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

Disability benefit service and non-service related – A monthly benefit equal to the accrued benefit at disablement, reduced for early commencement.

Contribution Requirements for Both Plans

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

The Commonwealth of Pennsylvania allocated General Municipal Pension System State Aid to individual municipalities under Act 205 of the Pennsylvania legislature. The monies received

BOROUGH OF GETTYSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

must be contributed to the pension plans within a certain period of time. Any funding requirements in excess of state aid must be paid by the municipality in accordance with Act 205. The annual required contributions and contributions made were as follows:

	<u>Police</u>	<u>Non-Uniformed</u>
Annual required contribution	\$ 116,126	\$ 157,968
Contributions made - employer	(13,716)	(65,799)
Contributions made - state	(102,410)	(92,169)
Amount under (over) required contribution	<u>\$ -</u>	<u>\$ -</u>

Plan Membership

	<u>Police</u>	<u>Non-Uniformed</u>
Active plan members	12	19
Inactive plan members or beneficiaries currently receiving benefits	12	22
Inactive plan members entitled to, but not yet receiving benefits	<u>2</u>	<u>8</u>
Total	<u>26</u>	<u>49</u>

Net Pension Liability (Asset)

Actuarial Methods and Assumptions

An actuarial valuation of the total pension liability is performed biennially. The total pension liabilities as of December 31, 2019 were determined as part of actuarial valuations at January 1, 2019. Updated procedures were used to roll forward the liabilities to the plan's fiscal year ending December 31, 2019.

BOROUGH OF GETTYSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

The reports were based upon the Plans' actuarial assumptions, asset valuation methods, and cost methods as described below, applied to all periods in the measurement:

	Police Pension Plan	Non-Uniformed Pension Plan
Actuarial cost method	Entry age	Entry age
Amortization method	Level dollar	Level dollar
Inflation	2.25%	2.25%
Salary increases	4.50%	4.25%
Investment rate of return *	7.25%	7.25%

* Net of pension plan investment expense, including inflation

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

Long-Term Expected Rate of Return

The long-term expected rate of return on the Plans' investments was determined using an asset allocation study conducted by the Plans' investment management consultant in December 2019 in which best-estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major class asset. These ranges were combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Rate of Return

For the year ended December 31, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 15.92% for the Police Pension Plan and 16.10% for the Non-Uniformed Plan. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

BOROUGH OF GETTYSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

Investment Policy

The Plans' investment policy has been delegated to the MRT in regard to the allocation of invested plan assets. The investment policy is established and may be amended by the MRT Board of Trustees. The MRT provides two investment options – the Balanced Fund and the Fixed Income Fund. The investment objective of the Balanced Fund is long-term growth and income expected to earn returns comprised of long-term capital appreciation and substantial current income. The objective of the investment strategy is to reduce risk while maximizing returns through the prudent diversification of the portfolio in order to maintain a fully funded status and meet the benefit and expense obligations when due.

Best-estimates or arithmetic real rates of return (excluding investment expense) for each major asset class included in the Plans' target asset allocations as of December 31, 2019 are listed in the following table:

	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity		
Large Cap - Growth	12.00%	
Large Cap - Value	12.00%	
Large Cap- Core	13.00%	
Medium and Small Cap	8.00%	
International Equity	15.00%	
Fixed Income	33.00%	
Alternative/Real Estate	7.00%	
Cash	0.00%	
	<u>100.00%</u>	<u>4.75%</u>
Inflation expectation excluded above		<u>2.25%</u>
Long-term expected rate of return (including inflation)		<u>7.00%</u>

Discount Rate

The discount rate used to measure the total pension liability was 7.25% for both plans. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that municipal contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based upon the Plans' current target investment allocation and the

BOROUGH OF GETTYSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

associated long-term expected investment returns for its asset classes, the Plans' long-term returns may be less than its actuarial discount rate assumption used to determine its pension liability. This may result in future increased total and net pension liability (asset).

BOROUGH OF GETTYSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

Changes in the Net Pension (Asset) Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a-b)
Police Pension Plan			
Balances at December 31, 2018	\$ 4,553,899	\$ 4,711,540	\$ (157,641)
Changes for the year:			
Service cost	139,890	-	139,890
Interest	349,482	-	349,482
Difference between expected and experience actual	281,540	-	281,540
Contributions - employer	-	116,126	(116,126)
Net investment income	-	750,491	(750,491)
Benefit payments, including refunds of employee contributions	(309,789)	(309,789)	-
Administrative expenses	-	(43,038)	43,038
Net changes	<u>461,123</u>	<u>513,790</u>	<u>(52,667)</u>
Balances at December 31, 2019	<u>\$ 5,015,022</u>	<u>\$ 5,225,330</u>	<u>\$ (210,308)</u>
Plan fiduciary net position as a percentage of total pension liability			<u>104%</u>
Non-Uniformed Pension Plan			
Balances at December 31, 2018	\$ 3,358,964	\$ 3,067,025	\$ 291,939
Changes for the year:			
Service cost	80,941	-	80,941
Interest	231,763	-	231,763
Difference between expected and experience actual	(164,988)	-	(164,988)
Contributions - employer	-	157,968	(157,968)
Net investment income	-	493,850	(493,850)
Benefit payments, including refunds of employee contributions	(156,371)	(156,371)	-
Administrative expenses	-	(31,585)	31,585
Net changes	<u>(8,655)</u>	<u>463,862</u>	<u>(472,517)</u>
Balances at December 31, 2019	<u>\$ 3,350,309</u>	<u>\$ 3,530,887</u>	<u>\$ (180,578)</u>
Plan fiduciary net position as a percentage of total pension liability			<u>105%</u>

BOROUGH OF GETTYSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

Sensitivity of the Net Pension (Asset) Liability to Changes in the Discount Rate

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Police Pension Plan:			
Net pension liability (asset)	\$ 370,807	\$ (210,308)	\$ (700,207)
Non-Uniformed Pension Plan:			
Net pension liability (asset)	\$ 153,856	\$ (180,578)	\$ (469,103)

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

For the year ended December 31, 2019, the governmental activities recognized pension expense of \$293,004. At December 31, 2019, the Borough reported deferred inflows of resources related to pensions from the following sources:

	Police Pension Plan	Non-Uniformed Pension Plan	Total Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 61,791	\$ 43,476	\$ 105,267
Differences between expected and actual experience	240,219	192,917	433,136
	<u>\$ 302,010</u>	<u>\$ 236,393</u>	<u>\$ 538,403</u>

BOROUGH OF GETTYSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

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

	<u>Total</u>
Year Ended December 31	
2020	\$ (152,407)
2021	(151,829)
2022	(40,445)
2023	(215,115)
2024	(38,753)
Thereafter	<u>60,146</u>
	<u>\$ (538,403)</u>

Discretely Presented Municipal Authority

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, 2020 pension plan membership consisted of the following:

Active plan members	16
Inactive plan members or beneficiaries currently receiving benefits	4
Inactive plan members entitled to, but not yet receiving benefits	<u>2</u>
Total	<u><u>22</u></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

BOROUGH OF GETTYSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

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 average annual earnings with the amount being reduced by 1/26th for each year of service at 62 less than 26 years. The Authority's policy is to fund normal service cost currently.

Financial Reports

The Authority does not issue stand-alone financial reports for its pension plans; however, the Authority's separately issued financial statements include disclosures on pension plan investments. As such, pension plan investment disclosures for the Authority are not disclosed herein.

Contributions

Act 205 requires that annual contributions be based upon the calculation of the 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, 2019, the Authority's contribution was \$186,362 and the average contribution rate was 19.22 percent of annual payroll.

Rate of Return

For the year ended December 31, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 21.64%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing accounts actually received.

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

At December 31, 2019, the Authority reported a liability of \$304,062 in the statement of net position. The net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was based upon the actuarial valuation of January 1, 2020. For the year ended December 31, 2019, the Authority recognized pension expense of \$167,535.

BOROUGH OF GETTYSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

The changes in the total pension liability, the plan fiduciary net position, and the net pension liability as of and for the year ended December 31, 2019 were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a-b)
Balances at December 31, 2018	\$ 3,290,860	\$ 2,607,388	\$ 683,472
Changes for the year:			
Service cost	59,107	-	59,107
Interest	215,269	-	215,269
Change in assumptions	63,859	-	63,859
Differences between expected and actual experience	19,198	-	19,198
Contributions - employer	-	186,362	(186,362)
Net investments income	-	574,125	(574,125)
Benefit payments, including refunds of member contributions	(70,410)	(70,410)	-
Administrative expenses	-	(23,644)	23,644
Net changes	287,023	666,433	(379,410)
Balances at December 31, 2019	<u>\$ 3,577,883</u>	<u>\$ 3,273,821</u>	<u>\$ 304,062</u>
Plan fiduciary net position as a percentage of the total pension liability			<u>91.50%</u>

BOROUGH OF GETTYSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

At December 31, 2019, the Authority reported deferred outflows and inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 18,322	\$ 15,592
Difference in assumption change	193,710	10,104
Net difference between projected and actual earnings on pension plan investments	-	218,791
	<u>\$ 212,032</u>	<u>\$ 244,487</u>

The amounts reported as deferred outflows and inflows of resources related to pensions at December 31, 2019 will be recognized in pension expense as follows:

Year Ended December 31	Amount
2020	\$ 19,941
2021	18,207
2022	(7,826)
2023	(62,777)
	<u>\$ (32,455)</u>

Actuarial Methods and Assumptions

Valuation Date:	1/1/20
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

BOROUGH OF GETTYSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

Mortality rates were based on the sex distinct RP-2014 Employee, Health Annuitant and Disabled Retiree Mortality Tables projected with scale MP-2019. This assumption was changed from scale MP-2018 during the year.

The actuarial assumptions used in the January 1, 2020 valuation were based on actual experience study for the period January 1, 2019 through December 31, 2019.

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, 2019 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
Domestic and internal equities	65%	5.5%
Fixed income	35%	1.5%
Real estate	0%	4.0%
Cash	0%	0.0%
*Net of expected inflation of 2.5% per annum	<u>100%</u>	

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.

BOROUGH OF GETTYSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

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

The following present 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%) 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>\$ 544,263</u>	<u>\$ 304,062</u>	<u>\$ (51,392)</u>

9. Risk Management

Borough

The Borough is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Borough purchases commercial insurance coverage for these types of losses, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. In addition, the Borough provides unemployment compensation coverage through a risk pool sponsored by the Pennsylvania State Association of Boroughs (PSAB).

Discretely Presented Municipal Authority

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

BOROUGH OF GETTYSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

is calculated and received by the Authority several months after year end. Total payments by the Authority to PMHIC for the year ended December 31, 2019 were \$640,669. The Authority also received refunds from PMHIC in the amount of \$102,657 during the year ended December 31, 2019.

10. Commitments and Contingencies

Borough

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

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

The Borough is committed for capital project disbursements in the amount of \$111,704 as of December 31, 2019.

Discretely Presented Municipal Authority

During 2017, the Authority issued Revenue Bonds to provide financial assistance to Gettysburg College (College). Bonds are issued by the Authority and then the Authority assigns all rights, title, and interest in, and all sums payable by the entity to the bond holders. The bonds are fully secured by the College. The Authority is not obligated in any manner for repayment of the debt. Consequently, this debt and the corresponding receivable are not reflected in these financial statements. As of December 31, 2019, the outstanding bond balance under the conduit debt arrangement with Gettysburg College was \$19,860,000.

BOROUGH OF GETTYSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

11. Governmental Funds – Fund Balance

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

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances:				
Nonspendable:				
Prepays	\$ 184,384	\$ -	\$ -	\$ 184,384
Inventory	12,695	-	-	12,695
Total nonspendable	<u>197,079</u>	<u>-</u>	<u>-</u>	<u>197,079</u>
Restricted for:				
Housing and redevelopment	-	-	334,184	334,184
Future capital expenditures	-	202,351	238,497	440,848
Company K maintenance	-	-	7,158	7,158
Highway Department	-	-	156,356	156,356
Community development	-	-	1,090	1,090
Police Department	8,652	-	-	8,652
Fire Department	-	-	45,363	45,363
Total restricted	<u>8,652</u>	<u>202,351</u>	<u>782,648</u>	<u>993,651</u>
Committed for:				
Debt service payments	-	-	370,963	370,963
Assigned for:				
Technology upgrades	3,500	-	-	3,500
Debt service payments	604,855	-	-	604,855
Total assigned	<u>608,355</u>	<u>-</u>	<u>-</u>	<u>608,355</u>
Unassigned	<u>1,193,007</u>	<u>-</u>	<u>-</u>	<u>1,193,007</u>
Total fund balances	<u>\$ 2,007,093</u>	<u>\$ 202,351</u>	<u>\$ 1,153,611</u>	<u>\$ 3,363,055</u>

BOROUGH OF GETTYSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

12. Rental Income

The Authority has several leases with cell phone companies to lease space on water towers for the placement of cell phone antennas. Rental income from these leases was \$134,050 for the year ended December 31, 2019.

Minimum rental income, assuming renewals, under long-term leases for the subsequent years are as follows:

Year	Amount
2020	\$ 137,304
2021	110,815
2022	58,867
2023	60,633
	<u>\$ 367,619</u>

13. Insurance

During the year ended December 31, 2019, the Borough entered into an intergovernmental cooperation agreement with other local municipalities for the purpose of selecting and contracting with a common insurance carrier to realize certain economies of scale in providing for the various types of insurance required to be maintained by the Borough. The agreement has a perpetual duration and shall continue until terminated pursuant to terms and conditions as defined therein. The contract with the insurance carrier includes a \$25,000 maximum loss per occurrence per policy year. The Borough pays premiums for reinsurance, as there is an overall plan loss limitation, which is recalculated annually. The Borough is responsible for its share of cross recovery of all municipalities. During the year ended December 31, 2019, the Borough paid \$12,590 towards cross recovery.

During the year ended December 31, 2019, the Borough began participating in the Pennsylvania Municipal Health Insurance Cooperative (PMHIC). The PMHIC is a public entity risk pool established by certain units of local government in Pennsylvania to provide health and welfare plan benefits directly to eligible employees, their families, and dependents.

BOROUGH OF GETTYSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

The PMHIC receives, processes, and pays such claims as may come within the benefit program of each member. Management consists of a Board of Directors comprised of one appointed representative from each member. The department does not exercise any control of the activities of the PMHIC beyond its representation on the Board of Directors.

The following is a reconciliation of changes in estimated claims for health and welfare plan costs for the year ended December 31, 2019:

Borough funding	\$ 395,214
Claims paid	(265,387)
Specific/projected reimbursements	-
Anticipated cross recovery	<u>(12,590)</u>
Available for benefits	<u>\$ 117,237</u>

In May 2020, the Borough received a refund in the amount of \$58,618 from PMHIC for surplus contributions.

14. Legal Matters

The Borough is currently involved in legal matters. At this point, it is not possible to determine the outcome of these issues, but it is the opinion of management that it will have no material effect on the Borough's financial statements.

15. Subsequent Events

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 Borough's operational and financial performance is currently uncertain and cannot be predicted.

**REQUIRED SUPPLEMENTARY
INFORMATION**

BOROUGH OF GETTYSBURG

REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF CHANGES IN THE NET PENSION (ASSET) LIABILITY AND RELATED RATIOS - POLICE PENSION PLAN

	2019*	2018*	2017*	2016*	2015*	2014*
Total Pension Liability:						
Service cost	\$ 139,890	\$ 122,656	\$ 117,374	\$ 123,514	\$ 118,195	\$ 122,154
Interest	349,482	317,692	306,543	341,605	326,156	322,548
Benefit payments, including refunds	(309,789)	(291,505)	(259,322)	(257,206)	(215,937)	(205,296)
Difference between expected and actual experience	281,540	-	(684,337)	-	(180,363)	-
Net Changes in Total Pension Liability	461,123	148,843	(519,742)	207,913	48,051	239,406
Total Pension Liability - Beginning	4,553,899	4,405,056	4,924,798	4,716,885	4,668,834	4,429,428
Total Pension Liability - Ending (a)	\$5,015,022	\$4,553,899	\$4,405,056	\$4,924,798	\$4,716,885	\$4,668,834
Plan Fiduciary Net Position:						
Contributions	\$ 116,126	\$ 111,208	\$ 105,830	\$ 117,676	\$ 197,349	\$ 151,760
Net investment income (loss)	750,491	(237,016)	613,098	213,509	(31,878)	278,871
Benefit payments, including refunds	(309,789)	(291,505)	(259,322)	(257,206)	(215,937)	(205,296)
Administrative expense	(43,038)	(38,303)	(42,187)	(42,488)	(42,350)	(42,321)
Net Change in Plan Fiduciary Net Position	513,790	(455,616)	417,419	31,491	(92,816)	183,014
Plan Fiduciary Net Position - Beginning	4,711,540	5,167,156	4,749,737	4,718,246	4,811,062	4,628,048
Plan Fiduciary Net Position - Ending (b)	\$5,225,330	\$4,711,540	\$5,167,156	\$4,749,737	\$4,718,246	\$4,811,062
Net Pension (Asset) Liability - Ending (a-b)	\$ (210,308)	\$ (157,641)	\$ (762,100)	\$ 175,061	\$ (1,361)	\$ (142,228)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	104.19%	103.46%	117.30%	96.45%	100.03%	103.05%
Covered Payroll	\$ 700,000	\$ 672,264	\$ 676,810	\$ 760,000	\$ 853,776	\$ 746,554
Net Pension (Asset) Liability as a Percentage of Covered Payroll	-30.04%	-23.45%	-112.60%	23.03%	-0.16%	-19.05%

* This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the Borough is presenting information for those years only for which information is available.

See accompanying note to required supplementary information - pension plans.

BOROUGH OF GETTYSBURG

REQUIRED SUPPLEMENTARY INFORMATION -

SCHEDULE OF CHANGES IN THE NET PENSION (ASSET) LIABILITY AND RELATED RATIOS - NON-UNIFORMED PENSION PLAN

	2019*	2018*	2017*	2016*	2015*	2014*
Total Pension Liability:						
Service cost	\$ 80,941	\$ 72,532	\$ 69,575	\$ 70,435	\$ 67,564	\$ 73,822
Interest	231,763	232,053	220,493	223,438	211,228	189,684
Difference between expected and actual experience	(164,988)	-	(214,271)	-	145,596	-
Benefit payments, including refunds	(156,371)	(147,650)	(119,498)	(119,215)	(107,282)	(104,098)
Net Changes in Total Pension Liability	(8,655)	156,935	(43,701)	174,658	317,106	159,408
Total Pension Liability - Beginning	3,358,964	3,202,029	3,245,730	3,071,072	2,753,966	2,594,558
Total Pension Liability - Ending (a)	\$ 3,350,309	\$ 3,358,964	\$ 3,202,029	\$ 3,245,730	\$ 3,071,072	\$ 2,753,966
Plan Fiduciary Net Position:						
Contributions	\$ 157,968	\$ 162,477	\$ 140,573	\$ 145,566	\$ 154,815	\$ 103,089
Net investment income (loss)	493,850	(153,149)	373,527	126,642	(18,771)	157,797
Benefit payments, including refunds	(156,371)	(147,650)	(119,498)	(119,215)	(107,282)	(104,098)
Administrative expense	(31,585)	(25,517)	(30,865)	(24,489)	(29,667)	(27,054)
Net Change in Plan Fiduciary Net Position	463,862	(163,839)	363,737	128,504	(905)	129,734
Plan Fiduciary Net Position - Beginning	3,067,025	3,230,864	2,867,127	2,738,623	2,739,528	2,609,794
Plan Fiduciary Net Position - Ending (b)	\$ 3,530,887	\$ 3,067,025	\$ 3,230,864	\$ 2,867,127	\$ 2,738,623	\$ 2,739,528
Net Pension (Asset) Liability - Ending (a-b)	\$ (180,578)	\$ 291,939	\$ (28,835)	\$ 378,603	\$ 332,449	\$ 14,438
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	105.39%	91.31%	100.90%	88.34%	89.17%	99.48%
Covered Payroll	\$ 840,000	\$ 895,127	\$ 832,974	\$ 900,000	\$ 899,614	\$ 744,694
Net Pension (Asset) Liability as a Percentage of Covered Payroll	-21.50%	32.61%	-3.46%	42.07%	36.95%	1.94%

* This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the Borough is presenting information for those years only for which information is available.

See accompanying note to required supplementary information - pension plans.

BOROUGH OF GETTYSBURG

REQUIRED SUPPLEMENTARY INFORMATION -

SCHEDULE OF BOROUGH CONTRIBUTIONS AND INVESTMENT RETURNS - POLICE PENSION PLAN

	2019*	2018*	2017*	2016 *	2015 *	2014 *
Schedule of Borough Contributions						
Actuarially determined contribution under Act 205	\$ 116,126	\$ 111,208	\$ 105,830	\$ 117,676	\$ 197,349	\$ 151,760
Contributions in relation to the actuarially determined contribution	116,126	111,208	105,830	117,676	197,349	151,760
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 700,000	\$ 672,264	\$ 676,810	\$ 760,000	\$ 853,776	\$ 746,554
Contributions as a percentage of covered payroll	16.59%	16.54%	15.64%	15.48%	23.11%	20.33%
Investment Returns						
Annual money-weighted rate of return, net of investment expense	15.92%	-4.59%	12.91%	4.53%	-0.68%	6.15%

* This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the Borough is presenting information for those years only for which information is available.

See accompanying note to required supplementary information - pension plans.

BOROUGH OF GETTYSBURG

REQUIRED SUPPLEMENTARY INFORMATION -

SCHEDULE OF BOROUGH CONTRIBUTIONS AND INVESTMENT RETURNS - NON-UNIFORMED PENSION PLAN

	2019*	2018*	2017*	2016 *	2015 *	2014 *
Schedule of Borough Contributions						
Actuarially determined contribution under Act 205	\$ 157,968	\$ 162,477	\$ 140,573	\$ 145,566	\$ 154,815	\$ 103,089
Contributions in relation to the actuarially determined contribution	157,968	162,477	140,573	145,566	154,815	103,089
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 840,000	\$ 895,127	\$ 832,974	\$ 900,000	\$ 899,614	\$ 744,694
Contributions as a percentage of covered payroll	18.81%	18.15%	16.88%	16.17%	17.21%	13.84%
Investment Returns						
Annual money-weighted rate of return, net of investment expense	16.10%	-4.74%	13.03%	4.62%	-0.82%	6.14%

* This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the Borough is presenting information for those years only for which information is available.

See accompanying note to required supplementary information - pension plans.

BOROUGH OF GETTYSBURG

REQUIRED SUPPLEMENTARY INFORMATION -

SCHEDULE OF CHANGES IN THE NET PENSION (ASSET) LIABILITY AND RELATED RATIOS - GETTYSBURG MUNICIPAL AUTHORITY PENSION PLAN

	2019*	2018*	2017*	2016*	2015*	2014*
Total Pension Liability:						
Service cost	\$ 59,107	\$ 65,483	\$ 63,435	\$ 58,261	\$ 66,623	\$ 47,674
Interest	215,269	204,101	193,185	153,530	138,255	129,126
Difference between expected and actual experience	19,198	(17,424)	7,410	(15,414)	84,260	(1,592)
Changes in assumptions	63,859	(7,906)	(13,399)	427,866	-	-
Benefit payments, including refunds of member contributions	(70,410)	(60,925)	(112,881)	(35,932)	(34,671)	(34,761)
Net Changes in Total Pension Liability	287,023	183,329	137,750	588,311	254,467	140,447
Total Pension Liability - Beginning	3,290,860	3,107,531	2,969,781	2,381,470	2,127,003	1,986,556
Total Pension Liability - Ending (a)	\$3,577,883	\$3,290,860	\$3,107,531	\$2,969,781	\$2,381,470	\$2,127,003
Plan Fiduciary Net Position:						
Contributions	\$ 186,362	\$ 188,081	\$ 130,176	\$ 131,442	\$ 146,154	\$ 145,425
Net investment income (loss)	574,125	(123,614)	355,125	128,680	(2,542)	109,317
Benefit payments, including refunds	(70,410)	(60,925)	(112,881)	(35,932)	(34,671)	(34,671)
Administrative expense	(23,644)	(21,254)	(19,012)	(16,782)	(16,145)	(14,628)
Net Change in Plan Fiduciary Net Position	666,433	(17,712)	353,408	207,408	92,796	205,443
Plan Fiduciary Net Position - Beginning	2,607,388	2,625,100	2,271,692	2,064,284	1,971,488	1,766,045
Plan Fiduciary Net Position - Ending	\$3,273,821	\$2,607,388	\$2,625,100	\$2,271,692	\$2,064,284	\$1,971,488
Net Pension Liability - Ending (a-b)	\$ 304,062	\$ 683,472	\$ 482,431	\$ 698,089	\$ 317,186	\$ 155,515
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	91.50%	79.23%	84.48%	76.49%	86.68%	92.69%
Covered Payroll	\$ 969,876	\$ 949,111	\$ 980,371	\$ 964,800	\$1,007,800	\$ 925,038
Net Pension Liability as a Percentage of Covered Payroll	31.35%	72.01%	49.21%	72.36%	31.47%	16.81%

* This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the Authority is presenting information for those years only for which information is available.

See accompanying note to required supplementary information - pension plans.

BOROUGH OF GETTYSBURG

REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF CONTRIBUTIONS AND INVESTMENT RETURNS - GETTYSBURG MUNICIPAL AUTHORITY PENSION PLAN

	2019*	2018*	2017*	2016 *	2015 *	2014 *	2013	2012	2011	2010
Schedule of Authority Contributions										
Actuarially determined contribution under Act 205	\$ 186,362	\$ 188,081	\$ 130,176	\$ 131,442	\$ 146,154	\$ 145,425	\$ 145,733	\$ 137,430	\$ 126,134	\$ 114,727
Contributions in relation to the actuarially determined contribution	186,362	188,081	130,176	131,442	146,154	145,425	145,733	137,430	240,861	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (114,727)	\$ 114,727
Covered payroll	\$ 969,876	\$ 949,111	\$ 980,371	\$ 964,800	\$ 1,007,800	\$ 925,038	\$ 962,847	\$ 929,486	\$ 888,118	\$ 808,493
Contributions as a percentage of covered payroll	19.22%	19.82%	13.28%	13.62%	14.50%	15.72%	15.14%	14.79%	14.20%	14.19%
Investment Returns										
Annual money-weighted rate of return, net of investment expense	21.64%	-4.62%	15.64%	6.08%	-0.95%	5.20%				

* This schedule is intended to illustrate information for 10 years. However, until a full 10-year trend is compiled, the Authority is presenting information for those years only for which information is available.

See accompanying note to required supplementary information - pension plans.

BOROUGH OF GETTYSBURG

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

PENSION PLANS

1. Actuarial Methods and Assumptions

Borough

The information presented in the required supplementary information was determined as part of the actuarial valuations at the dates indicated. Methods and assumptions used to determine contribution rates for the Police Plan and Non-Uniformed Plan required under Act 205 are as follows:

	Police Plan	Non-Uniformed Plan
Actuarial valuation date	1/1/2017	1/1/2017
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level dollar closed	Level dollar closed
Remaining amortization period	N/A	3 years
Asset valuation method	Market value	Market value
Actuarial assumptions:		
Investment rate of return	7.25%	7.25%
Projected salary increases	4.50%	4.25%
Underlying inflation rate	2.25%	2.25%
Mortality table	Blue Collar RP2000 mortality table	RP2000 mortality table

Changes in Actuarial Assumptions

In the January 1, 2017 actuarial valuations, the remaining amortization periods were updated from 4 years to 3 years for the Non-Uniformed Plan.

In the January 1, 2019 actuarial valuations, the remaining amortization periods were updated from 0 years to 19 years for the Police Pension Plan and from 3 years to 8 years for the Non-Uniformed Plan.

BOROUGH OF GETTYSBURG

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

PENSION PLANS

Gettysburg Municipal Authority

The information presented in the required supplementary information was determined as part of the actuarial valuations at the dates indicated. Methods and assumptions used to determine contribution rates for the Pension Plan required under Act 205 are as follows:

Actuarial valuation date	1/1/2017
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 RP-2014 with Scale MP-2018

Changes in Actuarial Assumptions

In the January 1, 2019 actuarial valuations, the mortality projection scale was changed from MP-2017 to MP-2018 to reflect the latest mortality projection scale published by the Society of Actuaries.

In the January 1, 2020 actuarial valuation, the mortality projection scale was changed from MP-2018 to the PublicG-2010 mortality table with projection scale MP-2019 to reflect the latest mortality projection scale published by the Society of Actuaries.

BOROUGH OF GETTYSBURG
BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND

YEAR ENDED DECEMBER 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues:				
Taxes	\$3,013,836	\$3,013,836	\$ 3,052,252	\$ 38,416
Licenses and permits	106,996	106,996	147,841	40,845
Fines and forfeits	211,800	211,800	273,047	61,247
Interest earnings	11,900	11,900	23,636	11,736
Intergovernmental	381,500	381,500	411,991	30,491
Charges for services	1,119,670	1,119,670	1,279,547	159,877
Donations	8,350	8,350	49,282	40,932
Miscellaneous	43,800	43,800	51,122	7,322
Total revenues	4,897,852	4,897,852	5,288,718	390,866
Expenditures:				
Current:				
General government	789,131	789,131	849,425	(60,294)
Public safety	1,976,956	1,976,956	2,151,750	(174,794)
Health and welfare	315	315	-	315
Public works	1,396,031	1,396,031	1,362,057	33,974
Culture and recreation	87,514	87,514	133,365	(45,851)
Community development	45,000	45,000	45,488	(488)
Debt service:				
Principal	-	-	40,550	(40,550)
Interest	-	-	6,683	(6,683)
Total expenditures	4,294,947	4,294,947	4,589,318	(294,371)
Excess of Revenues Over Expenditures	602,905	602,905	699,400	96,495
Other Financing Sources (Uses):				
Capital lease	-	-	168,431	168,431
Proceeds from sale of assets	-	-	6,925	6,925
Transfers out	(604,855)	(604,855)	(604,855)	-
Total other financing sources (uses)	(604,855)	(604,855)	(429,499)	175,356
Net Change in Fund Balance	\$ (1,950)	\$ (1,950)	\$ 269,901	\$ 271,851

See accompanying notes to budgetary comparison schedule.

BOROUGH OF GETTYSBURG

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE

1. Budgetary Basis of Accounting

An annual generally accepted accounting principles basis budget is adopted for the General Fund.

2. Stewardship, Compliance, and Accountability

Excess of Expenditures Over Appropriations

	<u>Appropriation</u>	<u>Expenditures</u>
General government	\$ 789,131	\$ 849,425
Public safety	1,976,956	2,151,750
Culture and recreation	87,514	133,365
Community development	45,000	45,488
Debt service	-	47,233

Funds sufficient to provide for the excess expenditures were made available from other functions within the fund and excess revenues.

SUPPLEMENTARY INFORMATION

BOROUGH OF GETTYSBURG

COMBINING BALANCE SHEET - OTHER GOVERNMENTAL FUNDS (NONMAJOR)

DECEMBER 31, 2019

	Highway Aid Fund	Capital Reserve Fund	Company K Fund	Fire Tax Fund	Debt Service Fund	Small Communities Program Fund	Revolving Loan Fund	Total Other Governmental Funds
Assets								
Cash and cash equivalents	\$ 157,070	\$ 78,030	\$ -	\$ 27,011	\$ 217,400	1,090	\$ 74,385	\$ 554,986
Investments	-	153,563	7,158	-	153,563	-	259,799	574,083
Taxes receivable, net	-	-	-	8,449	-	-	-	8,449
Due from other funds	-	6,904	-	16,419	-	-	-	23,323
Total Assets	\$ 157,070	\$ 238,497	\$ 7,158	\$ 51,879	\$ 370,963	\$ 1,090	\$ 334,184	\$ 1,160,841
Liabilities, Deferred Inflows of Resources, and Fund Balance								
Liabilities:								
Accounts payable	\$ 714	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 714
Total Liabilities	714	-	-	-	-	-	-	714
Deferred Inflows of Resources:								
Unavailable tax revenue	-	-	-	6,516	-	-	-	6,516
Total Deferred Inflows of Resources	-	-	-	6,516	-	-	-	6,516
Fund Balance:								
Restricted	156,356	238,497	7,158	45,363	-	1,090	334,184	782,648
Committed	-	-	-	-	370,963	-	-	370,963
Total Fund Balance	156,356	238,497	7,158	45,363	370,963	1,090	334,184	1,153,611
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 157,070	\$ 238,497	\$ 7,158	\$ 51,879	\$ 370,963	\$ 1,090	\$ 334,184	\$ 1,160,841

BOROUGH OF GETTYSBURG

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - OTHER GOVERNMENTAL FUNDS (NONMAJOR)

YEAR ENDED DECEMBER 31, 2019

	Highway Aid Fund	Capital Reserve Fund	Company K Fund	Fire Tax Fund	Debt Service Fund	Small Communities Program Fund	Revolving Loan Fund	Total Other Governmental Funds
Revenues:								
Taxes	\$ -	\$ -	\$ -	\$ 125,348	\$ -	\$ -	\$ -	\$ 125,348
Licenses and permits	-	6,904	-	-	-	-	-	6,904
Investment earnings	6,156	4,123	123	-	6,019	22	4,322	20,765
Intergovernmental	203,341	-	-	-	-	73,473	-	276,814
Miscellaneous	-	-	-	-	13,963	-	-	13,963
Total revenues	<u>209,497</u>	<u>11,027</u>	<u>123</u>	<u>125,348</u>	<u>19,982</u>	<u>73,495</u>	<u>4,322</u>	<u>443,794</u>
Expenditures:								
Current:								
General government	-	-	-	-	-	4	4	8
Public safety	-	-	-	82,506	-	-	-	82,506
Public works	556,144	-	-	-	-	-	-	556,144
Community development	-	-	-	-	-	73,473	-	73,473
Debt service:								
Principal	-	25,466	-	-	462,933	-	-	488,399
Interest	-	4,115	-	-	139,514	-	-	143,629
Total expenditures	<u>556,144</u>	<u>29,581</u>	<u>-</u>	<u>82,506</u>	<u>602,447</u>	<u>73,477</u>	<u>4</u>	<u>1,344,159</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(346,647)</u>	<u>(18,554)</u>	<u>123</u>	<u>42,842</u>	<u>(582,465)</u>	<u>18</u>	<u>4,318</u>	<u>(900,365)</u>
Other Financing Sources (Uses):								
Transfers in	-	-	-	-	604,855	-	-	604,855
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>604,855</u>	<u>-</u>	<u>-</u>	<u>604,855</u>
Net Change in Fund Balance	<u>(346,647)</u>	<u>(18,554)</u>	<u>123</u>	<u>42,842</u>	<u>22,390</u>	<u>18</u>	<u>4,318</u>	<u>(295,510)</u>
Fund Balance:								
Beginning of year	503,003	257,051	7,035	2,521	348,573	1,072	329,866	1,449,121
End of year	<u>\$ 156,356</u>	<u>\$ 238,497</u>	<u>\$ 7,158</u>	<u>\$ 45,363</u>	<u>\$ 370,963</u>	<u>\$ 1,090</u>	<u>\$ 334,184</u>	<u>\$ 1,153,611</u>