

Borough of Gettysburg

Financial Statements and Required
Supplementary Information and
Supplementary Information

Year Ended December 31, 2020
with Independent Auditor's Report

MaherDuessel

A horizontal bar is positioned below the company name. The left portion of the bar is black, and the right portion is blue, matching the color of the 'D' in the company name.

BOROUGH OF GETTYSBURG

YEAR ENDED DECEMBER 31, 2020

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BOROUGH OF GETTYSBURG

YEAR ENDED DECEMBER 31, 2020

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Independent Auditor's Report

Borough Council Borough of Gettysburg

We have audited the accompanying financial statements of the governmental activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the Borough of Gettysburg (Borough) as of and for the year ended December 31, 2020, 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 presented in the financial statements. 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 Authority, 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.

Basis for Adverse Opinion on Aggregate Discretely Presented Component Units

The financial statements referred to above do not include financial data for the Borough's legally separate component unit, Gettysburg Borough Storm Water Authority. Accounting principles generally accepted in the United States of America require the financial data for this component unit to be reported with the financial data of the Borough's primary government unless the Borough also issues financial statements for the financial reporting entity that include financial data for all of its component units. The Borough has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets, net position, revenues, and expenses of this discretely presented component unit would have been presented as \$376,301; \$376,301; \$564,642; and \$332,349, respectively.

Adverse Opinion on Aggregate Discretely Presented Component Units

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of the Borough as of December 31, 2020, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified 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 Authority, each major fund, and the aggregate remaining fund information of the Borough as of December 31, 2020, 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.

Emphasis of Matter

As explained in Note 1, the Gettysburg Borough Storm Water Authority was previously deemed a blended component unit of the Borough and effective January 1, 2020, is a discretely presented component unit of the Borough. The Borough's beginning net position was restated due to this change in reporting entity. Our opinion is not modified with respect to this matter.

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, based on our audit and procedures performed as described above, 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
January 7, 2022

BOROUGH OF GETTYSBURG

STATEMENT OF NET POSITION

DECEMBER 31, 2020

	Governmental Activities	Component Unit
Assets and Deferred Outflows of Resources		
Assets:		
Current assets:		
Cash and cash equivalents	\$ 2,928,655	\$ 8,403,054
Investments	164,290	-
Taxes receivable, net	357,441	-
Accounts and grants receivable - billed	118,105	529,973
Accounts receivable - unbilled	-	663,346
Due from other entity	152,782	-
Inventories	12,891	54,393
Prepaid expenses	140,776	66,032
Total current assets	3,874,940	9,716,798
Noncurrent assets:		
Restricted cash and cash equivalents	-	16,806,576
Prepaid bond insurance	11,230	105,691
Loan receivables	54,000	-
Net pension asset	685,127	47,192
Capital assets not being depreciated:		
Collections	14,150	-
Construction in progress	34,442	895,672
Land	806,165	418,360
Capital assets net of accumulated depreciation:		
Land improvements	479,340	-
Buildings and improvements	4,122,939	14,983,101
Machinery and equipment	812,837	29,969,937
Infrastructure	8,721,186	-
Total noncurrent assets	15,741,416	63,226,529
Total Assets	19,616,356	72,943,327
Deferred Outflows of Resources:		
Deferred charges on bond refunding	27,518	570,005
Deferred outflows related to pensions	-	184,203
Total Deferred Outflows of Resources	27,518	754,208
Total Assets and Deferred Outflows of Resources	\$ 19,643,874	\$ 73,697,535

(Continued)

Liabilities, Deferred Inflows of Resources, and Net Position	<u>Governmental Activities</u>	<u>Component Unit</u>
Liabilities:		
Current liabilities:		
Accounts payable	\$ 191,720	\$ 64,015
Accrued wages and withholdings	71,915	46,182
Accrued interest	14,961	137,767
Customer deposits	-	24,117
Long-term liabilities, due within one year:		
Bonds and notes payable	529,177	1,373,924
Capital lease payable	103,722	-
Compensated absences	25,519	-
Total current liabilities	<u>937,014</u>	<u>1,646,005</u>
Noncurrent liabilities:		
Long-term liabilities, due in more than one year:		
Bonds and notes payable	4,717,804	30,272,809
Capital lease payable	251,027	-
Compensated absences	408,575	-
Total noncurrent liabilities	<u>5,377,406</u>	<u>30,272,809</u>
Total Liabilities	<u>6,314,420</u>	<u>31,918,814</u>
Deferred Inflows of Resources:		
Deferred inflows related to pensions	<u>581,817</u>	<u>428,052</u>
Total Deferred Inflows of Resources	<u>581,817</u>	<u>428,052</u>
Net Position:		
Net investment in capital assets	9,836,987	31,434,304
Restricted	673,113	-
Unrestricted	<u>2,237,537</u>	<u>9,916,365</u>
Total Net Position	<u>12,747,637</u>	<u>41,350,669</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$19,643,874</u>	<u>\$73,697,535</u>
		(Concluded)

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

BOROUGH OF GETTYSBURG

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Unit
Primary government:						
Governmental activities:						
General government	\$ 979,907	\$ 124,542	\$ 26,699	-	\$ (828,666)	\$ -
Public safety	2,160,984	153,107	177,595	-	(1,830,282)	-
Public works	1,832,525	958,444	199,291	40,479	(634,311)	-
Culture and recreation	144,894	-	-	-	(144,894)	-
Community development	139,848	-	64,086	94,848	19,086	-
Interest	140,623	-	-	-	(140,623)	-
Total Primary Government	5,398,781	1,236,093	467,671	135,327	(3,559,690)	-
Component unit:						
Municipal Authority - Sewer and Water	\$ 6,351,389	\$ 5,693,963	\$ -	\$ -	-	\$ (657,426)
General revenues:						
Taxes						
Property taxes, levied for general purposes					1,922,594	-
Property taxes, levied for specific purposes					124,553	-
Earned income tax					518,812	-
Real estate transfer tax					116,234	-
Local services tax					226,514	-
Admission tax					88,712	-
Occupational and per capita taxes					38,225	-
Unrestricted investment earnings					35,064	43,193
Unrestricted grants					201,877	-
Miscellaneous income					162,482	174,382
Gain on sale of capital assets					-	71,737
Reimbursements from Gettysburg Borough Storm Water Authority					149,345	-
Total general revenues					3,584,412	289,312
Change in Net Position					24,722	(368,114)
Net Position						
Beginning of year - restated					12,722,915	41,718,783
End of year					\$ 12,747,637	\$ 41,350,669

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

BOROUGH OF GETTYSBURG

BALANCE SHEET - GOVERNMENTAL FUNDS

DECEMBER 31, 2020

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 1,652,697	\$ 220,693	\$ 1,055,265	\$ 2,928,655
Investments	-	156,907	7,383	164,290
Accounts receivable	118,105	-	-	118,105
Taxes receivable, net	349,159	-	8,282	357,441
Due from other entity	152,782	-	-	152,782
Due from other funds	-	-	16,687	16,687
Inventories	12,891	-	-	12,891
Prepaid expenses	140,776	-	-	140,776
Total Assets	\$ 2,426,410	\$ 377,600	\$ 1,087,617	\$ 3,891,627
Liabilities, Deferred Inflows of Resources, and Fund Balance				
Liabilities:				
Accounts payable	\$ 183,163	\$ 780	\$ 7,777	\$ 191,720
Due to other funds	16,687	-	-	16,687
Accrued wages, benefits, and withholdings	71,915	-	-	71,915
Total Liabilities	271,765	780	7,777	280,322
Deferred Inflows of Resources:				
Unavailable tax revenue	191,146	-	6,469	197,615
Total Deferred Inflows of Resources	191,146	-	6,469	197,615
Fund Balance:				
Nonspendable	153,667	-	-	153,667
Restricted	8,652	-	1,073,371	1,082,023
Committed	-	376,820	-	376,820
Assigned	608,355	-	-	608,355
Unassigned	1,192,825	-	-	1,192,825
Total Fund Balance	1,963,499	376,820	1,073,371	3,413,690
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 2,426,410	\$ 377,600	\$ 1,087,617	\$ 3,891,627

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, 2020

Total Fund Balance - Governmental Funds \$ 3,413,690

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	\$ 28,934,762	
Accumulated depreciation	<u>(13,943,703)</u>	
		14,991,059

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.

11,230

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

197,615

Loans receivable are long-term in nature and are not available to pay current period expenditures and, therefore, are not reported in the funds

54,000

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	(5,178,535)	
Unamortized bond premium	(68,446)	
Deferred charge on bond refunding	27,518	
Accrued interest	(14,961)	
Compensated absences	(434,094)	
Capital leases	(354,749)	
Net pension asset	685,127	
Deferred inflows of resources related to pensions	<u>(581,817)</u>	
		<u>(5,919,957)</u>

Total Net Position of Governmental Activities

\$ 12,747,637

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, 2020

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 2,887,131	\$ -	\$ 124,600	\$ 3,011,731
Licenses and permits	136,558	-	-	136,558
Fines and forfeits	305,132	-	-	305,132
Investment earnings	17,240	4,665	13,159	35,064
Intergovernmental	440,098	-	302,852	742,950
Charges for services	783,611	-	-	783,611
Donations	27,985	-	-	27,985
Miscellaneous	313,307	2,773	-	316,080
Total revenues	4,911,062	7,438	440,611	5,359,111
Expenditures:				
Current:				
General government	729,503	-	10,165	739,668
Public safety	2,356,257	-	83,015	2,439,272
Public works	1,208,551	-	71,521	1,280,072
Culture and recreation	114,493	-	9,110	123,603
Community development	45,000	-	148,848	193,848
Debt service:				
Principal	64,677	498,548	26,437	589,662
Interest	10,774	125,416	3,143	139,333
Total expenditures	4,529,255	623,964	352,239	5,505,458
Excess (Deficiency) of Revenues Over (Under) Expenditures	381,807	(616,526)	88,372	(146,347)
Other Financing Sources (Uses):				
Capital lease	196,982	-	-	196,982
Transfers in	-	622,383	-	622,383
Transfers out	(622,383)	-	-	(622,383)
Total other financing sources (uses)	(425,401)	622,383	-	196,982
Net Change in Fund Balance	(43,594)	5,857	88,372	50,635
Fund Balance:				
Beginning of year	2,007,093	370,963	984,999	3,363,055
End of year	\$ 1,963,499	\$ 376,820	\$ 1,073,371	\$ 3,413,690

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, 2020

Net Change in Fund Balance - Total Governmental Funds \$ 50,635

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	\$ (962,791)	
Loss on disposal	(135,622)	
Capital contribution from Gettysburg Borough Storm Water Authority	40,479	
Capital outlays	418,799	(639,135)

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. (196,982)

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. 23,913

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. 54,000

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. 589,662

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	1,929	
Compensated absences	(106,908)	
Net pension asset/liability and related deferred outflows and inflows	250,827	145,848

Change in Net Position - Governmental Activities \$ 24,722

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

BOROUGH OF GETTYSBURG

STATEMENT OF FIDUCIARY NET POSITION

DECEMBER 31, 2020

	<u>Private Purpose Trust Fund</u>
<hr/>	
Assets	
<hr/>	
Investments	<u>\$ 8,576</u>
<hr/>	
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, 2020

	Private Purpose Trust Fund
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, 2020

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, with the exception of a discretely presented component unit exclusion (as described later in this footnote section). 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

BOROUGH OF GETTYSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

the obligation in some manner for the debt of the organization; or (c) is obligated in some manner for the debt of the organization.

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

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

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.

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 expired, the Storm Water Authority's Board nominates and appoints all new members. The Authority meets the criteria of a discretely presented component unit for 2020 due to the existence of a financial benefit or burden relationship, and the operational responsibility of the Storm Water Authority resting with Borough Management. However, the Storm Water Authority is not included in the Borough's financial statements due to being on a different basis of accounting (cash basis). Separate financial statements were issued by the Storm Water Authority and can be obtained by contacting the Borough office located at 59 East High Street, Gettysburg, PA 17325.

BOROUGH OF GETTYSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

The Storm Water Authority was previously reported as a blended component unit (Business-Type Activities and Proprietary Fund) due to the 2019 Board being controlled by Borough Council. Effective January 1, 2020, the Storm Water Authority met the criteria of a discretely presented component. Due to the change in reporting entity, the Borough's Primary Government Net Position was restated by \$36,799 on the Statement of Activities to remove the Business-Type Activities.

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, 2020, the total per capita charge paid by the Borough to GARA was \$80,000. 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 and fiduciary.

Governmental Funds

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

BOROUGH OF GETTYSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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

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.
- 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).
- 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.

BOROUGH OF GETTYSBURG

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YEAR ENDED DECEMBER 31, 2020

- *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.

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 statements distinguish between these activities of the Borough that are governmental 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 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.

BOROUGH OF GETTYSBURG

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YEAR ENDED DECEMBER 31, 2020

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

Fund Financial Statements

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures, and changes in fund 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.

Basis of Accounting

Accrual

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

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Net position (assets plus deferred outflows of

BOROUGH OF GETTYSBURG

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YEAR ENDED DECEMBER 31, 2020

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.

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

BOROUGH OF GETTYSBURG

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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.

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)

BOROUGH OF GETTYSBURG

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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.

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

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governments or constraints imposed by law through constitutional provisions or enabling legislation. As of December 31, 2020, restricted net position consisted of:

Restricted for:	
Housing and redevelopment	\$ 284,448
Highway Department	284,639
Company K maintenance	7,383
Community development	1,043
Fire Department	86,948
Police Department	8,652
	<u>\$ 673,113</u>

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

Net Position Flow Assumption

Sometimes the Borough will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted 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
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covenants), grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, change or mandate payment and includes a legally enforceable requirement on the use of these funds.

- Committed – This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Borough’s highest level of decision-making authority. This formal action is in the form of a resolution which is made by the Borough Council. Once an amount is committed, it cannot be used for any other purpose unless changed by the same type of formal action used to initially constrain the funds.
- Assigned – This classification includes spendable amounts that are reported in governmental funds other than in the General Fund, that are neither restricted nor committed, and amounts in the General Fund that are intended to be used for a specific purpose. The intent of an assigned fund balance should be expressed by either the Borough Council, or a subordinate high-level body, such as the finance committee, borough manager, or finance director that is authorized to assign amounts to be used for specific purposes. The assignment of fund balance cannot result in a negative unassigned fund balance.
- Unassigned – This classification represents the portion of a spendable fund balance that has not been categorized as restricted, committed, or assigned. The General Fund is the only fund which would include a positive unassigned fund balance as all other fund types must categorize amounts within 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

BOROUGH OF GETTYSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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.

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.

BOROUGH OF GETTYSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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.

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.

BOROUGH OF GETTYSBURG

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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 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.

BOROUGH OF GETTYSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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 \$104,732 as of December 31, 2020 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 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.

BOROUGH OF GETTYSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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 (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.

BOROUGH OF GETTYSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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.
- 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.

BOROUGH OF GETTYSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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, 2020, the Borough's book balance was \$3,101,521 and the bank balance was \$3,170,866. Of the bank balance, \$422,865 was covered by federal depository insurance and the remaining \$2,748,001 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	\$	2,928,655
Unrestricted investments		164,290
Fiduciary funds		8,576
Total deposits	\$	<u>3,101,521</u>

Discretely Presented Municipal Authority

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

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a written policy for custodial credit risk. As of December 31, 2020, \$2,628,996 of the Authority's bank balance of \$2,878,996 was exposed to custodial credit risk.

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

BOROUGH OF GETTYSBURG

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YEAR ENDED DECEMBER 31, 2020

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. Normally, 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. However, due to COVID-19, these dates were modified and extended. Taxes are payable at a 2% discount if paid before June 30 and at a 10% penalty if paid after the due date of October 31. 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, 2020 is \$505,736,600.

Taxes receivable in the balance sheet – governmental funds consists of the following as of December 31, 2020:

Real estate and real estate transfer	\$ 161,632
Fire tax	8,282
Per capita	17,880
Earned income	127,469
Occupational	47,061
Local services tax	23,012
Admission	14,749
Allowance for uncollectible accounts	<u>(42,644)</u>
Total taxes receivable	357,441
Taxes collected within sixty days, recorded as revenues in governmental funds	<u>(159,826)</u>
Taxes estimated to be collected after sixty days, recorded as deferred inflows in governmental funds	<u>\$ 197,615</u>

BOROUGH OF GETTYSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

4. Interfund Receivables and Payables and Transfers

Due from/to other funds consist of the following as of December 31, 2020:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ -	\$ 16,687
Nonmajor Governmental Fund:		
Capital Reserve Fund	9,671	-
Fire Tax Fund	7,016	-
	<u>\$ 16,687</u>	<u>\$ 16,687</u>

Interfund transfers were as follows during the year ended December 31, 2020:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>
General Fund	Debt Service Fund	<u>\$ 622,383</u>

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

BOROUGH OF GETTYSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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, 2020:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Construction in progress	\$ 937,300	\$ 151,716	\$ 1,054,574	\$ 34,442
Collections	14,150	-	-	14,150
Land	806,165	-	-	806,165
Capital assets being depreciated:				
Land improvements	1,104,710	5,097	-	1,109,807
Infrastructure	14,931,538	1,122,302	-	16,053,840
Buildings and improvements	8,342,797	-	139,100	8,203,697
Machinery and equipment	2,443,799	234,456	24,043	2,654,212
Furniture and fixtures	58,168	281	-	58,449
Total cost	<u>28,638,627</u>	<u>1,513,852</u>	<u>1,217,717</u>	<u>28,934,762</u>
Less accumulated depreciation:				
Land improvements	(583,262)	(47,205)	-	(630,467)
Infrastructure	(6,797,880)	(534,774)	-	(7,332,654)
Buildings and improvements	(3,864,862)	(219,374)	(3,478)	(4,080,758)
Machinery and equipment	(1,704,261)	(161,401)	(24,043)	(1,841,619)
Furniture and fixtures	(58,168)	(37)	-	(58,205)
Total accumulated depreciation	<u>(13,008,433)</u>	<u>(962,791)</u>	<u>(27,521)</u>	<u>(13,943,703)</u>
Capital assets, net	<u>\$ 15,630,194</u>	<u>\$ 551,061</u>	<u>\$ 1,190,196</u>	<u>\$ 14,991,059</u>

BOROUGH OF GETTYSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Depreciation expense for the year ended December 31, 2020 was charged as follows:

General government	\$	93,801
Public safety		43,838
Public works		803,861
Culture and recreation		21,291
	\$	<u>962,791</u>

Discretely Presented Municipal Authority

Capital asset activity for the Authority consists of the following as of and for the year ended December 31, 2020:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 392,360	\$ 26,000	\$ -	\$ 418,360
Construction in progress	541,330	1,014,197	(659,855)	895,672
Capital assets being depreciated:				
Building and plant	38,830,085	-	-	38,830,085
Wells	3,379,061	37,725	-	3,416,786
Lift stations	775,711	-	-	775,711
Utility and general equipment	<u>51,241,772</u>	<u>630,038</u>	<u>(42,515)</u>	<u>51,829,295</u>
Total cost	<u>95,160,319</u>	<u>1,707,960</u>	<u>(702,370)</u>	<u>96,165,909</u>
Less accumulated depreciation:				
Building and plant	(22,751,473)	(1,095,511)	-	(23,846,984)
Wells	(1,900,657)	(100,842)	-	(2,001,499)
Lift stations	(660,625)	(22,643)	-	(683,268)
Utility and general equipment	<u>(22,348,866)</u>	<u>(1,060,737)</u>	<u>42,515</u>	<u>(23,367,088)</u>
Total accumulated depreciation	<u>(47,661,621)</u>	<u>(2,279,733)</u>	<u>42,515</u>	<u>(49,898,839)</u>
Capital assets, net	<u>\$ 47,498,698</u>	<u>\$ (571,773)</u>	<u>\$ (659,855)</u>	<u>\$ 46,267,070</u>

BOROUGH OF GETTYSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

6. Mortgages, Notes, and Loans Receivable

The following is a summary of changes in mortgages receivable for the year ended December 31, 2020:

	Beginning Balance	Additions	Reductions	Ending Balance	Accrued Interest	Current Portion
Pathstone Corporation 3rd Mortgage	\$ 59,718	\$ -	\$ -	\$ 59,718	\$ 12,790	\$ -
Pathstone Corporation 4th Mortgage	150,000	-	-	150,000	31,500	-
Pathstone Corporation 5th Mortgage	40,000	-	-	40,000	8,400	-
Subtotal - mortgages	249,718	-	-	249,718	52,690	-
Allowance for uncollectible accounts	(249,718)	-	-	(249,718)	(52,690)	-
Net mortgages receivable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2020 totaled \$12,790.

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, 2020 of \$31,500 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, 2020

prior liens. Accrued interest as of December 31, 2019 of \$8,400 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.

In 2020, the Borough received CARES Act funding in relation to the COVID-19 global pandemic. The Borough used a portion of this money to provide eighteen \$3,000 small business loans within the Borough. These loans are zero interest and are to be paid back to the Borough over a period of 3 years. There is no principal payment due in the first year. The loan recipient will make 24 equal payments of \$125 over the second and third year. All loan payments received by the Borough will be maintained in the revolving loan fund for future purposes. \$54,000 is recorded as a loan receivable on the Statement of Net Position as of December 31, 2020. No allowance for uncollectible accounts has been recorded, because it is probable that the Borough will receive these funds.

7. Long-Term Liabilities

Borough

The changes in long-term liabilities during the year ended December 31, 2020 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds and notes payable:					
2015 PIB Loan	\$ 262,083	\$ -	\$ (38,548)	\$ 223,535	\$ 39,177
2016 GO Bond	5,415,000	-	(460,000)	4,955,000	490,000
Bond (Discount)/Premium	76,194	-	(7,748)	68,446	-
Subtotal - bonds and notes	5,753,277	-	(506,296)	5,246,981	529,177
Capital lease payable	248,881	196,982	(91,114)	354,749	103,722
Compensated absences	327,186	142,424	(35,516)	434,094	25,519
Total long-term liabilities	<u>\$ 6,329,344</u>	<u>\$ 339,406</u>	<u>\$ (632,926)</u>	<u>\$ 6,035,824</u>	<u>\$ 658,418</u>

BOROUGH OF GETTYSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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.

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.

BOROUGH OF GETTYSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

The following is a schedule by years and in the aggregate of future minimum debt principal and interest payments as of December 31, 2020.

	2015 PIB Loan		2016 GO Bond (Borough Portion)		Governmental Activities Total	
	Principal	Interest	Principal	Interest	Principal	Interest
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	41,797	854	535,000	60,333	576,797	61,187
2026-2029	21,153	172	2,385,000	126,169	2,406,153	126,341
	<u>\$ 223,535</u>	<u>\$ 11,045</u>	<u>\$ 4,955,000</u>	<u>\$ 535,725</u>	<u>\$ 5,178,535</u>	<u>\$ 546,770</u>

Interest Expense

For the year ended December 31, 2020, the Borough incurred interest expense of \$134,610.

BOROUGH OF GETTYSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Discretely Presented Municipal Authority

The changes in long-term liabilities during the year ended December 31, 2020 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Long-term Portion
2015 Sewer Revenue Bonds	\$ 5,310,000	\$ -	\$ (5,310,000)	\$ -	\$ -	-
Unamortized bond discount/ premium	18,372	-	(18,372)	-	-	-
	<u>5,328,372</u>	<u>-</u>	<u>(5,328,372)</u>	<u>-</u>	<u>-</u>	<u>-</u>
2016 Sewer Revenue Bonds	6,375,000	-	(6,375,000)	-	-	-
Unamortized bond discount/ premium	(39,124)	-	39,124	-	-	-
	<u>6,335,876</u>	<u>-</u>	<u>(6,335,876)</u>	<u>-</u>	<u>-</u>	<u>-</u>
2020A Revenue Bonds - Sewer	-	9,875,000	(90,000)	9,785,000	820,000	8,965,000
2020B Revenue Bonds - Sewer	-	6,695,000	(125,000)	6,570,000	95,000	6,475,000
Unamortized bond discount/ premium	-	1,684,562	(15,743)	1,668,819	105,285	1,563,534
	<u>-</u>	<u>18,254,562</u>	<u>(230,743)</u>	<u>18,023,819</u>	<u>1,020,285</u>	<u>17,003,534</u>
2020 Revenue bonds - Water	-	12,290,000	-	12,290,000	300,000	11,990,000
Unamortized bond discount/ premium	-	1,340,968	(8,054)	1,332,914	53,639	1,279,275
	<u>-</u>	<u>13,630,968</u>	<u>(8,054)</u>	<u>13,622,914</u>	<u>353,639</u>	<u>13,269,275</u>
Total bonds payable	<u>11,664,248</u>	<u>31,885,530</u>	<u>(11,903,045)</u>	<u>31,646,733</u>	<u>1,373,924</u>	<u>30,272,809</u>
Due to Borough						
2012 GO Bonds - Sewer	3,405,000	-	(3,405,000)	-	-	-
Other bond related costs	48,597	-	(48,597)	-	-	-
	<u>3,453,597</u>	<u>-</u>	<u>(3,453,597)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total due to Borough	<u>3,453,597</u>	<u>-</u>	<u>(3,453,597)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total debt	<u>\$15,117,845</u>	<u>\$31,885,530</u>	<u>\$(15,356,642)</u>	<u>\$31,646,733</u>	<u>\$ 1,373,924</u>	<u>\$30,272,809</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.

BOROUGH OF GETTYSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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%. The bonds were currently refunded with the issuance of the Sewer Revenue Bonds-Series of 2020A.

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%. The bonds were currently refunded with the issuance of the Sewer Revenue Bonds- Series of 2020 A.

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%. The bonds were advance refunded with the issuance of the Sewer Revenue Bonds-Series of 2020B.

Sewer Revenue Bonds A & B- In November 2020, Sewer Revenue Bonds A & B were issued by the Authority. The proceeds of 2020A were used to currently refund the 2012 and 2015 Sewer Revenue Bonds and fund the construction of improvements to the Sewer System. The proceeds of the 2020B were used to advance refund the 2016 Sewer Revenues Bonds. The defeased balance of the 2016 Sewer Revenue Bonds as of December 31, 2020, is \$6,320,000.

\$9,875,000 Sewer Revenue Bonds- Series of 2020A is payable in principal installments ranging from \$5,000 to \$1,325,000 through November 2036, interest ranging from 3.00% to 4.00%.

BOROUGH OF GETTYSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

The effects of the refinancing are as follows:

- (1) Cash flow gain \$1,082,509
- (2) Economic gain \$961,025

\$6,695,000 Sewer Revenue Bonds – Series of 2020B is payable in principal installments ranging from \$95,000 to \$1,080,000 through November 2029, interest ranging from 0.519% to 1.925%.

The effects of the refinancing are as follows:

- (1) Cash flow gain \$21,875
- (2) Economic gain \$20,508

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

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

Water Revenue Bonds- In November 2020, Water Revenue Bonds were issued by the Authority. The proceeds were used to fund the construction of improvements to the Water System and pay the costs of issuing and insuring the Bonds.

\$12,290,000 Water Revenue Bonds – Series 2020 is payable in principal installments ranging from \$300,000 to \$705,000 through November 15, 2045, interest ranging from 2.00% to 4.00%.

Upon default of the Bonds the financial institution has normal remedies or bond agreements and will be due immediately.

BOROUGH OF GETTYSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

The following is a schedule by years and in the aggregate of future minimum debt principal and interest payments required at December 31, 2020.

	Total	
	Principal	Interest
2021	\$ 1,215,000	\$ 915,287
2022	1,265,000	868,244
2023	1,310,000	820,859
2024	1,360,000	772,404
2025	1,385,000	746,827
2026-2030	7,370,000	3,265,812
2031-2035	8,615,000	1,951,475
2036-2040	2,860,000	853,256
2041-2045	3,265,000	402,000
	<u>\$ 28,645,000</u>	<u>\$ 10,596,164</u>

Interest Expense

For the year ended December 31, 2020, the Authority incurred interest expense of \$336,177.

Capital Leases

The Borough is financing various equipment through capital leases with vendors. At December 31, 2020, the leased assets have a gross capitalized value of \$585,141 and accumulated depreciation of \$96,093, leaving a net book value of \$489,048 that is included in capital assets. The aggregate amount of future payments required on capital leases at December 31, 2020 is as follows:

2021	\$ 120,964
2022	120,961
2023	73,092
2024	66,204
2025	11,475
	<u>392,696</u>
Less: amount representing interest	<u>(37,947)</u>
	<u>\$ 354,749</u>

BOROUGH OF GETTYSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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

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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, 2020

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	\$ 210,829	\$ 122,251
Contributions made - employer	(92,657)	(38,546)
Contributions made - state	(118,172)	(83,705)
Amount under (over) required contribution	<u>\$ -</u>	<u>\$ -</u>

Plan Membership

	<u>Police</u>	<u>Non-Uniformed</u>
Active plan members	12	16
Inactive plan members or beneficiaries currently receiving benefits	12	25
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, 2020 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, 2020.

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:

BOROUGH OF GETTYSBURG

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YEAR ENDED DECEMBER 31, 2020

	<u>Police Pension Plan</u>	<u>Non-Uniformed Pension Plan</u>
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 2020 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, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 9.84% for the Police Pension Plan and 9.97% 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.

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

BOROUGH OF GETTYSBURG

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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. The Plan’s formal Investment Policy Statement which is revised periodically provides more comprehensive details on investment strategy and authorized investments.

Best-estimates or arithmetic real rates of return for each major asset class included in the Plans’ target asset allocations as of December 31, 2020 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>4.90%</u>
Inflation expectation excluded above		<u>2.00%</u>
Long-term expected rate of return (including inflation)		<u>6.90%</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 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

BOROUGH OF GETTYSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

liability. This may result in future increased total and net pension liability (asset). The actuary recommends that the governing body explore the costs of lowering the actuarial assumed investment rate of return going forward to be more consistent with the plan's anticipated investment returns.

BOROUGH OF GETTYSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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, 2019	\$ 5,015,022	\$ 5,225,330	\$ (210,308)
Changes for the year:			
Service cost	146,185	-	146,185
Interest	363,235	-	363,235
Contributions - employer	-	210,829	(210,829)
Net investment income	-	514,234	(514,234)
Benefit payments, including refunds of employee contributions	(302,128)	(302,128)	-
Administrative expenses	-	(39,622)	39,622
Net changes	207,292	383,313	(176,021)
Balances at December 31, 2020	\$ 5,222,314	\$ 5,608,643	\$ (386,329)
Plan fiduciary net position as a percentage of total pension liability			107%
Non-Uniformed Pension Plan			
Balances at December 31, 2019	\$ 3,350,309	\$ 3,530,887	\$ (180,578)
Changes for the year:			
Service cost	84,381	-	84,381
Interest	243,079	-	243,079
Contributions - employer	-	122,251	(122,251)
Net investment income	-	352,043	(352,043)
Benefit payments, including refunds of employee contributions	(163,750)	(163,750)	-
Administrative expenses	-	(28,614)	28,614
Net changes	163,710	281,930	(118,220)
Balances at December 31, 2020	\$ 3,514,019	\$ 3,812,817	\$ (298,798)
Plan fiduciary net position as a percentage of total pension liability			109%

BOROUGH OF GETTYSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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)	\$ 221,566	\$ (386,329)	\$ (898,825)
Non-Uniformed Pension Plan:			
Net pension liability (asset)	\$ 45,659	\$ (298,798)	\$ (595,714)

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

For the year ended December 31, 2020, the governmental activities recognized pension expense of \$82,253. At December 31, 2020, 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	\$ 181,798	\$ 126,004	\$ 307,802
Differences between expected and actual experience	166,368	107,647	274,015
	\$ 348,166	\$ 233,651	\$ 581,817

BOROUGH OF GETTYSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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	
2021	\$ (200,784)
2022	(89,400)
2023	(264,070)
2024	(87,709)
2025	36,899
Thereafter	<u>23,247</u>
	<u>\$ (581,817)</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, 2021 pension plan membership consisted of the following:

Active plan members	12
Inactive plan members or beneficiaries currently receiving benefits	12
Inactive plan members entitled to, but not yet receiving benefits	<u>2</u>
Total	<u><u>26</u></u>

BOROUGH OF GETTYSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

Benefits Provided

All full-time employees who have completed three years of service at any January 1st are eligible to participate in the plan. Participants are eligible for retirement benefits at age 62. Accrued benefits are 100% vested after ten full years of service. The plan provides retirement benefits to plan members and their beneficiaries. Benefit provisions are established and may be amended by the Authority and approved through the union agreement. The pension amount will be 38% of the participant's 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, 2020, the Authority's contribution was \$213,328 and the average contribution rate was 23.96 percent of annual payroll.

Rate of Return

For the year ended December 31, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 15.76%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing accounts actually received.

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

At December 31, 2020, the Authority reported an asset of \$47,192 in the statement of net position. The net pension asset was measured as of December 31, 2020, and the total pension liability used to calculate the net pension asset was based upon the actuarial valuation of

BOROUGH OF GETTYSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

January 1, 2021. For the year ended December 31, 2020, the Authority recognized pension expense of \$73,470.

The changes in the total pension liability, the plan fiduciary net position, and the net pension asset/liability as of and for the year ended December 31, 2020 were as follows:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a-b)
Balances at December 31, 2019	\$ 3,577,883	\$ 3,273,821	\$ 304,062
Changes for the year:			
Service cost	62,236	-	62,236
Interest	233,355	-	233,355
Changes in assumptions	(13,933)	-	(13,933)
Differences between expected and actual experience	76,970	-	76,970
Contributions - employer	-	213,328	(213,328)
Net investment income	-	523,485	(523,485)
Benefit payments, including refunds of employee contributions	(92,374)	(92,374)	-
Administrative expenses	-	(26,931)	26,931
Net changes	266,254	617,508	(351,254)
Balances at December 31, 2020	<u>\$ 3,844,137</u>	<u>\$ 3,891,329</u>	<u>\$ (47,192)</u>
Plan fiduciary net position as a percentage of total pension liability (asset)			<u>101%</u>

BOROUGH OF GETTYSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

At December 31, 2020, the Authority reported deferred outflows and inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 401,525
Difference in assumption changes	109,627	16,989
Differences between expected and actual experience	74,576	9,538
	<u>\$ 184,203</u>	<u>\$ 428,052</u>

The amounts reported as deferred outflows and inflows of resources related to pensions at December 31, 2020 will be recognized in pension expense as follows:

	Total
Year Ended December 31	
2021	\$ 29,656
2022	55,689
2023	110,643
2024	47,861
	<u>\$ 243,849</u>

Actuarial Methods and Assumptions

Valuation Date:	1/1/2021
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, 2020

The actuarial assumptions used in the January 1, 2021, valuation were based on actual experience study for the period January 1, 2020 through December 31, 2020.

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, 2020 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	66%	5.5%
Fixed income	34%	1.5%
Real estate	0%	4.0%
Cash	0%	0.0%

* Net of expected inflation of 2.5% per annum

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, 2020

Sensitivity of the Net Pension (Asset) 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 (asset)	\$ 392,394	\$ (47,192)	\$ (421,489)

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

The Authority is part of the Pennsylvania Municipal Health Insurance Cooperative (PMHIC). This trust consists of a group of municipalities that have pooled their interests together in order to establish a self-funded insurance plan in order to better control insurance rates. The Authority pays a premium to PMHIC that consists of a portion for actual claim expenses, administrative

BOROUGH OF GETTYSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

costs, reinsurance costs, and a reserve account. At year end, the actual claims of the Authority are reviewed and the reserve account is used to fund any excess claims for the Authority over the premiums paid during the year. If any funds remain in the reserve account, 15% of the total reserve balance could possibly be used to fund claim overages of the trust. A reinsurance policy is used to pay any additional excess claims. Therefore, the expense recognized by the Authority is limited to the premiums incurred during the year. Any potential refund of the reserve account is calculated and received by the Authority several months after year end. Total payments by the Authority to PMHIC for the year ended December 31, 2020, were \$660,964. The Authority also received refunds from PMHIC in the amount of \$174,382 during the year ended December 31, 2020.

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.

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, 2020, 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, 2020

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	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances:				
Nonspendable:				
Prepays	\$ 140,776	\$ -	\$ -	\$ 140,776
Inventory	12,891	-	-	12,891
Total nonspendable	<u>153,667</u>	<u>-</u>	<u>-</u>	<u>153,667</u>
Restricted for:				
Housing and redevelopment	-	-	284,448	284,448
Future capital expenditures	-	-	408,910	408,910
Company K maintenance	-	-	7,383	7,383
Highway Department	-	-	284,639	284,639
Community development	-	-	1,043	1,043
Police Department	8,652	-	-	8,652
Fire Department	-	-	86,948	86,948
Total restricted	<u>8,652</u>	<u>-</u>	<u>1,073,371</u>	<u>1,082,023</u>
Committed for:				
Debt service payments	-	376,820	-	376,820
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>1,192,825</u>	<u>-</u>	<u>-</u>	<u>1,192,825</u>
Total fund balances	<u>\$ 1,963,499</u>	<u>\$ 376,820</u>	<u>\$ 1,073,371</u>	<u>\$ 3,413,690</u>

BOROUGH OF GETTYSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

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 \$137,303 for the year ended December 31, 2020.

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

Year Ended December 31	Total
2021	\$ 140,906
2022	147,179
2023	150,734
2024	154,396
2025	158,168
	<u>\$ 751,383</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, 2020, the Borough paid \$0 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, 2020

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:

	<u>2020</u>	<u>2019</u>
Borough funding	\$ 366,281	\$ 395,214
Reinsurance reimbursements	223,784	-
Claims paid	(616,831)	(265,387)
Specific/projected reimbursements	-	-
Anticipated cross recovery	-	(12,590)
Available for benefits	<u>\$ (26,766)</u>	<u>\$ 117,237</u>

14. Related Party Transactions

The Borough entered into a management agreement effective February 11, 2019 with the Storm Water Authority. The Borough provides financial, engineering, administrative, and construction services to the Storm Water Authority in order to maintain compliance with the federally mandated storm water management requirements. The Storm Water Authority makes periodic payments to the Borough upon receipt of an itemized invoice for services rendered. During the year ended December 31, 2020, \$17,788 was paid to the Borough related to such services. \$149,364 was due to the Borough for administrative services as of December 31, 2020 and is included in "due from other entity" on the statement of net position.

Additionally, the Storm Water Authority incurred expenses related to the Borough's storm water improvement projects. Work is performed on behalf of the Borough and any costs incurred related to these projects are capitalized on the Borough's financial statements. The total capital improvement for the year ended December 31, 2020 totaled \$64,952.

BOROUGH OF GETTYSBURG

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

15. 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.

16. Subsequent Events

In 2021, the Borough entered into a contract for the South Street Site Lighting Project, in the amount of \$128,910.

**REQUIRED SUPPLEMENTARY
INFORMATION**

BOROUGH OF GETTYSBURG

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

	2020*	2019*	2018*	2017*	2016*	2015*	2014*
Total Pension Liability:							
Service cost	\$ 146,185	\$ 139,890	\$ 122,656	\$ 117,374	\$ 123,514	\$ 118,195	\$ 122,154
Interest	363,235	349,482	317,692	306,543	341,605	326,156	322,548
Benefit payments, including refunds	(302,128)	(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	207,292	461,123	148,843	(519,742)	207,913	48,051	239,406
Total Pension Liability - Beginning	5,015,022	4,553,899	4,405,056	4,924,798	4,716,885	4,668,834	4,429,428
Total Pension Liability - Ending (a)	<u>\$ 5,222,314</u>	<u>\$ 5,015,022</u>	<u>\$ 4,553,899</u>	<u>\$ 4,405,056</u>	<u>\$ 4,924,798</u>	<u>\$ 4,716,885</u>	<u>\$ 4,668,834</u>
Plan Fiduciary Net Position:							
Contributions	\$ 210,829	\$ 116,126	\$ 111,208	\$ 105,830	\$ 117,676	\$ 197,349	\$ 151,760
Net investment income (loss)	514,234	750,491	(237,016)	613,098	213,509	(31,878)	278,871
Benefit payments, including refunds	(302,128)	(309,789)	(291,505)	(259,322)	(257,206)	(215,937)	(205,296)
Administrative expense	(39,622)	(43,038)	(38,303)	(42,187)	(42,488)	(42,350)	(42,321)
Net Change in Plan Fiduciary Net Position	383,313	513,790	(455,616)	417,419	31,491	(92,816)	183,014
Plan Fiduciary Net Position - Beginning	5,225,330	4,711,540	5,167,156	4,749,737	4,718,246	4,811,062	4,628,048
Plan Fiduciary Net Position - Ending (b)	<u>\$ 5,608,643</u>	<u>\$ 5,225,330</u>	<u>\$ 4,711,540</u>	<u>\$ 5,167,156</u>	<u>\$ 4,749,737</u>	<u>\$ 4,718,246</u>	<u>\$ 4,811,062</u>
Net Pension (Asset) Liability - Ending (a-b)	<u>\$ (386,329)</u>	<u>\$ (210,308)</u>	<u>\$ (157,641)</u>	<u>\$ (762,100)</u>	<u>\$ 175,061</u>	<u>\$ (1,361)</u>	<u>\$ (142,228)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>107.40%</u>	<u>104.19%</u>	<u>103.46%</u>	<u>117.30%</u>	<u>96.45%</u>	<u>100.03%</u>	<u>103.05%</u>
Covered Payroll	<u>\$ 835,282</u>	<u>\$ 700,000</u>	<u>\$ 672,264</u>	<u>\$ 676,810</u>	<u>\$ 760,000</u>	<u>\$ 853,776</u>	<u>\$ 746,554</u>
Net Pension (Asset) Liability as a Percentage of Covered Payroll	<u>-46.25%</u>	<u>-30.04%</u>	<u>-23.45%</u>	<u>-112.60%</u>	<u>23.03%</u>	<u>-0.16%</u>	<u>-19.05%</u>

* 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

	2020*	2019*	2018*	2017*	2016*	2015*	2014*
Total Pension Liability:							
Service cost	\$ 84,381	\$ 80,941	\$ 72,532	\$ 69,575	\$ 70,435	\$ 67,564	\$ 73,822
Interest	243,079	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	(163,750)	(156,371)	(147,650)	(119,498)	(119,215)	(107,282)	(104,098)
Net Changes in Total Pension Liability	163,710	(8,655)	156,935	(43,701)	174,658	317,106	159,408
Total Pension Liability - Beginning	3,350,309	3,358,964	3,202,029	3,245,730	3,071,072	2,753,966	2,594,558
Total Pension Liability - Ending (a)	\$ 3,514,019	\$ 3,350,309	\$ 3,358,964	\$ 3,202,029	\$ 3,245,730	\$ 3,071,072	\$ 2,753,966
Plan Fiduciary Net Position:							
Contributions	\$ 122,251	\$ 157,968	\$ 162,477	\$ 140,573	\$ 145,566	\$ 154,815	\$ 103,089
Net investment income (loss)	352,043	493,850	(153,149)	373,527	126,642	(18,771)	157,797
Benefit payments, including refunds	(163,750)	(156,371)	(147,650)	(119,498)	(119,215)	(107,282)	(104,098)
Administrative expense	(28,614)	(31,585)	(25,517)	(30,865)	(24,489)	(29,667)	(27,054)
Net Change in Plan Fiduciary Net Position	281,930	463,862	(163,839)	363,737	128,504	(905)	129,734
Plan Fiduciary Net Position - Beginning	3,530,887	3,067,025	3,230,864	2,867,127	2,738,623	2,739,528	2,609,794
Plan Fiduciary Net Position - Ending (b)	\$ 3,812,817	\$ 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)	\$ (298,798)	\$ (180,578)	\$ 291,939	\$ (28,835)	\$ 378,603	\$ 332,449	\$ 14,438
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	108.50%	105.39%	91.31%	100.90%	88.34%	89.17%	99.48%
Covered Payroll	\$ 832,968	\$ 840,000	\$ 895,127	\$ 832,974	\$ 900,000	\$ 899,614	\$ 744,694
Net Pension (Asset) Liability as a Percentage of Covered Payroll	-35.87%	-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

	2020*	2019*	2018*	2017*	2016 *	2015 *	2014 *
Schedule of Borough Contributions							
Actuarially determined contribution under Act 205	\$ 210,829	\$ 116,126	\$ 111,208	\$ 105,830	\$ 117,676	\$ 197,349	\$ 151,760
Contributions in relation to the actuarially determined contribution	<u>210,829</u>	<u>116,126</u>	<u>111,208</u>	<u>105,830</u>	<u>117,676</u>	<u>197,349</u>	<u>151,760</u>
Contribution deficiency (excess)	<u>\$ -</u>						
Covered payroll	<u>\$ 835,282</u>	<u>\$ 700,000</u>	<u>\$ 672,264</u>	<u>\$ 676,810</u>	<u>\$ 760,000</u>	<u>\$ 853,776</u>	<u>\$ 746,554</u>
Contributions as a percentage of covered payroll	25.24%	16.59%	16.54%	15.64%	15.48%	23.11%	20.33%
Investment Returns							
Annual money-weighted rate of return, net of investment expense	9.84%	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

	2020*	2019*	2018*	2017*	2016 *	2015 *	2014 *
Schedule of Borough Contributions							
Actuarially determined contribution under Act 205	\$ 122,251	\$ 157,968	\$ 162,477	\$ 140,573	\$ 145,566	\$ 154,815	\$ 103,089
Contributions in relation to the actuarially determined contribution	122,251	157,968	162,477	140,573	145,566	154,815	103,089
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 832,968	\$ 840,000	\$ 895,127	\$ 832,974	\$ 900,000	\$ 899,614	\$ 744,694
Contributions as a percentage of covered payroll	14.68%	18.81%	18.15%	16.88%	16.17%	17.21%	13.84%
Investment Returns							
Annual money-weighted rate of return, net of investment expense	9.97%	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

	2020*	2019*	2018*	2017*	2016*	2015*	2014*
Total Pension Liability:							
Service cost	\$ 62,236	\$ 59,107	\$ 65,483	\$ 63,435	\$ 58,261	\$ 66,623	\$ 47,674
Interest	233,355	215,269	204,101	193,185	153,530	138,255	129,126
Difference between expected and actual experience	76,970	19,198	(17,424)	7,410	(15,414)	84,260	(1,592)
Changes in assumptions	(13,933)	63,859	(7,906)	(13,399)	427,866	-	-
Benefit payments, including refunds of member contributions	(92,374)	(70,410)	(60,925)	(112,881)	(35,932)	(34,671)	(34,761)
Net Changes in Total Pension Liability	266,254	287,023	183,329	137,750	588,311	254,467	140,447
Total Pension Liability - Beginning	3,577,883	3,290,860	3,107,531	2,969,781	2,381,470	2,127,003	1,986,556
Total Pension Liability - Ending (a)	\$ 3,844,137	\$ 3,577,883	\$ 3,290,860	\$ 3,107,531	\$ 2,969,781	\$ 2,381,470	\$ 2,127,003
Plan Fiduciary Net Position:							
Contributions	\$ 213,328	\$ 186,362	\$ 188,081	\$ 130,176	\$ 131,442	\$ 146,154	\$ 145,425
Net investment income (loss)	523,485	574,125	(123,614)	355,125	128,680	(2,542)	109,317
Benefit payments, including refunds	(92,374)	(70,410)	(60,925)	(112,881)	(35,932)	(34,671)	(34,671)
Administrative expense	(26,931)	(23,644)	(21,254)	(19,012)	(16,782)	(16,145)	(14,628)
Net Change in Plan Fiduciary Net Position	617,508	666,433	(17,712)	353,408	207,408	92,796	205,443
Plan Fiduciary Net Position - Beginning	3,273,821	2,607,388	2,625,100	2,271,692	2,064,284	1,971,488	1,766,045
Plan Fiduciary Net Position - Ending	\$ 3,891,329	\$ 3,273,821	\$ 2,607,388	\$ 2,625,100	\$ 2,271,692	\$ 2,064,284	\$ 1,971,488
Net Pension (Asset) Liability - Ending (a-b)	\$ (47,192)	\$ 304,062	\$ 683,472	\$ 482,431	\$ 698,089	\$ 317,186	\$ 155,515
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	101.23%	91.50%	79.23%	84.48%	76.49%	86.68%	92.69%
Covered Payroll	\$ 890,312	\$ 969,876	\$ 949,111	\$ 980,371	\$ 964,800	\$ 1,007,800	\$ 925,038
Net Pension (Asset) Liability as a Percentage of Covered Payroll	-5.30%	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

	2020*	2019*	2018*	2017*	2016 *	2015 *	2014 *	2013	2012	2011
Schedule of Authority Contributions										
Actuarially determined contribution under Act 205	\$ 213,328	\$ 186,362	\$ 188,081	\$ 130,176	\$ 131,442	\$ 146,154	\$ 145,425	\$ 145,733	\$ 137,430	\$ 126,134
Contributions in relation to the actuarially determined contribution	213,328	186,362	188,081	130,176	131,442	146,154	145,425	145,733	137,430	240,861
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (114,727)
Covered payroll	\$ 890,312	\$ 969,876	\$ 949,111	\$ 980,371	\$ 964,800	\$ 1,007,800	\$ 925,038	\$ 962,847	\$ 929,486	\$ 888,118
Contributions as a percentage of covered payroll	23.96%	19.22%	19.82%	13.28%	13.62%	14.50%	15.72%	15.14%	14.79%	14.20%
Investment Returns										
Annual money-weighted rate of return, net of investment expense	15.76%	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	1/1/2019	1/1/2019
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level dollar closed	Level dollar closed
Remaining amortization period	19 years	8 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	1/1/2019
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, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues:				
Taxes	\$2,942,570	\$2,942,570	\$ 2,887,131	\$ (55,439)
Licenses and permits	119,019	119,019	136,558	17,539
Fines and forfeits	253,887	253,887	305,132	51,245
Interest earnings	15,300	15,300	17,240	1,940
Intergovernmental	415,735	415,735	440,098	24,363
Charges for services	1,250,505	1,250,505	783,611	(466,894)
Donations	5,350	5,350	27,985	22,635
Miscellaneous	315,200	315,200	313,307	(1,893)
Total revenues	<u>5,317,566</u>	<u>5,317,566</u>	<u>4,911,062</u>	<u>(406,504)</u>
Expenditures:				
Current:				
General government	760,851	741,559	729,503	12,056
Public safety	2,296,076	2,170,737	2,356,257	(185,520)
Health and welfare	315	315	-	315
Public works	1,481,360	1,392,071	1,208,551	183,520
Culture and recreation	111,581	111,581	114,493	(2,912)
Community development	45,000	44,000	45,000	(1,000)
Debt service:				
Principal	-	-	64,677	(64,677)
Interest	-	-	10,774	(10,774)
Total expenditures	<u>4,695,183</u>	<u>4,460,263</u>	<u>4,529,255</u>	<u>(68,992)</u>
Excess of Revenues Over Expenditures	<u>622,383</u>	<u>857,303</u>	<u>381,807</u>	<u>(475,496)</u>
Other Financing Sources (Uses):				
Capital lease	-	-	196,982	196,982
Transfers out	(622,383)	(622,383)	(622,383)	-
Total other financing sources (uses)	<u>(622,383)</u>	<u>(622,383)</u>	<u>(425,401)</u>	<u>196,982</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ 234,920</u>	<u>\$ (43,594)</u>	<u>\$ (278,514)</u>

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>
Public safety	2,170,737	2,356,257
Culture and recreation	111,581	114,493
Community development	44,000	45,000
Debt service	-	75,451

Funds sufficient to provide for the excess expenditures were made available from other functions within the fund, other financing sources, and fund balance.

SUPPLEMENTARY INFORMATION

BOROUGH OF GETTYSBURG

COMBINING BALANCE SHEET - OTHER GOVERNMENTAL FUNDS (NONMAJOR)

DECEMBER 31, 2020

	Highway Aid Fund	Capital Reserve Fund	Company K Fund	Fire Tax Fund	Capital Projects Fund	Small Communities Program Fund	Revolving Loan Fund	Total Other Governmental Funds
Assets								
Cash and cash equivalents	\$ 292,416	\$ 204,696	\$ -	\$ 78,119	\$ 194,543	1,043	\$ 284,448	\$ 1,055,265
Investments	-	-	7,383	-	-	-	-	7,383
Taxes receivable, net	-	-	-	8,282	-	-	-	8,282
Due from other funds	-	9,671	-	7,016	-	-	-	16,687
Total Assets	\$ 292,416	\$ 214,367	\$ 7,383	\$ 93,417	\$ 194,543	\$ 1,043	\$ 284,448	\$ 1,087,617
Liabilities, Deferred Inflows of Resources, and Fund Balance								
Liabilities:								
Accounts payable	\$ 7,777	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,777
Total Liabilities	7,777	-	-	-	-	-	-	7,777
Deferred Inflows of Resources:								
Unavailable tax revenue	-	-	-	6,469	-	-	-	6,469
Total Deferred Inflows of Resources	-	-	-	6,469	-	-	-	6,469
Fund Balance:								
Restricted	284,639	214,367	7,383	86,948	194,543	1,043	284,448	1,073,371
Total Fund Balance	284,639	214,367	7,383	86,948	194,543	1,043	284,448	1,073,371
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 292,416	\$ 214,367	\$ 7,383	\$ 93,417	\$ 194,543	\$ 1,043	\$ 284,448	\$ 1,087,617

BOROUGH OF GETTYSBURG

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

YEAR ENDED DECEMBER 31, 2020

	Highway Aid Fund	Capital Reserve Fund	Company K Fund	Fire Tax Fund	Capital Projects Fund	Small Communities Program Fund	Revolving Loan Fund	Total Other Governmental Funds
Revenues:								
Taxes	\$ -	\$ -	\$ -	\$ 124,600	\$ -	\$ -	\$ -	\$ 124,600
Investment earnings	1,886	5,450	225	-	1,302	13	4,283	13,159
Intergovernmental	197,918	-	-	-	-	94,848	10,086	302,852
Total revenues	<u>199,804</u>	<u>5,450</u>	<u>225</u>	<u>124,600</u>	<u>1,302</u>	<u>94,861</u>	<u>14,369</u>	<u>440,611</u>
Expenditures:								
Current:								
General government	-	-	-	-	-	60	10,105	10,165
Public safety	-	-	-	83,015	-	-	-	83,015
Public works	71,521	-	-	-	-	-	-	71,521
Culture and recreation	-	-	-	-	9,110	-	-	9,110
Community development	-	-	-	-	-	94,848	54,000	148,848
Debt service:								
Principal	-	26,437	-	-	-	-	-	26,437
Interest	-	3,143	-	-	-	-	-	3,143
Total expenditures	<u>71,521</u>	<u>29,580</u>	<u>-</u>	<u>83,015</u>	<u>9,110</u>	<u>94,908</u>	<u>64,105</u>	<u>352,239</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>128,283</u>	<u>(24,130)</u>	<u>225</u>	<u>41,585</u>	<u>(7,808)</u>	<u>(47)</u>	<u>(49,736)</u>	<u>88,372</u>
Fund Balance:								
Beginning of year	156,356	238,497	7,158	45,363	202,351	1,090	334,184	984,999
End of year	<u>\$ 284,639</u>	<u>\$ 214,367</u>	<u>\$ 7,383</u>	<u>\$ 86,948</u>	<u>\$ 194,543</u>	<u>\$ 1,043</u>	<u>\$ 284,448</u>	<u>\$ 1,073,371</u>