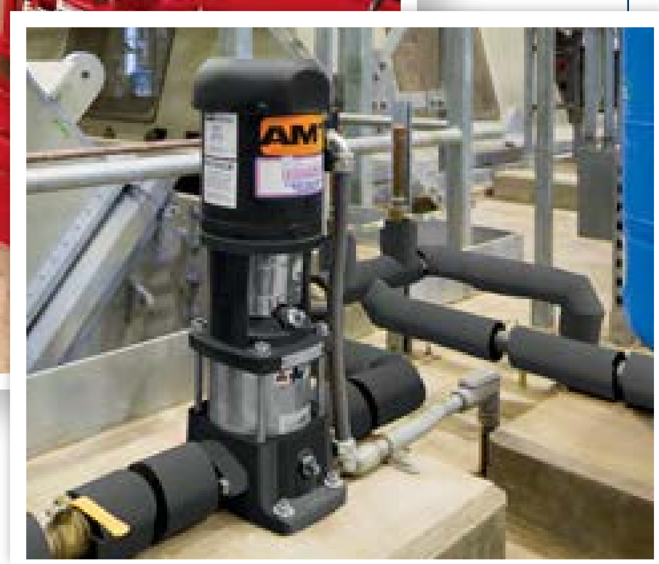
GORMAN-RUPP COMPANY

The Pump People®



2019

ANNUAL REPORT

GORMAN-RUPP COMPANY

The Pump People

Gorman-Rupp's family of pump companies design, manufacture and sell pumps and related equipment (pump and motor controls) for use in water, wastewater, construction, industrial, petroleum, original equipment, agriculture, fire protection, heating, ventilation and air conditioning (HVAC), military and other liquid-handling applications.

On the cover: :

(1)

(2) (3)

(1) Patterson's Sentinel™ Horizontal Split Case Fire Pumps are the global standard for reliability in fire suppression systems that are engineered to exceed expectations.

(2) National Pump's Booster Pumps are the driving force behind the North Scottsdale Booster Station (Scottsdale, AZ), a groundwater recharge facility that can recycle 20 million gallons of ultra-pure water a day.

(3) This AMT Multistage Pump is deployed in a New Orleans flood control station to provide up to two weeks of self-sustaining water pressure for the live-in crew.

CASH DIVIDENDS

280

Consecutive Quarters

47

Years of Increases

**2018 - Excludes GAAP-required pension settlement loss of $2.2 million net of income taxes, or $0.08 per share.*

2017 - Excludes GAAP-required goodwill and other intangible asset impairment charge related to Bayou City Pump Company of $2.7 million net of income taxes, or $0.10 per share and pension settlement loss of $2.7 million net of income taxes, or $0.10 per share.

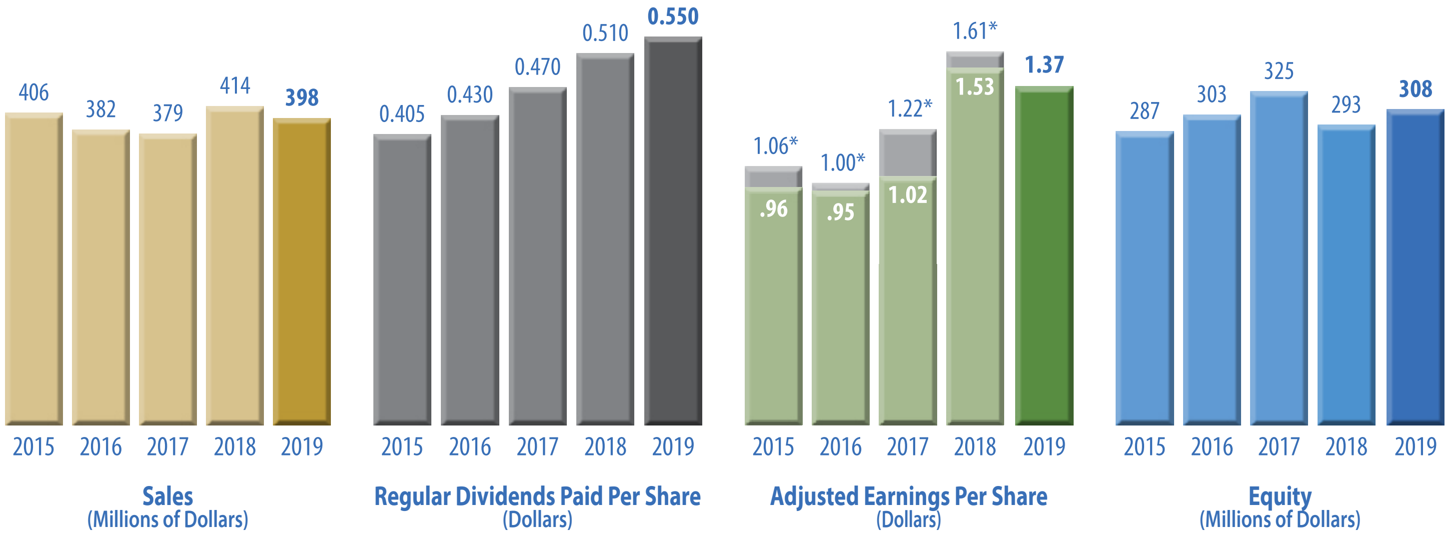
2016 - Excludes GAAP-required goodwill impairment charge related to Bayou City Pump Company of $1.2 million net of income taxes, or $0.05 per share.

2015 - Excludes GAAP-required pension settlement loss of $2.5 million net of income taxes, or $0.10 per share.

FINANCIAL HIGHLIGHTS

FIVE-YEAR

PERFORMANCE



Year ended December 31, *(Thousands of dollars, except per share amounts)*	**2019**	2018	% Change
Operating Results			
Net sales	$**398,179**	$414,334	(3.9%)
Net income	**35,815**	39,979	(10.4%)
Return on net sales	**9.0%**	9.6%	
Financial Position			
Total assets	$**382,760**	$368,282	3.9%
Equity	**307,878**	293,132	5.0%
Working Capital	**182,170**	160,221	13.7%
Current Ratio	**5.0**	4.3	
Shareholder Information			
Earnings per share, as adjusted*	$**1.37**	$1.61	(14.9%)
Regular Dividends paid per share	**0.55**	0.51	7.8%
Return on average equity	**11.9%**	12.9%	

LETTER TO OUR Shareholders

Fellow Shareholders,

We delivered solid earnings in 2019 as we effectively managed several external challenges including tariffs, international uncertainties, and reduced capital demand in the oil and gas markets.

Cash flow and liquidity continue to be high with over $80 million of cash and no debt on the balance sheet. We continue to return capital to our shareholders with 2019 marking our 47th consecutive year of increased dividends.

After our record 2018, most of the markets we serve showed single digit decreases in shipment dollars, with the exception of pumps for the municipal market, which had mild growth. International shipments in all markets were lower during 2019 than the previous year.

Heading into 2020 we believe that both the domestic and international markets will continue to be challenging. There are, however, some bright spots. Large volume pumps for flood control, water and wastewater systems in municipalities, and pumps for original equipment customers should remain stronger than other markets. Passage and funding of an infrastructure bill in Washington could be very beneficial. In addition, advancements in technology for the control of pumps and pump systems is exciting and will play an important role in our future.

We continue to investigate acquisitions that would not only increase revenue but also expand our diversification in both products and markets within the fluid handling sector. New to this objective, we have engaged a firm to assist us in identifying companies that may have an interest in growing with us in the future.

I wish to thank all members of the Gorman-Rupp team, as well as our customers, suppliers and shareholders for their support as we continue to position ourselves for growth in this new decade.

Jeffrey S Gorman
Chairman,
President & Chief Executive Officer

GORMAN-RUPP COMPANY
The Pump People

The Pump People®

A NETWORK OF EXPERIENCED DISTRIBUTORS

Customers rely on Gorman-Rupp distributors for their knowledge of pumps, assistance in pump selection and expert service. Distributors stock a product line they understand inside and out. The expertise and pride the distributors exhibit is enhanced by the comprehensive training and service support they receive.

SUPERIOR TRAINING

Gorman-Rupp conducts application seminars and classes for its distributors and employees at the Company's training centers and on the road. These programs provide our engineering, sales, and management staff with the most current information on new and changing products, and insight into various field application problems and solutions.

WORLD CLASS FACILITIES

From a 1930's barn on the outskirts of Mansfield, Ohio to world-class manufacturing plants, The Gorman-Rupp Company has grown its reputation in nearly two million square feet of the most modern facilities in the industry. Continued reinvestment combined with extensive employee experience have enabled Gorman-Rupp to be an industry leader for over 85 years.

Gorman-Rupp: an industry leader for over 85 years.

FIRE

MARKET

In countless large commercial and industrial buildings worldwide, the rugged dependability of Gorman-Rupp pumps makes them the preferred choice for fire protection. Centrifugal pumps from Patterson Pump Company and Patterson Pump Ireland meet a growing global demand for hydrant-based systems. Where hydrants are not available, AMT pumps are used to siphon fire-quenching water from pools or ponds.

GORMAN-RUPP COMPANY
The Pump People

CONSTRUCTION

MARKET

Gorman-Rupp pumps are acknowledged market leaders in the construction industry. Construction crews worldwide trust Gorman-Rupp pumps in heavy-duty dewatering and sewer bypass applications. The Company's line of engine-driven centrifugal and diaphragm pumps provides excellent performance and rock-solid dependability. Our diaphragm pumps have earned a workhorse reputation for their ability to strong-arm heavy mud and sand-laden water from construction sites, quarries, streams and ditches.

MUNICIPAL

MARKET

Patterson Pump Company's ability to move over a million gallons of water per minute (per pump) has made it a worldwide leader in high-volume flood control, most notably in the recently completed Permanent Canal Closures & Pumps Project in New Orleans. Cities throughout the world rely on Gorman-Rupp pumps for clean drinking water, efficient wastewater handling, and flood control solutions. When electrical power fails, Gorman-Rupp Auto-Start Lift Stations keep water moving until the grid is restored.

INDUSTRIAL

MARKET

Pumps from Gorman-Rupp Pumps USA, Patterson Pump Company and AMT Pump Company handle everything from clear liquids to abrasive slurries to keep steel mills, paper mills and hundreds of other facilities running at peak capacity worldwide. Patterson, National Pump and AMT serve the commercial plumbing and heating, ventilation, and air conditioning (HVAC) markets. National Pump Company's vertical turbine and submersible pumps provide efficient industrial water supply solutions.

The Pump People®

PETROLEUM

MARKET

Gorman-Rupp technology powers the movement of petroleum products from the well to the refinery to the fueling station. Solutions range from our Roto-Prime® series for the safe bulk handling of volatile fluids to National Pump's vertical turbine pumping systems. As new fuels, new vehicles, and new transportation systems emerge, Gorman-Rupp continues to engineer pumps that address evolving market needs.

ORIGINAL EQUIPMENT MANUFACTURER

MARKET

Pump technology from Gorman-Rupp Industries, Gorman-Rupp Pumps USA, Patterson Pump Company and AMT Pump Company is routinely designed into a wide variety of larger products and systems. Gorman-Rupp pumps are an integral part of U.S. military equipment like tank trailers, portable bulk water units and complete mobile fueling systems. You will also find our pumps in applications from transportation, appliance manufacturing and food processing to chemical processing, printing, electronics, solar heating and laser cooling.

AGRICULTURE

MARKET

For more than 70 years, Gorman-Rupp pumps have sustained the world's farms with life-giving water. National Pump's strategically located branches can deliver the right pumps to wheat, corn, cotton, soybeans, rice and produce fields on time, both domestically and internationally. Beyond irrigation, Gorman-Rupp Pumps USA produces a complete selection of pumps for animal waste and pit agitation, liquid fertilizer, and basic utility and dewatering applications.

INTERNATIONAL

MARKET

Shipping to approximately 140 countries, Gorman-Rupp has established an international presence and a global reputation for reliability. This reputation spans applications from municipal water projects to fire protection to irrigation to refineries. With international manufacturing and distribution facilities in Europe, South Africa, the Middle East and the Americas, we are positioned to take advantage of growth opportunities worldwide.

The Pump People®

SUSTAINABILITY A FUTURE

In a sense, the principle of sustainability is a part of Gorman-Rupp's corporate DNA.

Our earliest pump products earned a well-deserved reputation for durability — they were "built to last." They still are, and we have applied the same principle to our company, our employees and the communities where we live and work. Our passion is to create a sustainable future, one that's built to last.

More specifically, Gorman-Rupp companies are committed to advancing the health, safety and wellness of our employees, customers and communities by:

- Making a positive impact on our communities through philanthropy and social engagement;
- Reducing our impact on the environment through resource conservation and waste prevention;
- Treating employees fairly, with dignity, and without discrimination — and maintaining similar expectations of our supply chain partners;
- Providing training and development programs that attract diverse, motivated employees and help them reach their full potential.

Ribbon-cutting ceremony for the new Urban Farm facility located on Gorman-Rupp land in Mansfield, Ohio.

THAT'S BUILT TO LAST

Here are just a few of the most noteworthy sustainability measures Gorman-Rupp has undertaken over the past few years.

ENVIRONMENTAL

- Environmental Management Systems certified to the ISO 14000 standard
- Energy Recovery Through Flammable Waste Fuel Blending
- 16% Hazardous Waste Reduction, 2009-2017, at Patterson Pumps
- Automated lighting controls, programmable thermostats and reduced run time on pump tests reduce our energy footprint
- Through high-efficiency HVAC and LED Lighting, electricity use has dropped 22% since 2011 at AMT Pump Company

SOCIAL

- Mansfield Urban Farm Project
- Sherman Elementary School Reading Program

GOVERNANCE

- Copy of Code of Ethics for all employees
- Conflict Minerals Compliance

Gorman-Rupp employees volunteer weekly for the Reading Program at Mansfield, Ohio's Sherman Elementary School.

The Mansfield Urban Farm project community collaboration will produce healthy food at a profit for urban farmers, provide community gardening space, and introduce everyone to the benefits of fresh, healthy food.

As our sustainability programs continue to evolve, look for more details at: GormanRupp.com/Sustainability online

GORMAN-RUPP
PUMPS GROUP

USA

Gorman-Rupp Pumps USA
D. J. Daniels
General Manager
600 South Airport Road
Mansfield, OH 44903-7831
Phone: (419) 755-1011
Fax: (419) 755-1251
www.grpumps.com

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Gorman-Rupp of Canada Limited
Robert Furneaux
Managing Director
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St. Thomas, Ontario
N5P 3R7 Canada
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Fax: +1 (519) 631-4624
www.grpumps.ca

AFRICA

Gorman-Rupp Africa Proprietary Limited
Roger Cordeiro
Managing Director
4 Harold Flight Road, Jet Park
Boksburg, 1469 South Africa
Phone: +27 (011) 397-3536
Fax: +27 (011) 397-3512
www.gormanrupp.co.za

EUROPE

Gorman-Rupp Europe B.V.
Chris van der Gaag
Managing Director
Zandweistraat 19
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The Netherlands
Phone: +31 857 730 080
Fax: +31 582 132 057
www.grpumps.eu

EUROPE

Gorman-Rupp Belgium SA
Chris van der Gaag
Managing Director
Zi de Rhisnes
Rue des Métiers
B-5020 Suarlée, Belgium
Phone: +32 81 409 409
Fax: +32 81 409 400
www.grpumps.eu

GORMAN-RUPP COMPANY
The Pump People.

PATTERSON PUMPS GROUP

Patterson Pump Company
Albert Huber
President
2129 Ayersville Road,
Toccoa, GA 30577-3554
Phone: (706) 886-2101
Fax: (706) 886-0023
www.pattersonpumps.com

Patterson Pump Ireland Limited
Rodney Pelot
Managing Director
Unit 1 IDA Ardmore Business
& Technology Park
Marlinstown, Mullingar, Co. Westmeath,
N91 R762
Republic of Ireland
Phone: 353 44 934 7078
Fax: 353 44 934 7896
www.ie.pattersonpumps.com

NATIONAL PUMP COMPANY

National Pump Company
Steve Anglin
President
7706 North 71st Avenue
Glendale, AZ 85303-1703
Phone: (623) 979-3560
Fax: (623) 979-2177
www.nationalpumpcompany.com

CUSTOM PUMPS GROUP

Gorman-Rupp Industries
Jody Hastings
General Manager
180 Hines Avenue
Bellville, OH 44813-1234
Phone: (419) 886-3001
Fax: (419) 886-2338
www.gripumps.com

AMT Pump Company
Keith Bearde
President
400 Spring Street
Royersford, PA 19468-2519
Phone: (610) 948-3800
Fax: (610) 948-5300
www.amtpump.com

BOARD OF DIRECTORS

THE GORMAN-RUPP COMPANY

Christopher H. Lake
President & Chief Operating Officer
SRI Quality System Registrar
Elected to Board 2000

Jeffrey S. Gorman
Chairman, President & Chief Executive Officer
The Gorman-Rupp Company
Elected to Board 1989

Rick R. Taylor
President
Jay Industries, Inc.
Chief Executive Officer
Nanogate Jay System, LLC
Elected to Board 2003

Kenneth R. Reynolds
Executive Vice President & Treasurer
Ariel Corporation
Elected to Board 2014

Sonja K. McClelland
Executive Vice President, Secretary, Treasurer & Chief Financial Officer
Hurco Companies, Inc.
Elected to Board 2019

Thomas E. Hoaglin
Retired Chairman, President & Chief Executive Officer
Huntington Bancshares, Inc.
Elected to Board 1993
(Previous Service 1986 - 1989)

M. Ann Harlan, Esq.
Lead Director
Retired Vice President & General Counsel
The J.M. Smucker Company
Elected to Board 2009

DIRECTORS' COMMITTEES

Audit Committee
Thomas E. Hoaglin *(Chair)*
M. Ann Harlan
Sonja K. McClelland
Kenneth R. Reynolds

Compensation Committee
Christopher H. Lake *(Chair)*
Sonja K. McClelland
Kenneth R. Reynolds
Rick R. Taylor

Governance & Nominating Committee
M. Ann Harlan *(Chair)*
Thomas E. Hoaglin
Christopher H. Lake
Rick R. Taylor

CORPORATE OFFICERS

Jeffrey S. Gorman
*Chairman, President & Chief Executive Officer**
Joined the Company 1978

James C. Kerr
*Vice President & Chief Financial Officer**
Joined the Company 2016

Scott A. King
*Vice President & Chief Operating Officer**
Joined the Company 2004

Brigette A. Burnell, Esq.
*Vice President , General Counsel & Corporate Secretary**
Joined the Company 2014

Angela M. Morehead
Treasurer & Assistant Secretary
Joined the Company 1994

D. Patrick Wischmeier
Vice President, Information Technology
Joined the Company 2010

Barbara A. Woodward
Vice President, Human Resources
Joined the Company 2013

**Executive Officer*

Thomas Hoaglin announced that he would not be standing for re-election as a Director in 2020. Mr. Hoaglin has served as a Director of the Company since 1993 and previously served as a Director from 1986 to 1989. We thank him for 30 years of service to The Gorman-Rupp Company.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2019
OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 or 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ___________to___________
Commission file number 1-6747

THE GORMAN-RUPP COMPANY
(Exact name of Registrant as specified in its charter)

Ohio (State or other jurisdiction of incorporation or organization)	**34-0253990** (I.R.S. Employer Identification No.)
600 South Airport Road, Mansfield, Ohio (Address of principal executive offices)	**44903** (Zip Code)

Registrant's telephone number, including area code: (419) 755-1011
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Shares, without par value	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐ Smaller reporting company ☐
Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the common shares, without par value, of The Gorman-Rupp Company held by non-affiliates based on the closing sales price as of June 28, 2019 was approximately $615,589,000.

On February 29, 2020, there were 26,067,502 common shares, without par value, of The Gorman-Rupp Company outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Notice of 2020 Annual Meeting of Shareholders and related Proxy Statement are incorporated by reference into Part III (Items 10-14).

The Gorman-Rupp Company and Subsidiaries

Annual Report on Form 10-K
For the Year Ended December 31, 2019

* Included pursuant to the instructions to Item 401 of Regulation S-K.

PART I

Cautionary Note Regarding Forward-Looking Statements

In connection with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, The Gorman-Rupp Company provides the following cautionary statement: This Annual Report on Form 10-K contains various forward-looking statements based on assumptions concerning The Gorman-Rupp Company's operations, future results and prospects. These forward-looking statements are based on current expectations about important economic, political, and technological factors, among others, and are subject to risks and uncertainties, which could cause the actual results or events to differ materially from those set forth in or implied by the forward-looking statements and related assumptions.

Such factors include, but are not limited to: (1) continuation of the current and projected future business environment; (2) highly competitive markets; (3) availability and costs of raw materials; (4) loss of key personnel; (5) cyber security threats; (6) intellectual property security; (7) acquisition performance and integration; (8) compliance with, and costs related to, a variety of import and export laws and regulations; (9) environmental compliance costs and liabilities; (10) exposure to fluctuations in foreign currency exchange rates; (11) conditions in foreign countries in which The Gorman-Rupp Company conducts business; (12) changes in our tax rates and exposure to additional income tax liabilities; (13) impairment in the value of intangible assets, including goodwill; (14) defined benefit pension plan settlement expense; (15) family ownership of common equity; and (16) risks described from time to time in our reports filed with the Securities and Exchange Commission. Except to the extent required by law, we do not undertake and specifically decline any obligation to review or update any forward-looking statements or to publicly announce the results of any revisions to any of such statements to reflect future events or developments or otherwise.

ITEM 1. BUSINESS

The Gorman-Rupp Company ("Registrant", "Gorman-Rupp", the "Company", "we" or "our") was incorporated in Ohio in 1934. The Company designs, manufactures and globally sells pumps and pump systems for use in water, wastewater, construction, dewatering, industrial, petroleum, original equipment, agriculture, fire protection, heating, ventilating and air conditioning ("HVAC"), military and other liquid-handling applications.

PRODUCTS

The Company operates in one business segment, the manufacture and sale of pumps and pump systems. The following table sets forth, for the years 2017 through 2019, the total net sales, income before income taxes and year-end total assets of the Company.

	(Thousands of dollars)		
	2019	**2018**	**2017**
Net sales	$398,179	$414,334	$379,389
Income before taxes	45,166	50,316	39,378
Total assets	382,760	368,282	395,015

The Company's product line consists of pump models ranging in size from 1/4" to nearly 15 feet and ranging in rated capacity from less than one gallon per minute to nearly one million gallons per minute. The types of pumps which the Company produces include self-priming centrifugal, standard centrifugal, magnetic drive centrifugal, axial and mixed-flow, vertical turbine line shaft, submersible, high-pressure booster, rotary gear, diaphragm, bellows and oscillating.

The pumps have drives that range from 1/35 horsepower electric motors up to much larger electric motors or internal combustion engines capable of producing several thousand horsepower. Many of the larger units comprise encased, fully-integrated water and wastewater pumping stations. In certain cases, units are designed for the inclusion of customer-supplied drives.

The Company's larger pumps are sold principally for use in the construction, industrial, water and wastewater handling fields; for flood control; for boosting low residential water pressure; for pumping refined petroleum products, including the ground refueling of aircraft; for fluid control in HVAC applications; and for various agricultural purposes.

The Company's pumps are also utilized for dewatering purposes. Additionally, pumps manufactured for fire protection are used for sprinkler back-up systems, fire hydrants, stand pipes, fog systems and deluge systems at hotels, banks, factories, airports, schools, public buildings and hundreds of other types of facilities throughout the world.

Many of the Company's smallest pumps are sold to customers for incorporation into such products as food processing, chemical processing, photo processing, medical applications, waste treatment, HVAC equipment, appliances and solar heating.

MARKETING

The Company's pumps are marketed in the United States and worldwide through a broad network of distributors, through manufacturers' representatives (for sales to many original equipment manufacturers), through third-party distributor catalogs, direct sales, and by ecommerce. The Company regularly seeks alliances with distributors and other partners to further enhance marketing opportunities. Export sales are made primarily through foreign distributors and representatives. The Company has long-standing relationships with many of the leading independent distributors in the markets it serves and provides specialized training programs to distributors on a regular basis with a focus on meeting the world's water and wastewater pumping needs.

During 2019, 2018 and 2017, there were no shipments to any single customer that exceeded 10% of total net sales. Gorman-Rupp continued to actively pursue international business opportunities and, in 2019, shipped its pumps to approximately 140 countries around the world. No sales made to customers in any one foreign country amounted to more than 5% of total net sales for 2019, 2018 or 2017.

COMPETITION

The pump industry is highly fragmented and therefore Gorman-Rupp competes with a large number of businesses. Numerous pump competitors exist as subsidiaries, divisions or departments within significantly larger corporations. The Company also faces increased competition from foreign-sourced pumps in most of the Company's domestic markets.

Most commercial and industrial pumps are specifically designed and engineered for a particular customer's application. The Company believes that proper application, product performance, and quality of delivery and service are its principal methods of competition, and attributes its success to its continued emphasis in these areas. In the sale of products and services, the Company benefits from its large base of previously installed products, which periodically require replacement parts due to the critical application and nature of the products and the conditions under which they operate.

PURCHASING AND PRODUCTION

Substantially all of the materials, supplies, components and accessories used by the Company in the fabrication of its products, including all castings (for which most patterns are made and owned by the Company), structural steel, bar stock, motors, solenoids, engines, seals, and plastic and elastomeric components are purchased by the Company from other suppliers and manufacturers. The Company does not purchase materials under long-term contracts and is not dependent upon a single source for any materials, supplies, components or accessories which are of material importance to its business.

The Company purchases motor components for its large submersible pumps, and motors and engines for its pump systems, from a limited number of suppliers, while motors for its polypropylene bellows pumps and magnetic drive pumps are purchased from several alternative vendors. Products requiring small motors are also sourced from alternative suppliers.

The other production operations of the Company consist of the machining of castings, the cutting, shaping and welding of bar stock and structural members, the design and assembly of electrical control panels, the manufacture of some small motors and a few minor components, and the assembling, painting and testing of its products. Substantially all of the Company’s products are tested prior to shipment.

OTHER ASPECTS

As of December 31, 2019, the Company employed approximately 1,200 persons, of whom approximately 670 were hourly employees. The Company has no collective bargaining agreements, has never experienced a work stoppage and considers its labor relations to be satisfactory.

Although the Company owns a number of patents, several of which are important to its business, the Company does not consider its business to be materially dependent upon any one or more patents. The Company’s patents, trademarks and other intellectual property are adequate for its business purposes.

The Company’s backlog of orders was $105.0 million at December 31, 2019 compared to $113.7 million at December 31, 2018, a decrease of 7.7%. Approximately 95% of the Company’s backlog of unfilled orders is scheduled to be shipped during 2020, with the remainder principally during the first half of 2021. Incoming orders decreased 6.2% in 2019 compared to 2018, most notably in the construction and petroleum markets.

AVAILABLE INFORMATION

The Company maintains a website accessible through its internet address of www.gormanrupp.com. Gorman-Rupp makes available free of charge on or through www.gormanrupp.com its Annual Report to Shareholders, its annual Proxy Statement, its annual reports on Form 10-K, its quarterly reports on Form 10-Q, and its current reports on Form 8-K, and any amendments to those reports, as soon as reasonably practicable after those reports (and any amendments) are electronically filed with or furnished to the Securities and Exchange Commission (“Commission”). However, the information contained on the Company’s website is not a part of this Form 10-K or any other report filed with or furnished to the Commission.

A paper copy of the Company’s Form 10-K is also available free of charge upon written request to the Company’s Corporate Secretary.

ITEM 1A. RISK FACTORS

Gorman-Rupp’s business and financial performance are subject to various risks and uncertainties, some of which are beyond its control. In addition to the risks discussed elsewhere in this Form 10-K, the following risks and uncertainties could materially adversely affect the Company's business, prospects, financial condition, results of operations, liquidity and access to capital markets. These risks could cause the Company's actual results to differ materially from its historical experience and from expected results discussed in forward-looking statements made by the Company related to conditions or events that it anticipates may occur in the future.

Continuation of current and projected future business environment

The overall pump industry is cyclical in nature, and some of its business activity is related to general business conditions in the durable goods and capital equipment markets. Demand for most of the Company's products and services is affected by the level of new capital investment and planned maintenance expenditures by its customers. The level of such investment and expenditures by our customers depends, in turn, on factors such as general economic conditions, availability of credit, economic conditions within their respective industries and expectations of future market behavior. Volatility in prices of commodities such as oil and agricultural products can negatively affect the levels of investment and expenditures of certain customers and result in postponement of capital investment decisions or the delay or cancellation of existing orders, either of which may negatively impact the Company's sales.

Highly competitive markets

Gorman-Rupp sells its products in highly competitive markets. Maintaining and improving the Company's competitive position requires periodic investment in manufacturing, engineering, quality standards, marketing, customer service and support, and distribution networks. Even with such investment, the Company may not be successful in maintaining its competitive position. The Company's competitors may develop products that are superior to its products, or may develop methods of more efficiently and effectively providing products and services, or may adapt more quickly to new technologies or evolving customer requirements. Pricing pressures may require the Company to adjust the prices of its products downward to stay competitive. The Company may not be able to compete successfully with its existing competitors or with new competitors. Failure to compete successfully could negatively impact the Company's sales, operating margins and overall financial performance.

Availability and costs of raw materials

The Company could be adversely affected by raw material price volatility or an inability of its suppliers to meet quality and delivery requirements. Raw material and energy expenses are substantial drivers of costs in the manufacture of pumps and changes in these costs are often unpredictable. While the Company manufactures certain parts and components used in its products, the Company's business requires substantial amounts of raw materials, parts and components to be purchased from suppliers. The availability and prices of raw materials, parts and components purchased from the Company's suppliers may be subject to curtailment or change due to, among other things, suppliers' allocations to other purchasers, interruptions in production or deliveries by suppliers, changes in exchange rates, tariffs, changes in duty rates and changes in other trade barriers and import and export licensing requirements. The Company may not be able to pass along any increased material costs to customers for competitive or other reasons. A change in the availability of, or increases in the price for, these raw materials, parts and components could materially affect our business, financial condition, results of operations or cash flows.

Loss of key personnel

The Company's success depends to a significant extent on the continued service of its executive management team and the ability to recruit, hire and retain other key management personnel to support the Company's growth and operational initiatives and replace executives who retire or resign. Failure to retain key management personnel and attract and retain other highly-skilled personnel could limit the Company's global growth and ability to execute operational initiatives, or may result in inefficient and ineffective management and operations, which could harm the Company's revenues, operations and product development efforts and could eventually result in a decrease in profitability.

Cyber security threats

Increased global information technology security threats and more sophisticated and targeted computer crime pose a risk to the security of Gorman-Rupp's systems and networks and to the confidentiality, availability, and integrity of its data. While the Company attempts to mitigate these risks by employing a number of measures, including employee training, comprehensive monitoring of its networks and systems, and the deployment of backup and protective systems, the Company's systems, networks, proprietary information, products, solutions and services remain potentially vulnerable to advanced persistent threats. Depending on their nature and scope, such threats could potentially lead to liability for damages or the loss of confidential information including as a result of, but not limited to, the compromising of confidential information relating to customer, supplier, or employee data, improper use of the Company's systems and networks, manipulation and destruction of data, defective products, production downtimes and operational disruptions which, in turn, could adversely affect Gorman-Rupp's reputation, competitiveness and results of operations.

Intellectual property security

The Company possesses a wide array of intellectual property rights, including patents, trademarks, copyrights, and applications for the above, as well as other proprietary information. There is a risk that third parties would attempt to copy, in full or in part, the Company's products, technologies or industrial designs, or to obtain unauthorized access and use of Company technological know-how or other protected intellectual property rights. Also, other companies could successfully develop technologies, products or industrial designs similar to the Company's, and thus potentially compete with the Company. From time to time, the Company has been faced with instances where competitors have infringed or unfairly used its intellectual property or taken advantage of its design and development efforts. The ability to protect and enforce intellectual property rights varies across jurisdictions. Competitors who may attempt to copy the Company's products, technologies or industrial designs are becoming more prevalent, particularly in Asia. If the Company is unable to adequately enforce and protect its intellectual property rights, it could adversely affect its revenues and profits and hamper its ability to grow.

Competitors and others may also challenge the validity of the Company's intellectual property or allege that it has infringed their intellectual property, including through litigation. The Company may be required to pay substantial damages if it is determined its products infringe the intellectual property of others. The Company may also be required to develop an alternative, non-infringing product that could be costly and time-consuming, or acquire a license (if available) on terms that are not favorable to it. Regardless of whether infringement claims against the Company are successful, defending against such claims could significantly increase the Company's costs, divert management's time and attention away from other business matters, and otherwise adversely affect the Company's results of operations and financial condition.

Acquisition performance and integration

The Company's historical growth has depended, and its future growth is likely to continue to depend, in part on its acquisition strategy and the successful integration of acquired businesses into existing operations. The Company intends to continue to seek additional acquisition opportunities that have the potential to support and strengthen its operations. The Company cannot assure it will be able to successfully identify suitable acquisition opportunities, prevail against competing potential acquirers, negotiate appropriate acquisition terms, obtain financing that may be needed to consummate such acquisitions, complete proposed acquisitions, successfully integrate acquired businesses into existing operations or expand into new markets. In addition, the Company cannot assure that any acquisition, even if successfully integrated, will perform as planned, be accretive to earnings, or prove to be beneficial to the Company's operations and cash flows.

Compliance with, and costs related to, a variety of import and export laws and regulations

The Company is subject to a variety of laws and regulations regarding international operations, including regulations issued by the U.S. Department of Commerce Bureau of Industry and Security and various other domestic and foreign governmental agencies. Actual or alleged violations of import-export laws could result in enforcement actions and/or financial penalties. The Company cannot predict the nature, scope or effect of future regulatory requirements to which our international operations and trading practices might be subject or the manner in which existing laws or regulations might be administered or interpreted. Future legislation or regulations could limit the countries in which certain of our products may be manufactured or sold or could restrict our access to, and increase the cost of obtaining, products from foreign sources.

Environmental compliance costs and liabilities

The Company's operations and properties are subject to various, and increasingly numerous, domestic and foreign environmental laws and regulations which can impose operating and/or financial sanctions for violations. Moreover, environmental and sustainability initiatives, practices, rules and regulations are under increasing scrutiny of both governmental and non-governmental bodies and may require changes to the Company's operational practices, standards and expectations and, in turn, increase the Company's compliance costs. Periodically, the Company has incurred, and it expects to continue to incur, operating and capital costs to comply with environmental requirements. The Company monitors its environmental responsibilities, together with trends in the related laws, and believes it is in substantial compliance with current regulations. If the Company is required to incur increased compliance costs or violates environmental laws or regulations, future environmental compliance expenditures or liabilities could have a material adverse effect on our financial condition, results of operations or cash flows.

Exposure to fluctuations in foreign currency exchange rates

The Company is exposed to fluctuations in foreign currency exchange rates, particularly with respect to the Euro, Canadian Dollar, South African Rand and British Pound. Any significant change in the value of these currencies could affect the Company's ability to sell products competitively and control its cost structure, which could have a material effect on its financial condition, results of operations or cash flows.

Conditions in foreign countries in which the Company conducts business

In 2019, 31% of the Company's net sales were to customers outside the United States. The Company expects its international and export sales to continue to be a significant portion of its revenue and it has placed a particular emphasis on increasing its growth and presence internationally. The Company's sales from international operations and export sales are subject, in varying degrees, to risks inherent to doing business outside the United States. These risks include, but are not limited to, the following, some of which are further addressed in our other Risk Factors:

- Possibility of unfavorable circumstances arising from host country laws or regulations;
- Currency exchange rate fluctuations and restrictions on currency repatriation;

- Potential negative consequences from changes to taxation policies;
- Disruption of operations from labor or political disturbances, or public health crises;
- Changes in tariffs, duty rates, and other trade barriers and import and export licensing requirements;
- Increased costs and risks of developing, staffing and simultaneously managing a number of global operations as a result of distance as well as language and cultural differences; and
- Insurrections, armed conflicts, terrorism or war.

Any of these events could have an adverse impact on the Company’s business and operations.

Changes in our tax rates and exposure to additional income tax liabilities

Gorman-Rupp is subject to income and other taxes in the United States federal jurisdiction and various local, state and foreign jurisdictions. The Company’s future effective income tax rates could be unfavorably affected by various factors, including changes in the tax rates as well as rules and regulations in relevant jurisdictions. In addition, the amount of income taxes paid is subject to ongoing audits by U.S. federal, state and local tax authorities and by non-U.S. authorities. If these audits result in assessments different from amounts recorded, the Company’s future financial results may include unfavorable adjustments.

Impairment in the value of intangible assets, including goodwill

The Company’s total assets reflect goodwill from acquisitions, representing the excess cost over the fair value of the identifiable net assets acquired, including other indefinite-lived and finite-lived intangible assets. Goodwill and other indefinite-lived intangible assets are not amortized but are reviewed annually for impairment as of October 1 or whenever events or changes in circumstances indicate there may be a possible permanent loss of value using either a quantitative or qualitative analysis. Finite-lived assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recovered through future net cash flows generated by the assets. If future operating performance at one or more of the Company’s reporting units were to fall significantly below forecast levels or if market conditions for one or more of its acquired businesses were to decline, the Company could be required to incur a non-cash charge to operating income for impairment. Any impairment in the value of these assets could have an adverse non-cash impact on the Company’s reported results of operations.

Defined benefit pension plan settlement expense

The Company sponsors a defined benefit pension plan covering certain domestic employees and accrues amounts for funding of its obligations under the plan. The defined benefit pension plan allows eligible retiring employees to receive a lump-sum distribution for benefits earned in lieu of annual payments and most of the Company’s retirees historically have elected this option. Under applicable accounting rules, if the lump-sum distributions made for a plan year exceed an actuarially-determined threshold of the total of the service cost and interest cost for the plan year, the Company at such point would be required to recognize for that year’s results of operations settlement expense for the resulting unrecognized actuarial loss. The Company has been required to make such adjustments in some prior years, and, if such non-cash adjustments are necessary in future periods, they may negatively impact the Company’s operating results.

There was no pension settlement charge recorded in 2019. In 2018 and 2017, the Company recorded pre-tax non-cash pension settlement charges of $2.9 million and $4.0 million, respectively, driven by lump-sum distributions discussed above. See Note 9 to the Consolidated Financial Statements, Pensions and Other Postretirement Benefits.

Family ownership of common equity

A substantial percentage of the Company's Common Shares is held by various members of the Gorman and Rupp families and their respective affiliates. Because of this concentrated ownership relative to many other publicly-traded companies, the market price of the Company's Common Shares may be influenced by lower trading volume and therefore more susceptible to price fluctuations than many other companies' shares. If any one or more of the Company's significant shareholders were to sell all or a portion of their holdings of Company Common Shares at once or within short periods of time, or there was an expectation that such a sale was imminent, then the market price of the company's common shares could be negatively affected.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The Company's corporate headquarters are located in Mansfield, Ohio. The production operations of the Company are conducted at several locations throughout the United States and other countries as set forth below. The Company is a lessee under a number of operating leases for certain real properties, none of which is material to its operations.

The Company's principal production operations are:

United States

Mansfield (two) and Bellville, Ohio	Royersford, Pennsylvania (two)	Olive Branch, Mississippi
Toccoa, Georgia	Glendale, Arizona	Lubbock, Texas

Other Countries

St. Thomas, Ontario, Canada	County Westmeath, Ireland	Culemborg, The Netherlands*
Johannesburg, South Africa	Namur, Belgium	

* Leased property

The Company owns a facility in Dallas, Texas comprising a training center and warehouse. In addition, the Company leases a warehouse facility in Jebal Ali, Dubai.

Gorman-Rupp considers its plants, machinery and equipment to be well maintained, in good operating condition and adequate for the present uses and business requirements of the Company.

ITEM 3. LEGAL PROCEEDINGS

For nearly twenty years, numerous business entities in the pump and fluid-handling industries, as well as a multitude of companies in many other industries, have been targeted in a series of lawsuits in several jurisdictions by various individuals seeking redress to claimed injury as a result of the entities' alleged use of asbestos in their products. Since 2001, the Company and some of its subsidiaries have been involved in this mass-scaled litigation, typically as one of many co-defendants in a particular proceeding. The allegations in the lawsuits involving the Company and/or its subsidiaries have been vague, general and speculative. Most of these lawsuits have been dismissed without advancing beyond the early stage of discovery, some as a result of nominal monetary settlements recommended for payment by the Company's insurers. The claims and related legal expenses generally have been covered by the Company's insurance, subject to applicable deductibles and limitations. Accordingly, this series of lawsuits has not, cumulatively or individually, had a material adverse impact on the Company's consolidated results of operations, liquidity or financial condition, nor is it expected to have any such impact in the future, based on the current knowledge of the Company.

In addition, the Company and/or its subsidiaries are parties in a small number of legal proceedings arising in the ordinary course of business. Management does not currently believe that these proceedings will materially impact the Company's consolidated results of operations, liquidity or financial condition.

ITEM 4. MINE SAFETY DISCLOSURE

Not applicable.

INFORMATION ABOUT OUR EXECUTIVE OFFICERS

The following table sets forth certain information with respect to the executive officers of the Company as of January 31, 2020:

Name	Age	Office	Date Elected to Executive Office Position
Jeffrey S. Gorman	67	Chairman, President and Chief Executive Officer	1998
James C. Kerr	57	Vice President and Chief Financial Officer	2017
Scott A. King	45	Vice President and Chief Operating Officer	2019
Brigette A. Burnell	44	Vice President, General Counsel and Corporate Secretary	2014

Mr. Gorman was elected Chairman of the Board on April 25, 2019 and has served as President and Chief Executive Officer since May 1, 1998, after having served as Senior Vice President since 1996. Mr. Gorman also held the position of General Manager of the Gorman-Rupp Pumps USA division of the Company from 1989 through 2005. He served as Assistant General Manager from 1986 to 1988; and he held the office of Corporate Secretary from 1982 to 1990. He has served as a Director of the Company continuously since 1989.

Mr. Kerr was elected Vice President and Chief Financial Officer effective March 1, 2018. Mr. Kerr previously served as Chief Financial Officer effective January 1, 2017 and as Vice President of Finance from July 18, 2016 to December 31, 2016. Prior to 2016, Mr. Kerr served as both Executive Vice President and Chief Financial Officer of Jo-Ann Stores from 2006 to 2015 and as Vice President, Controller of Jo-Ann Stores from 1998 to 2006.

Mr. King was elected Vice President and Chief Operating Officer effective April 25, 2019. Mr. King previously served as Vice President of Operations effective March 1, 2018 and as Vice President from April 1, 2017 to February 28, 2018. Mr. King previously held positions with the Gorman-Rupp Pumps USA division of the Company as Vice President and General Manager from January 1, 2014 until March 31, 2017, Vice President of Operations from June 1, 2010 until December 31, 2013, Director of Manufacturing from July 1, 2007 until May 31, 2010 and Manufacturing Manager from November 1, 2004 until June 30, 2007.

Ms. Burnell was elected Vice President, General Counsel and Corporate Secretary effective March 1, 2018. Ms. Burnell previously served as General Counsel effective May 1, 2015 and as Corporate Secretary effective May 1, 2014. Ms. Burnell previously served as Corporate Counsel effective May 1, 2014. Ms. Burnell joined the Company as Corporate Attorney on January 2, 2014. Prior to 2014, Ms. Burnell served as Corporate Counsel of Red Capital Group from 2011 to 2013 and as an Associate at Jones Day from 2002 to 2011.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The Company's Common Stock is listed on the NYSE under the ticker symbol "GRC". On February 3, 2020, there were approximately 7,790 shareholders, of which 1,550 were registered holders of Common Shares.

The Company currently expects to continue its exceptional history of paying regular quarterly dividends, and increased annual dividends. However, any future dividends will be reviewed individually and declared by our Board of Directors at its discretion, dependent on an assessment of the Company's financial condition and business outlook at the applicable time.

ISSUER PURCHASES OF EQUITY SECURITIES

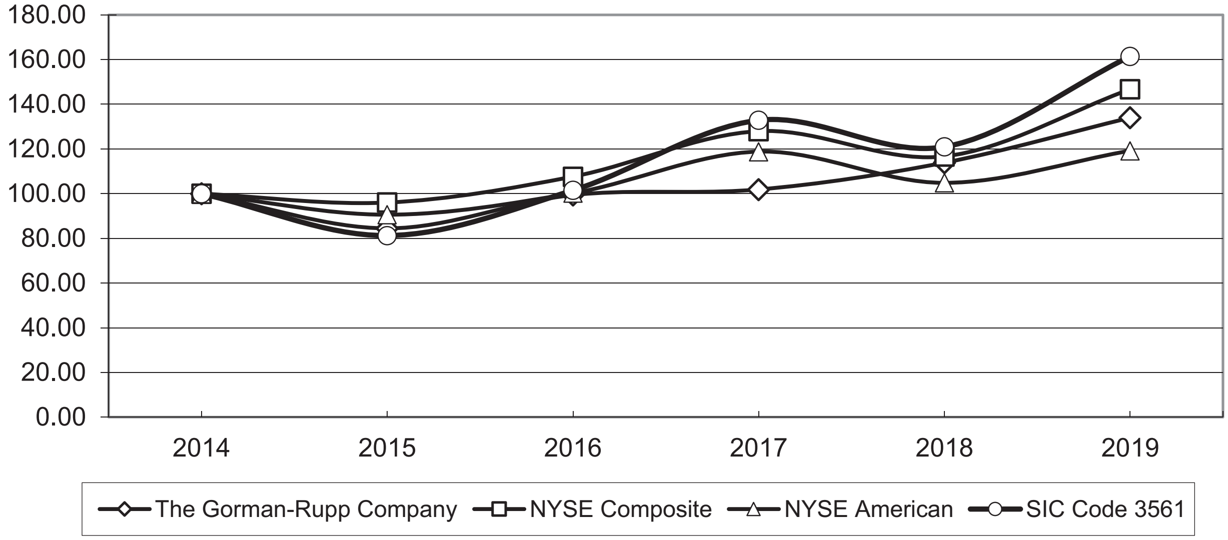
The following table summarizes the Company's common share repurchase activity for the quarter ended December 31, 2019:

Period	Total Number of Shares (or Units) Purchased	Average Price Paid Per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plan or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
October 1, 2019 – October 31, 2019	-	-	-	-
November 1, 2019 – November 30, 2019	-	-	-	-
December 1, 2019 – December 31, 2019	65,891 (1)	$37.78 (1)	-	-
Total	65,891	$37.78	-	-

(1) 65,891 Common shares of the Company repurchased on December 31, 2019 from a Rupp family estate in a privately-arranged transaction.

PERFORMANCE GRAPH

The following stock price performance graph and related table compares the cumulative total returns (assuming reinvestment of dividends) on $100 invested on December 31, 2014 through December 31, 2019 in the Company's common shares, the NYSE Composite Index, the NYSE American Index and a peer group of companies in the SIC Code 3561 Index — Pumps and Pumping Equipment. The stock price performance graph and related table is not necessarily indicative of future investment performance. This graph is not deemed to be "soliciting material" or "filed" with the SEC or subject to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the graph shall not be deemed to be incorporated by reference into any prior or subsequent filing by us under the Securities Act of 1933, as amended, or the Exchange Act.



	2014	2015	2016	2017	2018	2019
The Gorman-Rupp Company	100.00	84.48	99.40	101.87	113.88	133.99
NYSE Composite	100.00	96.03	107.62	127.96	116.70	146.74
NYSE American	100.00	90.59	100.23	118.83	104.85	119.23
SIC Code 3561	100.00	81.26	101.48	132.84	120.97	161.44

ITEM 6. SELECTED FINANCIAL DATA

Five-Year Summary of Selected Financial Data
(Thousands of dollars, except per share amounts)

	2019	2018	2017	2016	2015
Operating Results					
Net sales	$398,179	$414,334	$379,389	$382,071	$406,150
Gross profit	102,675	109,921	101,208	92,528	95,813
Income taxes	9,351	10,337	12,823	11,599	12,157
Net income	35,815	39,979	26,555	24,883	25,109
Depreciation and amortization	13,749	14,484	15,053	15,529	15,282
Interest expense	1	1	17	20	122
Return on net sales (%)	9.0	9.6	7.0	6.5	6.2
Sales dollars per employee	331.5	349.1	327.9	313.2	318.5
Income dollars per employee	29.8	33.7	23.0	20.4	19.7
Financial Position					
Current assets	$227,665	$208,686	$227,934	$203,900	$189,391
Current liabilities	45,495	48,465	45,696	49,352	43,460
Working capital	182,170	160,221	182,238	154,548	145,931
Current ratio	5.0	4.3	5.0	4.1	4.4
Property, plant and equipment, net	$111,779	$113,493	$117,071	$122,067	$129,887
Capital additions	10,912	10,947	7,754	6,877	8,260
Total assets	382,760	368,282	395,015	382,818	364,201
Equity	307,878	293,132	325,495	302,888	287,021
Dividends paid	14,370	65,551 (1)	12,268	11,218	10,599
Average number of employees	1,201	1,187	1,157	1,220	1,275
Shareholder Information					
Earnings per share	$1.37	$1.53	$1.02	$0.95	$0.96
Cash dividends per share	.550	2.51 (1)	0.470	0.430	0.405
Equity per share at December 31	11.78	11.22	12.47	11.61	11.00
Average number of shares outstanding	26,127,168	26,112,138	26,100,865	26,087,721	26,192,072

(1) Includes a special dividend of $52,234 or $2.00 per share.

Summary of Quarterly Results of Operations
(Thousands of dollars, except per share amounts)

Quarter Ended 2019	Net Sales	Gross Profit	Net Income	Earnings per Share
First quarter	$96,859	$23,313	$7,222	$0.28
Second quarter	108,330	28,192	10,480	0.40
Third quarter	99,298	25,792	9,775	0.37
Fourth quarter	93,692	25,378	8,338	0.32
Total	$398,179	$102,675	$35,815	$1.37

Quarter Ended 2018	Net Sales	Gross Profit	Net Income	Earnings per Share
First quarter	$96,604	$26,206	$9,617	$0.37
Second quarter	111,827	29,865	10,173	0.39
Third quarter	102,893	27,327	10,701	0.41
Fourth quarter	103,010	26,523	9,488	0.36
Total	$414,334	$109,921	$39,979	$1.53

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(Amounts in tables in thousands of dollars)

Executive Overview

The following discussion of Results of Operations includes certain non-GAAP financial data and measures such as adjusted earnings before interest, taxes, depreciation and amortization and adjusted earnings per share amounts which exclude non-cash pension settlement charges in 2018 and 2017 and non-cash impairment charges relating to goodwill and other intangible assets in 2017. Management utilizes these adjusted financial data and measures to assess comparative operations against those of prior periods without the distortion of non-comparable factors. The Gorman-Rupp Company believes that these non-GAAP financial data and measures also will be useful to investors in assessing the strength of the Company's underlying operations from period to period. Provided below is a reconciliation of adjusted earnings per share amounts and adjusted earnings before interest, taxes, depreciation and amortization.

	2019	2018	2017
Adjusted earnings per share:			
Reported earnings per share – GAAP basis	$1.37	$1.53	$1.02
Plus pension settlement charge	-	0.08	0.10
Plus goodwill impairment and other intangible asset charges	-	-	0.10
Non-GAAP adjusted earnings per share	$1.37	$1.61	$1.22
Adjusted earnings before interest, taxes, depreciation and amortization:			
Reported net income – GAAP basis	$35,815	$39,979	$26,555
Plus interest	1	1	17
Plus income taxes	9,351	10,337	12,823
Plus depreciation and amortization	13,749	14,484	15,053
Non-GAAP earnings before interest, taxes, depreciation and amortization	58,916	64,801	54,448
Plus pension settlement charge	-	2,852	4,031
Plus goodwill impairment and other intangible asset charges	-	-	4,098
Non-GAAP adjusted earnings before interest, taxes, depreciation and amortization	$58,916	$67,653	$62,577

The Gorman-Rupp Company ("we", "our", "Gorman-Rupp" or the "Company") is a leading designer, manufacturer and international marketer of pumps and pump systems for use in diverse water, wastewater, construction, dewatering, industrial, petroleum, original equipment, agriculture, fire protection, heating, ventilating and air conditioning (HVAC), military and other liquid-handling applications. The Company attributes its success to long-term product quality, applications and performance combined with timely delivery and service, and continually seeks to develop initiatives to improve performance in these key areas.

Gorman-Rupp actively pursues growth opportunities through organic growth, international business expansion and acquisitions.

We regularly invest in training for our employees, in new product development and in modern manufacturing equipment, technology and facilities all designed to increase production efficiency and capacity and drive growth by delivering innovative solutions to our customers. We believe that the diversity of our markets is a major contributor to the generally stable financial growth we have produced for more than 85 years.

The Company places a strong emphasis on cash flow generation and maintaining excellent liquidity and financial flexibility. This focus has afforded us the ability to reinvest our cash resources and preserve a strong balance sheet to position us for future acquisition and product development opportunities. The Company had no bank debt as of December 31, 2019. The $146.6 million of aggregate cash generated by operating activities over the past three years was utilized primarily to pay dividends, including a special dividend of $2.00 per share paid on December 10, 2018, purchase productivity-enhancing capital equipment and fund the Company's defined benefit pension plan. The Company's cash position increased $34.1 million during 2019 to $80.6 million at December 31, 2019.

The Company generated $58.9 million in adjusted earnings before interest, taxes, depreciation and amortization during 2019. From these earnings, the Company invested $10.9 million primarily in buildings, machinery and equipment and returned $14.4 million in dividends to shareholders.

Capital expenditures for 2020 are presently planned to be in the range of $15-$18 million primarily for building improvements and machinery and equipment purchases, and are expected to be financed through internally-generated funds.

Net sales for 2019 were $398.2 million compared to $414.3 million for 2018, a decrease of 3.9% or $16.1 million. Domestic sales increased 1.3% or $3.5 million while international sales decreased 13.8% or $19.6 million compared to 2018. Of the total decrease in net sales during 2019, $2.9 million was due to unfavorable currency translation.

Gross profit was $102.7 million for 2019, resulting in gross margin of 25.8%, compared to gross profit of $109.9 million and gross margin of 26.5% for 2018. Gross margin decreased 70 basis points largely as a result of loss of leverage on fixed labor and overhead from lower sales volume, and higher healthcare costs of 50 basis points. Partially offsetting these items was a favorable LIFO impact of 130 basis points compared to 2018.

Selling, general and administrative ("SG&A") expenses were $58.8 million and 14.8% of net sales for 2019 compared to $59.3 million and 14.3% of net sales for 2018. In 2018, a special cash bonus paid to all employees in connection with the U.S. Tax Cuts and Jobs Act ("Tax Act") impacted SG&A expenses by $1.3 million or 30 basis points. Excluding this special cash bonus, SG&A expenses increased slightly by 1.4% or $0.8 million and increased 80 basis points as a percentage of sales primarily as a result of loss of leverage from lower sales volume.

Operating income was $43.8 million for 2019, resulting in an operating margin of 11.0%, compared to operating income of $50.6 million and operating margin of 12.2% for 2018. In 2018, a special cash bonus paid to all employees impacted operating margin by $1.3 million or 30 basis points. Excluding this special cash bonus, operating margin decreased 150 basis points primarily as a result of loss of leverage from lower sales volume and higher healthcare costs, partially offset by a favorable LIFO impact.

Net income was $35.8 million for 2019 compared to a record $40.0 million in 2018, and earnings per share were $1.37 for 2019 and $1.53 for 2018. In 2019, earnings benefited from a favorable LIFO impact of $0.04 per share. In 2018, earnings were reduced by an unfavorable LIFO impact of $0.12 per share, noncash pension settlement charges of $0.08 per share and a special cash bonus paid to all employees of $0.04 per share.

The Company's backlog of orders was $105.0 million at December 31, 2019 compared to $113.7 million at December 31, 2018, a decrease of 7.7%. Incoming orders declined 6.2% for the full year. However, incoming orders for the fourth quarter of 2019 increased 2.7% compared to the fourth quarter of 2018.

On January 23, 2020, the Board of Directors authorized the payment of a quarterly dividend of $0.145 per share, representing the 280th consecutive quarterly dividend to be paid by the Company. During 2018, the Company again paid increased dividends and thereby attained its 47th consecutive year of increased dividends. These consecutive years of increases continue to position Gorman-Rupp in the top 50 of all U.S. public companies with respect to number of years of increased dividend payments. The regular dividend yield at December 31, 2019 was 1.5%.

The Company currently expects to continue its exceptional history of paying regular quarterly dividends and increased annual dividends. However, any future dividends will be reviewed individually and declared by our Board of Directors at its discretion, dependent on our assessment of the Company's financial condition and business outlook at the applicable time.

Outlook

For 2020, we believe both domestic spending for industrial products and international markets will remain somewhat challenging. However, we anticipate pump sales for municipal and flood control applications should be more positive. Additional spending on domestic infrastructure could also be beneficial to us. Although the fluid handling market is mature in nature, exciting opportunities exist in the way pumps are engineered, packaged, and controlled for higher efficiency. Our strong balance sheet provides us with the flexibility to continue to evaluate acquisition opportunities and new product development that we expect will help add value to our operations over the longer term.

Results of Operations – 2019 Compared to 2018:

Net Sales

	Year Ended December 31,			
	2019	**2018**	**$ Change**	**% Change**
Net sales	$398,179	$414,334	$(16,155)	(3.9)%

Net sales for 2019 were $398.2 million compared to $414.3 million for 2018, a decrease of 3.9% or $16.1 million. Domestic sales increased 1.3% or $3.5 million while international sales decreased 13.8% or $19.6 million compared to 2018. Of the total decrease in net sales during 2019, $2.9 million was due to unfavorable currency translation.

Sales in our water markets decreased 4.1% or $11.7 million in 2019 compared to 2018. Sales in the municipal market increased $3.7 million due primarily to large volume custom pumps for flood control, and sales in the repair market increased $0.4 million. This increase was offset by decreased sales in the fire protection market of $9.6 million driven primarily by softness in international markets and decreased sales in the construction market of $4.2 million driven primarily by softness in the upstream oil and gas activity. In addition, sales in the agriculture market decreased $2.0 million.

Sales in our non-water markets decreased 3.5% or $4.4 million in 2019 compared to 2018. Sales in the petroleum market increased $1.7 million driven primarily by midstream and downstream oil and gas customers. This increase was offset by decreased sales in the industrial market and OEM market of $4.4 million and $1.7 million, respectively, due primarily to reduced capital spending related to oil and gas.

International sales were $122.9 million in 2019 compared to $142.5 million in 2018 and represented 31% and 34% of total sales for the Company, respectively. International sales decreased most notably in the fire protection, construction and municipal markets.

Cost of Products Sold and Gross Profit

	Year Ended December 31,			
	2019	**2018**	**$ Change**	**% Change**
Cost of products sold	$295,504	$304,413	$(8,909)	(2.9)%
% of Net sales	*74.2%*	*73.5%*		
Gross margin	*25.8%*	*26.5%*		

Gross profit was $102.7 million for 2019, resulting in gross margin of 25.8%, compared to gross profit of $109.9 million and gross margin of 26.5% for 2018. Gross margin decreased 70 basis points largely as a result of loss of leverage on fixed labor and overhead from lower sales volume, and higher healthcare costs of 50 basis points. Partially offsetting these items was a favorable LIFO impact of 130 basis points compared to 2018 due to lower inventory levels as compared to amounts in inventory at December 31, 2018.

Selling, General and Administrative (SG&A) Expenses

	Year Ended December 31,			
	2019	**2018**	**$ Change**	**% Change**
Selling, general and administrative expenses	$58,835	$59,282	$(447)	(0.8)%
% of Net sales	*14.8%*	*14.3%*		

SG&A expenses were $58.8 million and 14.8% of net sales for 2019 compared to $59.3 million and 14.3% of net sales for 2018. In 2018, a special cash bonus paid to all employees impacted SG&A expenses by $1.3 million or 30 basis points. Excluding this special cash bonus, SG&A expenses increased slightly by 1.4% or $0.8 million and increased 80 basis points as a percentage of sales primarily as a result of loss of leverage from lower sales volume.

Operating Income

	Year Ended December 31,			
	2019	2018	$ Change	% Change
Operating income	$43,840	$50,639	$(6,799)	(13.4)%
% of Net sales	*11.0%*	*12.2%*		

Operating income was $43.8 million for 2019, resulting in an operating margin of 11.0%, compared to operating income of $50.6 million and operating margin of 12.2% for 2018. In 2018, a special cash bonus paid to all employees impacted operating margin by $1.3 million or 30 basis points. Excluding this special cash bonus, operating margin decreased 150 basis points primarily as a result of loss of leverage from lower sales volume and higher healthcare costs of 70 basis points, partially offset by a favorable LIFO impact of 130 basis points.

Net Income

	Year Ended December 31,			
	2019	2018	$ Change	% Change
Income before income taxes	$45,166	$50,316	$(5,150)	(10.2)%
% of Net sales	*11.3%*	*12.1%*		
Income taxes	$9,351	$10,337	$(986)	(9.5)%
Effective tax rate	*20.7%*	*20.5%*		
Net income	$35,815	$39,979	$(4,164)	(10.4)%
% of Net sales	*9.0%*	*9.6%*		
Earnings per share	$1.37	$1.53	$(0.16)	(10.5)%

The Company's effective tax rate increased slightly to 20.7% for 2019 from 20.5% for 2018. The effective tax rate for 2019 benefitted by 100 basis points primarily from higher research and development tax credits. The effective tax rate for 2018 benefited by 120 basis points from pension plan contributions eligible for tax deduction at the 35.0% federal corporate tax rate for 2017 rather than the 21.0% rate for 2018.

The decrease in net income in 2019 compared to 2018 was due primarily to lower international sales volume and a slowdown in oil and gas related spending. Net income in 2019 included a favorable LIFO impact of $0.9 million, net of income taxes. Net income in 2018 included an unfavorable LIFO impact of $3.1 million, net of income taxes, a non-cash pension settlement charge of $2.2 million, net of income taxes, and a special cash bonus paid to all employees of $1.0 million, net of income taxes.

Earnings per share for 2019 included a favorable LIFO impact of $0.04 per share. Earnings per share for 2018 included an unfavorable LIFO impact of $0.12 per share, non-cash pension settlement charges of $0.08 per share and a special cash bonus paid to all employees with an impact of $0.04 per share.

Results of Operations – 2018 Compared to 2017:

In 2017, due primarily to the continued decreased demand for barge pumps for the marine transportation market driven by low oil prices and overcapacity of inland barges, the Bayou City Pump

Company (“Bayou”) reporting unit recorded pre-tax non-cash goodwill and intangible asset impairment charges of $4.1 million. See Note 10 to the Consolidated Financial Statements, Goodwill and Other Intangible Assets.

In 2018 and 2017, due to increased employee retirements and related lump sum pension payments, the Company recorded U.S. GAAP-required and actuarially-determined $2.9 million and $4.0 million non-cash pension settlement charges, respectively.

Net Sales

	Year Ended December 31,			
	2018	**2017**	**$ Change**	**% Change**
Net sales	$414,334	$379,389	$34,945	9.2%

Net sales for 2018 were $414.3 million compared to $379.4 million for 2017, an increase of 9.2% or $34.9 million. Domestic sales increased 12.4% or $30.0 million and international sales increased 3.5% or $4.9 million compared to 2017.

Sales in our water markets increased 9.9% or $25.9 million in 2018 compared to 2017. Sales in the municipal market increased $8.1 million and sales in the fire protection market increased $7.0 million, which were both driven by domestic sales related to infrastructure needs and improved economic conditions. Sales in the construction market increased $6.2 million due primarily to increased oil and gas drilling activity, and sales of repair parts increased $4.2 million driven by favorable economic conditions. In addition, sales in the agriculture market increased $0.4 million.

Sales increased 7.6% or $9.0 million in our non-water markets during 2018 compared to 2017. Sales in the industrial and petroleum markets increased a combined $9.8 million due principally to increased capital spending related to oil and gas drilling activity. These increases were partially offset by decreased sales in the OEM market of $0.8 million.

International sales were $142.5 million in 2018 compared to $137.6 million in 2017 and represented 34.4% and 36.3% of total sales for the Company in each of the two years, respectively. International sales increased in all markets except the OEM and agriculture markets.

Cost of Products Sold and Gross Profit

	Year Ended December 31,			
	2018	**2017**	**$ Change**	**% Change**
Cost of products sold	$304,413	$278,181	$26,232	9.4%
% of Net sales	*73.5%*	*73.3%*		
Gross margin	*26.5%*	*26.7%*		

Gross profit was $109.9 million for 2018, resulting in gross margin of 26.5%, compared to gross profit of $101.2 million and gross margin of 26.7% for 2017. Gross margin decreased 20 basis points largely driven by an unfavorable LIFO impact of 70 basis points, partially offset by lower healthcare expense.

Selling, General and Administrative (SG&A) Expenses

	Year Ended December 31,			
	2018	2017	$ Change	% Change
Selling, general and administrative expenses	$59,282	$55,474	$3,808	6.9%
% of Net sales	*14.3%*	*14.6%*		

SG&A expenses were $59.3 million and 14.3% of net sales for 2018 compared to $55.5 million and 14.6% of net sales for 2017. In 2018, a special cash bonus paid to all employees impacted SG&A expenses by $1.3 million or 30 basis points. Excluding this special cash bonus, SG&A expenses as a percentage of sales improved 60 basis points as a result of leverage from increased sales volume.

Operating Income

	Year Ended December 31,			
	2018	2017	$ Change	% Change
Operating income	$50,639	$41,636	$9,003	21.6%
% of Net sales	*12.2%*	*11.0%*		

Operating income was $50.6 million, resulting in operating margin of 12.2% for 2018, compared to operating income of $41.6 million and operating margin of 11.0% for 2017. Included in 2018 Operating income was a special cash bonus paid to all employees of $1.3 million or 30 basis points. Included in 2017 Operating income were non-cash impairment charges of $4.1 million or 100 basis points. Excluding these items, operating margin improved 50 basis points due principally to leverage from increased sales volume and lower healthcare expense, partially offset by an unfavorable LIFO impact.

Net Income

	Year Ended December 31,			
	2018	2017	$ Change	% Change
Income before income taxes	$50,316	$39,378	$10,938	27.8%
% of Net sales	*12.1%*	*10.4%*		
Income taxes	$10,337	$12,823	$(2,486)	(19.4)%
Effective tax rate	*20.5%*	*32.6%*		
Net income	$39,979	$26,555	$13,424	50.6%
% of Net sales	*9.6%*	*7.0%*		
Earnings per share	$1.53	$1.02	$0.51	50.0%

The Company’s effective tax rate decreased to 20.5% for 2018 from 32.6% for 2017, due primarily to the impact of the Tax Act enacted in December 2017. The effective tax rate for 2018 also benefited by 120 basis points from pension plan contributions eligible for tax deduction at the 35.0% federal corporate tax rate for 2017 rather than the 21.0% rate for 2018.

The increase in net income in 2018 compared to the same period in 2017 was due primarily to increased sales volume and the decrease in the effective tax rate. Net income in 2018 included an unfavorable LIFO impact of $3.1 million, net of income taxes, a non-cash pension settlement charge of

$2.2 million, net of income taxes, and a special cash bonus paid to all employees of $1.0 million, net of income taxes. Net income in 2017 included non-cash impairment charges of $2.7 million, net of income taxes, and a non-cash pension settlement charge of $2.7 million, net of income taxes.

Earnings per share for 2018 included an unfavorable LIFO impact of $0.12 per share, non-cash pension settlement charges of $0.08 per share and a special cash bonus paid to all employees with an impact of $0.04 per share. Earnings per share for 2017 included non-cash impairment charges of $0.10 per share and a non-cash pension settlement charge of $0.10 per share.

Liquidity and Sources of Capital

Cash and cash equivalents totaled $80.6 million and there was no outstanding bank debt at December 31, 2019. In addition, the Company had $24.5 million available in bank lines of credit after deducting $6.7 million in outstanding letters of credit primarily related to customer orders. The Company was in compliance with its debt covenants, including limits on additional borrowings and maintenance of certain operating and financial ratios, at all times in 2019 and 2018.

Capital expenditures for 2020, which are expected to consist principally of machinery and equipment purchases and building improvements, are estimated to be in the range of $15-$18 million and are expected to be financed through internally generated funds. During 2019, 2018 and 2017, the Company financed its capital improvements and working capital requirements principally through internally generated funds.

We expect to continue to generate cash in excess of our operating needs. We believe we have adequate funds on hand and sufficient borrowing capacity to execute our financial and operating strategy.

The Company expects to contribute up to $2 million to its defined benefit pension plan in 2020.

Free cash flow, a non-GAAP measure for reporting cash flow, is defined by the Company as adjusted earnings before interest, income taxes and depreciation and amortization, less capital expenditures and dividends. The Company believes free cash flow provides investors with an important perspective on cash available for investments, acquisitions and working capital requirements.

The following table reconciles adjusted earnings before interest, income taxes and depreciation and amortization as reconciled above to free cash flow:

	2019	2018	2017
Non-GAAP adjusted earnings before interest, taxes, depreciation and amortization	$58,916	$67,653	$62,577
Less capital expenditures	(10,912)	(10,947)	(7,754)
Less cash dividends	(14,370)	(65,551)	(12,268)
Non-GAAP free cash flow	$33,634	$(8,845)	$42,555

Financial Cash Flow

	Year Ended December 31,		
	2019	**2018**	**2017**
Beginning of period cash and cash equivalents	$ 46,458	$ 79,680	$ 57,604
Net cash provided by operating activities	62,174	41,210	43,265
Net cash used for investing activities	(10,847)	(7,468)	(10,410)
Net cash used for financing activities	(17,363)	(65,551)	(12,268)
Effect of exchange rate changes on cash	133	(1,413)	1,489
Net increase (decrease) in cash and cash equivalents	34,097	(33,222)	22,076
End of period cash and cash equivalents	$ 80,555	$ 46,458	$ 79,680

The change in cash provided by operating activities in 2019 compared to 2018 was primarily due to lower inventories driven by a planned inventory reduction and a decrease in accounts receivable driven by lower sales volume. In addition, prepaid income taxes decreased and the Company has not made any pension contributions in the current year. These positive effects on cash flow were offset by a decrease in commissions payable driven by lower sales volume. The change in cash provided by operating activities in 2018 compared to 2017 was primarily due to an increase in inventories and accounts receivable driven by increased sales volume, and increased income tax payments.

During 2019, investing activities of $10.8 million primarily consisted of $10.9 million of capital expenditures for buildings, machinery and equipment. During 2018, investing activities of $7.5 million primarily consisted of a $3.0 million decrease in short-term investments and $10.9 million of capital expenditures for machinery and equipment offset by $0.5 million of proceeds from the sale of property, plant and equipment. During 2017, investing activities of $10.4 million primarily consisted of a $3.0 million increase in short-term investments and $7.8 million of capital expenditures for machinery and equipment offset by $0.3 million of proceeds from the sale of property, plant and equipment.

During 2019, financing activities of $17.4 million consisted of dividend payments of $14.4 million and a privately-arranged market value purchase of Company shares in the amount of $2.5 million from a Rupp family estate. Net cash used for financing activities consisted of dividend payments of $65.6 million during 2018, including $52.2 million related to a special dividend, and $12.3 million during 2017.

The Company currently expects to continue its exceptional history of paying regular quarterly dividends and increased annual dividends. However, any future dividends will be reviewed individually and declared by our Board of Directors at its discretion, dependent on our assessment of the Company's financial condition and business outlook at the applicable time.

Contractual Obligations

Capital commitments in the table below include contractual commitments to purchase machinery and equipment that have been approved by the Board of Directors. The capital commitments do not represent the entire anticipated purchases in the future, but represent only those substantive items for which the Company is contractually obligated as of December 31, 2019. Also, the Company has some operating leases and two financing leases for certain offices, manufacturing facilities, land, office equipment and automobiles. Rental expenses relating to these leases were $1.0 million in both 2019 and 2018 and $0.9 million in 2017.

The following table summarizes the Company's contractual obligations at December 31, 2019:

	Payment Due By Period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Capital commitments	$2,184	$2,184	$ -	$ -	$ -
Leases	1,892	712	884	287	9
Total	$4,076	$2,896	$884	$287	$9

Critical Accounting Policies

The accompanying Consolidated Financial Statements have been prepared in conformity with accounting principles generally accepted in the United States. When more than one accounting principle, or the method of its application, is generally accepted, management selects the principle or method that is appropriate in the Company's specific circumstances. Application of these accounting principles requires management to make estimates about the future resolution of existing uncertainties; as a result, actual results could differ from these estimates.

In preparing these Consolidated Financial Statements, management has made its best estimates and judgments of the amounts and disclosures included in the Consolidated Financial Statements, giving due regard to materiality. The Company does not believe there is a great likelihood that materially different amounts would be reported under different conditions or using different assumptions pertaining to the accounting policies described below.

Revenue Recognition

The Company accounts for revenue in accordance with Accounting Standards Codification ("ASC") 606, "Revenue from Contracts with Customers," under which the unit of account is a performance obligation. Substantially all of our revenue is derived from fixed-price customer contracts and the majority of our customer contracts have a single performance obligation. A performance obligation is a promise in a contract to transfer a distinct good or service to a customer. For customer contracts with multiple performance obligations, the Company allocates revenue to each performance obligation based on its relative standalone selling price, which is generally determined based on standalone selling prices charged to customers or using expected cost plus margin.

The transaction price for a customer contract is allocated to each distinct performance obligation and recognized as revenue when, or as, the Company's performance obligation is satisfied. All of the Company's performance obligations, and associated revenue, are generally satisfied at a point in time, with the exception of certain highly customized pump products, which are satisfied over time as work progresses.

Accounting for long-term contracts involves the use of various techniques to estimate total contract revenue and costs. For long-term contracts, the Company estimates the profit on a contract as the difference between the total estimated revenue and expected costs to complete a contract and recognizes that profit as performance obligations are satisfied. Contract estimates are based on various assumptions to project the outcome of future events that could span longer than one year. These assumptions include labor productivity and availability, the complexity of the work to be performed, the cost and availability of materials and the performance of subcontractors as applicable.

As a significant change in one or more of these estimates could affect the profitability of our contracts, the Company reviews and updates its contract-related estimates regularly. Adjustments in estimated profit on contracts are accounted for under the cumulative catch-up method. Under this method, the impact of the adjustment on profit recorded to date on a contract is recognized in the period the adjustment is identified. Revenue and profit in future periods of contract performance are recognized using the adjusted estimate.

Allowance for Doubtful Accounts

The Company evaluates the collectability of its accounts receivable based on a combination of factors. In circumstances where the Company is aware of a specific customer's inability to meet its financial obligations to the Company (e.g., bankruptcy filings, substantial downgrading of credit scores), the Company records a specific allowance for bad debts against amounts due to reduce the net recognized receivable to the amount the Company reasonably believes will be collected. For all other customers, the Company recognizes allowances for bad debts based on the length of time the receivables are past due. If circumstances change (e.g., an unexpected material adverse change in a large customer's ability to meet its financial obligations), the Company's estimates of the recoverability of amounts due could be reduced by a material amount. Historically, the Company's collection history has been good.

Inventories and Related Allowance

Inventories are valued at the lower of cost or market value and have been reduced by an allowance for excess and obsolete inventories. The estimated allowance is based on a variety of factors, including historical inventory usage and management evaluations. Historically, the Company has not experienced substantive write-offs due to obsolescence. The Company uses the last-in, first-out (LIFO) method for the majority of its inventories.

Product Warranties

A liability is established for estimated future warranty and service claims based on historical claims experience and specific product failures.

Pension Plan and Other Postretirement Benefit Plans

The Company recognizes the obligations associated with its defined benefit pension plan and defined benefit health care plans in its Consolidated Financial Statements. The measurement of liabilities related to its pension plan and other postretirement benefit plans is based on management's assumptions related to future events including interest rates, return on pension plan assets, rate of compensation increases and health care cost trend rates. Actual pension plan asset performance will either reduce or increase pension losses included in Accumulated other comprehensive loss, which ultimately affects net income. The discount rates used to determine the present value of future benefits are based on estimated yields of investment grade fixed income investments.

The discount rates used to value pension plan obligations were 2.83% and 3.94% at December 31, 2019 and 2018, respectively. The discount rates used to value postretirement obligations were 3.08% and 4.13% at December 31, 2019 and 2018, respectively. The discount rates were determined by constructing a zero-coupon spot yield curve derived from a universe of high-quality bonds as of the measurement date. The expected rate of return on pension assets is designed to be a long-term assumption that will be subject to year-to-year variability. The rate for 2019 was 5.37% and 2018 was 6.0%. Actual pension plan asset performance will either reduce or increase unamortized losses included in Accumulated other comprehensive loss, which will ultimately affect net income. The assumed rate of compensation increase was 3.50% in 2019 and 3.50% in 2018.

Substantially all retirees elect to take lump sum settlements of their pension plan benefits. When interest rates are low as they have been the last five years, this subjects the Company to the risk of exceeding an actuarial threshold computed on an annual basis and triggering a GAAP-required non-cash pension settlement loss, which occurred in 2018 and 2017.

The assumption used for the rate of increase in medical costs over the next five years was 5% in 2019 and unchanged in 2018. A one percentage point increase in the assumed health care trend would increase postretirement expense by approximately $0.3 million, changing the benefit obligation by approximately $2.3 million; while a one percentage point decrease in the assumed health care trend would decrease postretirement expense by approximately $0.2 million, changing the benefit obligation by approximately $2.1 million.

Income Taxes

On December 22, 2017, the United States enacted the tax reform legislation commonly known as the Tax Cuts and Jobs Act (the "Tax Act"), which reduced the federal corporate tax rate on U.S. earnings to 21% and moved from a global taxation regime to a modified territorial regime. The Company's lower effective income tax rate of 20.7% for 2019 and 20.5% for 2018 compared to 32.6% for 2017, was due primarily to the Tax Act.

As part of the Tax Act, U.S. companies are required to pay a tax on historical earnings generated offshore that have not been repatriated to the U.S. Companies are required to re-measure their deferred tax assets and liabilities to reflect the lower federal base rate of 21%. During 2018, the Company recorded an adjustment of $48,000 of income tax benefit to the provisional amount of $1.4 million the Company recorded in the fourth quarter of 2017 regarding transitional impacts of the Tax Act. As of December 31, 2018, we have completed our accounting for the tax effects of the enactment of the Tax Act.

In January 2018, FASB released guidance on accounting for the global intangible low-taxed income ("GILTI") tax. The guidance indicates that either accounting for deferred taxes related to GILTI tax inclusions or treating the GILTI tax as a period cost are both acceptable methods subject to an accounting policy election. The Company has elected to account for the GILTI tax in the period in which it is incurred.

The basic principles related to accounting for income taxes are to recognize the amount of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in an entity's financial statements or tax returns.

Realization of the Company's deferred tax assets is principally dependent upon the Company's achievement of projected future taxable income, which management believes will be sufficient to fully utilize the deferred tax assets recorded, with the exception of deferred tax associated with certain state tax credits for which a valuation allowance has been recognized.

The Company is subject to income taxes in the U.S. federal and various state, local and foreign jurisdictions. Income tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. With few exceptions, the Company is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for the years before 2015.

The Company recognizes interest and penalties related to unrecognized tax benefits in income tax expense for all periods presented. The Company accrued approximately $0.3 million, $0.2 million and $0.2 million for the payment of interest and penalties at December 31, 2019, 2018 and 2017, respectively.

Goodwill and Other Intangibles

The Company accounts for goodwill in a purchase business combination as the excess of the cost over the fair value of net assets acquired. Business combinations can also result in other intangible assets being recognized. Amortization of intangible assets, if applicable, occurs over their estimated useful lives.

Goodwill is tested annually for impairment as of October 1, or whenever events or changes in circumstances indicate there may be a possible permanent loss of value in accordance with ASC 350, “Intangibles - Goodwill and Other.”

Goodwill is tested for impairment at the reporting unit level and is based on the net assets for each reporting unit, including goodwill and intangible assets. The Company has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing a quantitative impairment assessment is unnecessary.

In assessing the qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, we identify and assess relevant drivers of fair value and events and circumstances that may impact the fair value and the carrying amount of the reporting unit. The identification of relevant events and circumstances and how these may impact a reporting unit’s fair value or carrying amount involve significant judgments and assumptions. The judgments and assumptions include the identification of macroeconomic conditions, industry and market considerations, cost factors, overall financial performance, Company-specific events and share price trends and making the assessment on whether each relevant factor will impact the impairment test positively or negatively and the magnitude of any such impact.

When performing a quantitative assessment of goodwill impairment if necessary, or in years where we elect to do so, a discounted cash flow model is used to estimate the fair value of each reporting unit, which considers forecasted cash flows discounted at an estimated weighted-average cost of capital. The forecasted cash flows are based on the Company’s long-term operating plan and the weighted-average cost of capital is an estimate of the overall after-tax rate of return. Other valuation techniques including comparative market multiples are used when appropriate. Discount rate assumptions are based on an assessment of the risk inherent in the future cash flows of the respective reporting units.

The Company performed a qualitative analyses as of October 1, 2019 and 2018 for all of its reporting units except for one and concluded that it is more likely than not that the fair value of the reporting units continues to exceed the respective carrying amounts.

The Company performed a quantitative impairment analysis as of October 1, 2019 for the National Pump Company (“National”) reporting unit and concluded that National’s fair value exceeded its carrying value by approximately 18% and therefore was not impaired. A sensitivity analysis was performed for the National reporting unit, assuming a hypothetical 50 basis point decrease in the expected long-term growth rate or a hypothetical 100 basis point increase in the weighted average cost of capital, and both scenarios independently yielded an estimated fair value for the National reporting unit slightly above carrying value. If National fails to experience growth or revises its long-term projections downward, it could be subject to impairment charges in the future. Goodwill relating to the National reporting unit represents 4% of the Company’s December 31, 2019 total assets. See Note 10 to the Consolidated Financial Statements, Goodwill and Other Intangible Assets.

Other indefinite-lived intangible assets primarily consist of trademarks and trade names. The fair value of these assets is also tested annually for impairment as of October 1, or whenever events or changes in circumstances indicate there may be a possible permanent loss of value. The fair value of these assets is determined using a royalty relief methodology similar to that employed when the associated assets were acquired, but using updated estimates of future sales, cash flows and profitability. For 2019 and 2018 the fair value of all indefinite lived intangible assets exceeded the respective carrying values.

Finite-lived assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recovered through future net cash flows generated by the assets. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to future net undiscounted cash flows estimated to be generated by such assets. Based upon our fiscal 2019 and 2018 quantitative and qualitative impairment analyses, the Company was not aware of any events or changes in circumstances that indicate the carrying value of its finite-lived assets may not be recoverable. See Note 10 to the Consolidated Financial Statements, Goodwill and Other Intangible Assets.

Other Matters

Certain transactions with related parties occur in the ordinary course of business and are not considered to be material to the Company's consolidated financial position, net income or cash flows.

The Company does not have any off-balance sheet arrangements, financings or other relationships with unconsolidated "special purpose entities."

The Company is not a party to any long-term debt agreements, or any material leases or purchase obligations.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is subject to market risk associated principally with fluctuations in foreign currency exchange rates. The Company's foreign currency exchange rate risk is limited primarily to the Euro, Canadian Dollar, South African Rand and British Pound. The Company manages its foreign exchange risk principally through invoicing customers in the same currency as is used in the market of the source of products. The foreign currency transaction gains (losses) for the periods ending December 31, 2019, 2018 and 2017 were $0.1 million, $(0.8) million and $0.9 million, respectively, and are reported within Other (expense) income, net on the Consolidated Statements of Income.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of The Gorman-Rupp Company

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of The Gorman-Rupp Company (the Company) as of December 31, 2019 and 2018, the related consolidated statements of income, comprehensive income, equity and cash flows for each of the three years in the period ended December 31, 2019, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated March 2, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since at least 1967, but we are unable to determine the specific year.

Cleveland, Ohio
March 2, 2020

The Gorman-Rupp Company

Consolidated Statements of Income

(Thousands of dollars, except share and per share amounts)	Year Ended December 31, 2019	2018	2017
Net sales	$398,179	$414,334	$379,389
Cost of products sold	295,504	304,413	278,181
Gross profit	102,675	109,921	101,208
Selling, general and administrative expenses	58,835	59,282	55,474
Impairment of goodwill and other intangible assets	-	-	4,098
Operating income	43,840	50,639	41,636
Other (expense) income, net	1,326	(323)	(2,258)
Income before income taxes	45,166	50,316	39,378
Income taxes	9,351	10,337	12,823
Net income	$35,815	$39,979	$26,555
Earnings per share	$1.37	$1.53	$1.02
Average number of shares outstanding	26,127,168	26,112,138	26,100,865

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

(Thousands of dollars)	Year Ended December 31, 2019	2018	2017
Net income	$35,815	$39,979	$26,555
Cumulative translation adjustments	88	(2,922)	3,521
Pension and postretirement medical liability adjustments, net of tax	(5,202)	(5,922)	4,435
Other comprehensive (loss) income	(5,114)	(8,844)	7,956
Comprehensive income	$30,701	$31,135	$34,511

See notes to consolidated financial statements.

The Gorman-Rupp Company

Consolidated Balance Sheets

(Thousands of dollars)	December 31, 2019	December 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	$80,555	$46,458
Accounts receivable, net	65,433	67,714
Inventories, net	75,997	87,387
Prepaid and other	5,680	7,127
Total current assets	227,665	208,686
Property, plant and equipment, net	111,779	113,493
Other assets	8,320	5,101
Prepaid pension assets	-	4,817
Goodwill and other intangible assets, net	34,996	36,185
Total assets	$382,760	$368,282
Liabilities and equity		
Current liabilities:		
Accounts payable	$16,030	$16,678
Payroll and employee related liabilities	12,172	12,651
Commissions payable	7,034	9,222
Deferred revenue and customer deposits	4,911	5,232
Accrued expenses	5,348	4,682
Total current liabilities	45,495	48,465
Pension benefits	1,040	-
Postretirement benefits	24,453	21,853
Other long-term liabilities	3,894	4,832
Total liabilities	74,882	75,150
Equity:		
Common shares, without par value:		
Authorized – 35,000,000 shares;		
Outstanding – 26,067,502 shares at December 31, 2019 and 26,117,045 shares at December 31, 2018 (after deducting treasury shares of 981,294 and 931,751, respectively), at stated capital amounts	5,091	5,102
Additional paid-in capital	1,147	2,539
Retained earnings	330,177	308,914
Accumulated other comprehensive loss	(28,537)	(23,423)
Total equity	307,878	293,132
Total liabilities and equity	$382,760	$368,282

See notes to consolidated financial statements.

The Gorman-Rupp Company

Consolidated Statements of Cash Flows

(Thousands of dollars)	Year Ended December 31, 2019	2018	2017
Cash flows from operating activities:			
Net income	$35,815	$39,979	$26,555
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	13,749	14,484	15,053
Pension expense	2,823	4,909	6,368
Contributions to pension plan	-	(4,000)	(2,000)
Deferred income tax charge (benefit)	(1,198)	337	(6,140)
(Gain) loss on sale of property, plant and equipment	(53)	(44)	153
Stock based compensation	1,025	1,674	743
Impairment of goodwill and other intangible assets	-	-	4,098
Changes in operating assets and liabilities, net of effects of acquisitions:			
Accounts receivable, net	2,218	(1,196)	5,473
Inventories, net	11,452	(13,601)	(4,305)
Accounts payable	(601)	1,299	(1,268)
Commissions payable	(2,140)	1,737	(3,849)
Deferred revenue and customer deposits	(321)	741	(902)
Accrued expenses and other	153	1,928	3,215
Income taxes	(697)	(6,599)	7,950
Benefit obligations	(51)	(438)	(7,879)
Net cash provided by operating activities	62,174	41,210	43,265
Cash flows from investing activities:			
Capital additions	(10,912)	(10,947)	(7,754)
Proceeds from sale of property, plant and equipment	69	512	320
(Purchase of) Proceeds from short-term investments, net	(4)	2,967	(2,976)
Net cash used for investing activities	(10,847)	(7,468)	(10,410)
Cash flows from financing activities:			
Regular cash dividends	(14,370)	(13,317)	(12,268)
Special cash dividend	-	(52,234)	-
Treasury share repurchases	(2,610)	-	-
Other	(383)	-	-
Net cash used for financing activities	(17,363)	(65,551)	(12,268)
Effect of exchange rate changes on cash	133	(1,413)	1,489
Net increase (decrease) in cash and cash equivalents	34,097	(33,222)	22,076
Cash and cash equivalents:			
Beginning of year	46,458	79,680	57,604
End of period	$80,555	$46,458	$79,680

See notes to consolidated financial statements.

The Gorman-Rupp Company

Consolidated Statements of Equity

(Thousands of dollars, except share and per share amounts)	**Common Shares**		**Additional Paid-In Capital**	**Retained Earnings**	**Accumulated Other Comprehensive (Loss) Income**	**Total**
	Shares	**Dollars**				
Balances December 31, 2016	26,093,123	$5,097	$215	$318,041	$(20,465)	$302,888
Net income				26,555		26,555
Other comprehensive income					7,956	7,956
Stock based compensation	13,500	3	311	50		364
Cash dividends - $0.47 per share				(12,268)		(12,268)
Balances December 31, 2017	26,106,623	5,100	526	332,378	(12,509)	325,495
Net income				39,979		39,979
Other comprehensive income					(8,844)	(8,844)
Reclassification of stranded income tax effects in accumulated other comprehensive income				2,070	(2,070)	-
Stock based compensation and other	10,422	2	2,013	38		2,053
Cash dividends - $2.51 per share, including a $2.00 special dividend				(65,551)		(65,551)
Balances December 31, 2018	26,117,045	5,102	2,539	308,914	(23,423)	293,132
Net income				35,815		35,815
Other comprehensive loss					(5,114)	(5,114)
Stock based compensation	19,836	4	948	73		1,025
Treasury share repurchases	(69,379)	(15)	(2,340)	(255)		(2,610)
Cash dividends - $0.55 per share				(14,370)		(14,370)
Balances December 31, 2019	26,067,502	$5,091	$1,147	$330,177	$(28,537)	$307,878

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements
(Amounts in tables in thousands of dollars)

Note 1 – Summary of Significant Accounting Policies

General Information and Basis of Presentation

The Gorman-Rupp Company is a leading designer, manufacturer and international marketer of pumps and pump systems for use in diverse water, wastewater, construction, dewatering, industrial, petroleum, original equipment, agriculture, fire protection, heating, ventilating and air conditioning (HVAC), military and other liquid-handling applications.

The Consolidated Financial Statements have been prepared in accordance with U.S. generally accepted accounting principles and include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated. Earnings per share are calculated based on the weighted-average number of Common Shares outstanding.

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 amounts reported in the Consolidated Financial Statements and accompanying notes. Actual results could differ from those estimates.

Cash Equivalents and Short-Term Investments

The Company considers highly liquid instruments with maturities of 90 days or less to be cash equivalents. The Company periodically makes short-term investments for which cost approximates fair value. Short-term investments at December 31, 2019 and 2018 consisted primarily of a certificate of deposit and is classified as Prepaid and other on the Consolidated Balance Sheets.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are stated at the historical carrying amount net of allowance for doubtful accounts. The Company maintains an allowance for doubtful accounts for estimated losses from the failure of its customers to make required payments for products delivered. The Company estimates this allowance based on knowledge of the financial condition of customers, review of historical receivables and reserve trends and other relevant information.

Inventories

LIFO inventories are stated at the lower of cost or market and all other inventories are stated at the lower of cost or net realizable value. The costs for approximately 72% of inventories at December 31, 2019 and 73% of inventories at December 31, 2018 were determined using the last-in, first-out (LIFO) method, with the remainder determined using the first-in, first-out (FIFO) method. Cost components include materials, inbound freight costs, labor and allocations of fixed and variable overheads on an absorption costing basis.

Property, plant and equipment

Property, plant and equipment are stated on the basis of cost. Repairs and maintenance costs are expensed as incurred. Depreciation for property, plant and equipment assets is computed using the straight-line method over the estimated useful lives of the assets and is included in Cost of products sold and Selling, general and administrative expenses based on the use of the assets. Depreciation expense was $12.6 million for 2019, $13.3 million for 2018 and $13.5 million for 2017.

Depreciation of property, plant and equipment is determined based on the following lives:

Buildings	20-50 years
Machinery and equipment	5-15 years
Software	3-5 years

Property, plant and equipment consist of the following:

	2019	2018
Land	$ 4,998	$ 3,869
Buildings	110,162	106,940
Machinery and equipment	182,922	177,668
	298,082	288,477
Less accumulated depreciation	(186,303)	(174,984)
Property, plant and equipment, net	$ 111,779	$ 113,493

Property, plant and equipment are evaluated for impairment whenever events or changes in circumstances indicate the carrying amount may not be recovered through future net cash flows generated by the assets. Impairment losses may be recorded when the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amounts based on the excess of the carrying amounts over the estimated fair value of the assets.

Goodwill and Identifiable Intangible Assets

Goodwill

Goodwill represents the excess of the cost of acquired businesses over the fair value of tangible assets and identifiable intangible assets purchased and liabilities assumed.

Goodwill is reviewed annually for impairment as of October 1 or whenever events or changes in circumstances indicate there may be a possible permanent loss of value using either a quantitative or qualitative analysis. For certain reporting units, the Company performs a quantitative analysis using both a market-based approach and a discounted cash flow model to estimate the fair value of our reporting units. This process requires significant judgements, including estimation of future cash flows, which is dependent on internal forecasts. The Company may otherwise elect to perform a qualitative analysis when deemed appropriate. A qualitative analysis may be performed by assessing certain trends and factors, including projected market outlook and growth rates, forecasted and actual sales and operating profit margins, discount rates, industry data and other relevant qualitative factors. These trends and factors are compared to, and based on, the assumptions used in the most recent quantitative assessment.

In 2017, due primarily to the decreased demand for barge pumps for the marine transportation market driven by low oil prices and overcapacity of inland barges, the Bayou City Pump Company reporting unit recorded pre-tax goodwill impairment charges of $0.9 million. There were no goodwill impairment charges in any of the Company's other reporting units in 2017. No impairment charges were recognized in any of the Company's reporting units in 2019 or 2018. See Note 10 to the Consolidated Financial Statements, Goodwill and Other Intangible Assets.

Identifiable intangible assets

The Company's primary identifiable intangible assets include customer relationships, technology and drawings, and trade names and trademarks. Identifiable intangible assets with finite lives are amortized and those identifiable intangible assets with indefinite lives are not amortized. Amortization for finite-lived intangible assets is computed using the straight-line method over the estimated useful lives of the assets and is included in Cost of products sold and Selling, general and administrative expenses based on the use of the assets. Amortization of finite-lived intangible assets is determined based on the following lives:

Technology and drawings	13-20 years
Customer relationships	9-15 years
Other intangibles	2-18 years

Identifiable intangible assets that are subject to amortization are evaluated for impairment whenever events or changes in circumstances indicate the carrying amount may not be recovered through future net cash flows generated by the assets. Impairment losses may be recorded when the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amounts based on the excess of the carrying amounts over the estimated fair value of the assets. Based upon our fiscal 2019, 2018 and 2017 quantitative and qualitative impairment analyses, except for Bayou's customer relationship intangible asset and the risk related to National's indicated fair value, the Company was not aware of any events or changes in circumstances that indicated the carrying value of its finite-lived intangible assets may not be recoverable. In 2017, due primarily to the continued decreased demand for barge pumps for the marine transportation market driven by low oil prices and overcapacity of inland barges, the Company performed a recoverability test related to Bayou's customer relationship intangible asset pursuant to Accounting Standards Codification ("ASC") 360, "Property, Plant, and Equipment." As a result of the recoverability test, Bayou recorded a pre-tax non-cash customer relationship impairment charge of $3.2 million in 2017.

Identifiable intangible assets not subject to amortization are tested for impairment annually or more frequently if events warrant. The fair value of these assets is determined using a royalty relief methodology similar to that employed when the associated assets were acquired, but using updated estimates of future sales, cash flows and profitability. For 2019, 2018 and 2017, the fair value of indefinite lived intangible assets exceeded their carrying values.

For additional information about goodwill and other intangible assets, see Note 10 to the Consolidated Financial Statements, Goodwill and Other Intangible Assets.

Revenue Recognition

The Company recognizes revenue when it transfers control of promised goods or services to its customers in an amount that reflects the consideration to which it expects to be entitled to in exchange for those goods or services.

For additional information about revenue, see Note 3 to the Consolidated Financial Statements, Revenue.

Income Taxes

Income tax expense includes United States federal, state, local and international income taxes. Deferred tax assets and liabilities are recognized for the tax consequences of temporary differences between the financial reporting and the tax basis of existing assets and liabilities and for loss carryforwards. The tax rate used to determine the deferred tax assets and liabilities is the enacted tax rate for the year and manner in which the differences are expected to reverse. Valuation allowances are recorded to reduce deferred tax assets to the amount that will more likely than not be realized.

On December 22, 2017, the U.S. Tax Cuts and Jobs Act (the "Tax Act") was enacted. The Tax Act significantly revised U.S. corporate income tax regulations by, among other things, lowering corporate income tax rates, implementing the territorial tax system and imposing a repatriation tax on deemed repatriated earnings of foreign subsidiaries. For further discussion of the impact of the Tax Act on the Company, see Note 7 to the Consolidated Financial Statements, Income Taxes.

Pension and Other Postretirement Benefits

The Company sponsors a defined benefit pension plan covering certain domestic employees. Additionally, the Company sponsors defined contribution pension plans made available to all domestic and Canadian employees.

The Company also sponsors a non-contributory defined benefit postretirement health care plan that provides health benefits to certain domestic and Canadian retirees and their spouses. The Company funds the cost of these benefits as incurred.

The determination of the Company's obligation and expense for pension and other postretirement benefits is dependent on its selection of certain assumptions used by actuaries in calculating such amounts, which are described in Note 9, Pensions and Other Postretirement Benefits. The Company recognizes the funded status of its defined benefit pension plan as an asset or liability in the Consolidated Balance Sheets and recognizes the change in the funded status in the year in which the change occurs through accumulated other comprehensive loss in the Consolidated Balance Sheets.

Concentration of Credit Risk

The Company generally does not require collateral from its customers and has a very good collection history. There were no sales to a single customer that exceeded 10% of total net sales for the years ended December 31, 2019, 2018 or 2017.

Shipping and Handling Costs

The Company classifies all amounts billed to customers for shipping and handling as revenue and reflects related shipping and handling costs in Cost of products sold.

Advertising

The Company expenses all advertising costs as incurred, which for the years ended December 31, 2019, 2018 and 2017 totaled $3.0 million, $3.0 million, and $3.1 million, respectively.

Product Warranties

A liability is established for estimated future warranty and service claims based on historical claims experience and specific product failures. The Company expenses warranty costs directly to Cost of products sold. Changes in the Company's product warranty liability are:

	2019	**2018**	**2017**
Balance at beginning of year	$1,380	$1,098	$1,435
Provision	1,747	1,689	1,377
Claims	(1,689)	(1,407)	(1,714)
Balance at end of year	$1,438	$1,380	$1,098

Stock-based compensation

The Company awards shares pursuant to The Gorman-Rupp Company 2015 Omnibus Incentive Plan. Equity awards are typically conditioned upon achievement of appropriate performance metrics, however the Company may from time to time grant other types of awards including service-based awards or unrestricted shares to certain employees. Any performance-based shares that have been granted will vest and be awarded at the end of a three year performance period, based on the levels of achievement of compound annual growth targets for operating income and shareholders' equity. The Company recognizes compensation expense for performance-based share grants based on the stock price at the date of the grant using the straight-line amortization method, over the vesting period specified in the grants, based on the probability of achieving the performance targets. The Company recognized stock-based compensation expense related to performance-based share grants of $0.7 million, $1.3 million and $0.4 million for the years ended December 31, 2019, 2018 and 2017, respectively. The Company accounts for forfeitures as they occur, rather than estimate expected forfeitures.

Foreign Currency Translation

Assets and liabilities of the Company's operations outside the United States which are accounted for in a functional currency other than U.S. dollars are translated into U.S. dollars using year-end exchange rates. Revenues and expenses are translated at weighted-average exchange rates effective during the year. Foreign currency translation gains and losses are included as a component of Accumulated other comprehensive loss within Equity.

Gains and losses resulting from foreign currency transactions, the amounts of which are not material, are included in Other (expense) income, net.

Fair Value

The carrying value of Cash and cash equivalents, Accounts receivable and Accounts payable approximates fair value based on the short-term nature of these instruments. The Company does not recognize any non-financial assets at fair value.

New Accounting Pronouncements

The Company considers the applicability and impact of all Accounting Standard Updates ("ASUs"). ASUs not listed below were assessed and determined either to be not applicable or are expected to have minimal impact on the Company's Consolidated Financial Statements.

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments", which replaced the incurred loss impairment methodology under current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. ASU 2016-13 requires use of a forward-looking expected credit loss model for accounts receivables, loans, and other financial instruments. ASU 2016-13 is effective for fiscal years beginning after December 15, 2019, with early adoption permitted. Adoption of the standard requires using a modified retrospective approach through a cumulative-effect adjustment to retained earnings as of the effective date to align existing credit loss methodology with the new standard. In November 2019, the FASB issued ASU 2019-11, Codification Improvements to Topic 326, Financial Instruments—Credit Losses. ASU 2019-11 requires entities that did not adopt the amendments in ASU 2016-13 as of November 2019 to adopt ASU 2019-11. This ASU contains the same effective dates and transition requirements as ASU 2016-13. The Company adopted Topic 326 effective January 1, 2020. The impact of adoption of these standards is not material on the Company's Consolidated Financial Statements.

In December 2019, the FASB issued ASU 2019-12, "Simplifying the Accounting for Income Taxes", which, as part of its Simplification Initiative to reduce the cost and complexity in accounting for income taxes, removes certain exceptions related to the approach for intra-period tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. ASU 2019-12 also amends other aspects of the guidance to help simplify and promote consistent application of GAAP. The guidance is effective for interim and annual periods beginning after December 15, 2020, with early adoption permitted. The Company currently does not expect the adoption of ASU 2019-12 will have a material impact on the Company's Consolidated Financial Statements.

Recently Adopted Accounting Standards

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)," which requires lessees to recognize assets and liabilities on the balance sheet for the rights and obligations created by all leases with a term of more than one year. Accounting by lessors remains similar to pre-existing U.S. GAAP. Subsequent accounting standards updates have been issued, which amend and/or clarify the application of ASU 2016-02. The Company adopted Topic 842 effective January 1, 2019. See Note 6 to the Consolidated Financial Statements, Leases.

Note 2 – Allowance for Doubtful Accounts

The allowance for doubtful accounts was $0.5 million at December 31, 2019 and $0.7 million at December 31, 2018.

Note 3 – Revenue

Disaggregation of Revenue

The following tables disaggregate total net sales by major product category and geographic location:

	Product Category		
	2019	2018	2017
Pumps and pump systems	$ 341,304	$ 357,882	$ 322,201
Repair parts for pumps and pump systems and other	56,875	56,452	57,188
Total net sales	$ 398,179	$ 414,334	$ 379,389

	Geographic Location		
	2019	2018	2017
United States	$ 275,290	$ 271,820	$ 241,746
Foreign countries	122,889	142,514	137,643
Total net sales	$ 398,179	$ 414,334	$ 379,389

International sales represented approximately 31% of total net sales for 2019, 34% for 2018 and 36% for 2017, and were made to customers in many different countries around the world.

Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct product or service to a customer, and is the unit of account in ASC 606. The transaction price for a customer contract is allocated to each distinct performance obligation and recognized as revenue when, or as, the

Company's performance obligation is satisfied. For product sales, other than long-term construction-type contracts, the Company recognizes revenue once control has passed at a point in time, which is generally when products are shipped. Payments received for product sales typically occur following delivery and the satisfaction of the performance obligation based upon the terms outlined in the contracts. Substantially all of our customer contracts are fixed-price contracts and the majority of our customer contracts have a single performance obligation, as the promise to transfer the individual products or services is not separately identifiable from other promises in the contract. For customer contracts with multiple performance obligations, the Company allocates revenue to each performance obligation based on its relative standalone selling price, which is generally determined based on standalone selling prices charged to customers or using expected cost plus margin.

All of the Company's performance obligations, and associated revenue, are generally transferred to customers at a point in time, with the exception of certain highly customized pump products, which are transferred to the customer over time.

The Company offers standard warranties for its products to ensure that its products comply with agreed-upon specifications in its contracts. For standard warranties, these do not give rise to performance obligations and represent assurance-type warranties.

Shipping and handling activities related to products sold to customers, whether performed before or after the customer obtains control of the products, are generally accounted for as activities to fulfill the promise to transfer the products and not as a separate performance obligation.

On December 31, 2019, the Company had $105.0 million of remaining performance obligations, also referred to as backlog. The Company expects to recognize as revenue substantially all of its remaining performance obligations within one year.

Contract Estimates

Accounting for long-term contracts involves the use of various techniques to estimate total contract revenue and costs. For long-term contracts, the Company estimates the profit on a contract as the difference between the total estimated revenue and expected costs to complete a contract and recognizes that profit as performance obligations are satisfied. Contract estimates are based on various assumptions to project the outcome of future events that could span longer than one year. These assumptions include labor productivity and availability, the complexity of the work to be performed, the cost and availability of materials, and the performance of subcontractors as applicable.

As a significant change in one or more of these estimates could affect the profitability of our contracts, the Company reviews and updates its contract-related estimates regularly. Adjustments in estimated profit on contracts are accounted for under the cumulative catch-up method. Under this method, the impact of the adjustment on profit recorded to date on a contract is recognized in the period the adjustment is identified. Revenue and profit in future periods of contract performance are recognized using the adjusted estimate.

Contract Balances

The timing of revenue recognition, billings and cash collections results in billed accounts receivable, unbilled receivables (contract assets), and customer advances and deposits (contract liabilities) on the Consolidated Balance Sheets. For certain highly customized pump products, revenue is recognized over time before the customer is invoiced, resulting in contract assets. Sometimes the Company receives advances or deposits from its customers before revenue is recognized, resulting in contract liabilities. These contract assets and liabilities are reported on the Consolidated Balance Sheets as a component of Other assets and Deferred revenue and customer deposits, respectively, on a contract-by-contract basis at the end of each reporting period.

The Company's contract assets and liabilities as of December 31, 2019 and 2018 were as follows:

	December 31, 2019	December 31, 2018
Contract assets	$ 393	$1,953
Contract liabilities	4,911	5,232

Revenue recognized for the year ended December 31, 2019 that was included in the contract liability balance at December 31, 2018 was $4.4 million.

Note 4 – Inventories

LIFO inventories are stated at the lower of cost or market and all other inventories are stated at the lower of cost or net realizable value. Replacement cost approximates current cost and the excess over LIFO cost is approximately $62.5 million and $63.7 million at December 31, 2019 and 2018, respectively. Some inventory quantities were reduced during 2019 and 2018, resulting in liquidation of some LIFO quantities carried at lower costs from earlier years versus current year costs. The related effect increased net income by approximately $2.0 million during 2019 and $0.2 million during 2018. Allowances for excess and obsolete inventory totaled $5.9 million and $5.3 million at December 31, 2019 and 2018, respectively.

Inventories are comprised of the following:

Inventories, net	December 31, 2019	December 31, 2018
Raw materials and in-process	$16,474	$21,773
Finished parts	47,317	54,209
Finished products	12,206	11,405
Total net inventories	$75,997	$87,387

Note 5 – Credit Facilities

The Company may borrow up to $20.0 million with interest at LIBOR plus 0.75% or at alternative rates as selected by the Company under an unsecured bank line of credit which matures in February 2022. The Company pays a non-usage fee of 0.1% per annum on the average unused portion of the line of credit. At December 31, 2019 and 2018, $19.9 million and $19.7 million, respectively, was available for borrowing after deducting $0.1 million and $0.3 million in outstanding letters of credit, respectively.

The Company also has an $8.0 million unsecured bank line of credit with interest at LIBOR plus 0.75% payable monthly which matures in May 2021. At December 31, 2019 and 2018, $3.6 million and $2.4 million, respectively, was available for borrowing after deducting $4.4 million and $5.6 million in outstanding letters of credit, respectively.

The Company also has a $3.0 million bank guarantee with interest at 1.75% in an agreement dated June 2016. At December 31, 2019 and 2018, $1.0 million and $1.0 million, respectively, was available for borrowing after deducting $2.0 million and $2.0 million in outstanding letters of credit, respectively.

The credit facilities described above contain standard restrictive covenants, including limits on additional borrowings and maintenance of certain operating and financial ratios. At December 31, 2019 and 2018, the Company was in compliance with all requirements.

Interest expense, which approximates interest paid, was $1,000, $1,000 and $17,000 in 2019, 2018 and 2017, respectively.

Note 6 – Leases

On January 1, 2019, the Company adopted ASU 2016-02 using the modified retrospective method as of the effective date of January 1, 2019 (the effective date method). Under the effective date method, financial results reported in periods prior to 2019 are unchanged. In transition to the new lease guidance, the Company elected the package of practical expedients permitted under the transition guidance within the new standard that allowed the Company to not reassess whether a contract is or contains a lease, lease classification and initial direct costs; however, the Company did not elect the hindsight transitional practical expedient. The Company has also elected the practical expedient to not account for lease components (e.g., fixed payments including rent, real estate taxes and insurance costs) separately from the nonlease components. After assessment of the impact of adopting ASU 2016-02, it was determined that the cumulative effect adjustment required under the new guidance was immaterial and therefore the Company did not record a retrospective adjustment to the opening balance of retained earnings at January 1, 2019. The Company recognized additional operating lease right-of-use assets and lease liabilities of $1.6 million as of January 1, 2019.

The Company is currently a lessee under a number of operating leases and two finance leases for certain offices, manufacturing facilities, land, office equipment and automobiles, none of which are material to its operations. The Company's leases generally have remaining lease terms of 1 year to 5 years, some of which include options to extend the leases for up to 5 years, and some of which include options to terminate the leases within 1 year. These leases do not have significant rent escalation holidays, concessions, leasehold improvement incentives, or other build-out clauses. Further, the leases do not contain contingent rent provisions.

Supplemental information related to leases and the Company's Consolidated Financial Statements is as follows:

	Year Ended December 31, 2019
Components of lease costs:	
Operating lease costs	$370
Short-term lease costs	527
Finance lease costs	98
Total lease costs	$995

	December 31, 2019
Weighted average remaining lease term (years):	
Operating leases	2.9
Finance leases	4.3
Weighted average discount rate:	
Operating leases	3.25%
Finance leases	3.25%

	December 31, 2019		
	Operating Leases	Financing Leases	Total Leases
Other assets - right-of-use assets	$1,260	$550	$1,810
Lease liabilities included in:			
Accrued expenses - current portion of lease liabilities	$ 520	$120	$ 640
Other long-term liabilities - non-current portion of lease liabilities	730	440	1,170
Total lease liabilities	$1,250	$560	$1,810

Maturities of lease liabilities are as follows:

	December 31, 2019	December 31, 2018
2019	$ 712	$ 702
2020	524	411
2021	360	260
2022	241	124
2023	46	75
Thereafter	9	10
Total lease payments	1,892	$1,582
Less: Interest	(82)	
Present value of lease liabilities	$1,810	

Note 7 – Accumulated Other Comprehensive Loss

The reclassifications out of Accumulated other comprehensive loss as reported in the Consolidated Statements of Income are:

Pension and other postretirement benefits:	2019	2018	2017
Recognized actuarial loss (a)	$1,753	$1,164	$1,093
Settlement loss (b)	-	2,852	4,031
Total before income tax	1,753	4,016	5,124
Income tax	(363)	(823)	(1,670)
Net of income tax	$1,390	$3,193	$3,454

(a) The recognized actuarial loss is included in the computation of net periodic benefit cost. See Note 9 to the Consolidated Financial Statements, Pensions and Other Postretirement Benefits.

(b) The settlement loss is included in Other (expense) income, net in the Consolidated Statements of Income.

The components of accumulated other comprehensive loss as reported in the Consolidated Balance Sheets are:

	Currency Translation Adjustments	Pension and OPEB Adjustments	Accumulated Other Comprehensive (Loss) Income
Balance at December 31, 2016	$(8,842)	$(11,623)	$(20,465)
Reclassification adjustments	-	5,124	5,124
Current period benefit	3,521	1,479	5,000
Income tax charge	-	(2,168)	(2,168)
Balance at December 31, 2017	(5,321)	(7,188)	(12,509)
Reclassification of stranded income tax effects in accumulated other comprehensive income	-	(2,070)	(2,070)
Reclassification adjustments	-	4,016	4,016
Current period charge	(2,922)	(9,644)	(12,566)
Income tax charge	-	(294)	(294)
Balance at December 31, 2018	(8,243)	(15,180)	(23,423)
Reclassification adjustments	-	1,753	1,753
Current period benefit (charge)	88	(8,521)	(8,433)
Income tax benefit	-	1,566	1,566
Balance at December 31, 2019	$(8,155)	$(20,382)	$(28,537)

Note 8 – Income Taxes

On December 22, 2017, the United States enacted the tax reform legislation referred to herein as the "Tax Act", which reduced the federal corporate tax rate on U.S. earnings to 21% from 35% and moved from a global taxation regime to a modified territorial regime. The change in the Company's lower effective income tax rate of 20.7% for 2019 and 20.5% for 2018 compared to 32.6% for 2017 was due primarily to the Tax Act.

In January 2018, FASB released guidance on accounting for the global intangible low-taxed income ("GILTI") tax. The guidance indicates that either accounting for deferred taxes related to GILTI tax inclusions or treating the GILTI tax as a period cost are both acceptable methods subject to an accounting policy election. The Company elected to account for the GILTI tax in the period in which it is incurred.

The components of Income before income taxes are:

	2019	2018	2017
United States	$41,234	$45,271	$33,277
Foreign countries	3,932	5,045	6,101
Total	$45,166	$50,316	$39,378

The components of income tax expense are:

	2019	2018	2017
Current expense:			
Federal	$8,204	$7,779	$16,489
Foreign	1,140	1,179	1,243
State and local	1,205	1,042	1,231
	10,549	10,000	18,963
Deferred expense (benefit):			
Federal	(720)	405	(5,968)
Foreign	(379)	(125)	51
State and local	(99)	57	(223)
	(1,198)	337	(6,140)
Income tax expense	$9,351	$10,337	$12,823

The reconciliation between income tax expense and the amount computed by applying the statutory federal income tax rate to income before income taxes is:

	2019	2018	2017
Income taxes at statutory rate	$9,485	$10,566	$13,782
State and local income taxes, net of federal tax benefit	803	832	555
Tax credits	(898)	(506)	(295)
Domestic production activities deduction	-	-	(1,191)
Lower foreign taxes differential	(65)	(5)	(842)
Uncertain tax positions	164	172	346
Valuation allowance	71	37	100
Federal tax reform – deferred rate change	-	(581)	(1,624)
Deemed mandatory repatriation	-	(48)	1,370
Foreign withholding tax	-	-	600
Other	(209)	(130)	22
Income tax expense	$9,351	$10,337	$12,823

The Company made income tax payments of $9.1 million, $14.7 million, and $13.5 million in 2019, 2018, and 2017, respectively.

Deferred income tax assets and liabilities consist of:

	2019	2018
Deferred tax assets:		
Inventories	$1,391	$1,161
Accrued liabilities	2,095	2,306
Postretirement health benefits obligation	5,884	5,350
Pension	240	-
Lease liabilities	361	-
Other	1,360	840
Total deferred tax assets	11,331	9,657
Valuation allowance	(567)	(496)
Net deferred tax assets	10,764	9,161
Deferred tax liabilities:		
Depreciation and amortization	(9,446)	(9,351)
Leases – right of use assets	(361)	-
Pension	-	(1,113)
Foreign withholding tax	(100)	(600)
Total deferred tax liabilities	(9,907)	(11,064)
Net deferred tax assets (liabilities)	$857	$(1,903)

The Company has state tax credit carryforwards of $0.7 million and $0.6 million as of December 31, 2019 and 2018, respectively, that will expire incrementally between 2020 and 2024.

The Company has a valuation allowance of $0.6 million as of December 31, 2019 and $0.5 million as of December 31, 2018 against certain of its deferred tax assets. ASC 740, “Income Taxes,” requires that a valuation allowance be recorded against deferred tax assets when it is more likely than not that some or all of a Company’s deferred tax assets will not be realized based on available positive and negative evidence.

Total unrecognized tax benefits were $1.1 million and $1.0 million at December 31, 2019 and 2018, respectively. The total amount of unrecognized tax benefits that, if ultimately recognized, would reduce the Company’s annual effective tax rate were $0.9 million and $0.8 million at December 31, 2019 and 2018, respectively.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	2019	2018	2017
Balance at beginning of year	$951	$797	$492
Additions based on tax positions related to the current year	372	268	239
Additions based on tax positions related to prior years	-	-	165
Reductions due to lapse of applicable statute of limitations	(193)	(114)	(99)
Balance at end of year	$1,130	$951	$797

The Company is subject to income taxes in the U.S. federal and various state, local and foreign jurisdictions. Income tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. With few exceptions, the Company is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for the years before 2015. The Company has $57,000 of unrecognized tax benefits recorded for periods for which the relevant statutes of limitations expire in the next 12 months.

The Company recognizes interest and penalties related to unrecognized tax benefits in income tax expense for all periods presented. The Company accrued approximately $0.3 million, $0.2 million and $0.2 million for the payment of interest and penalties at December 31, 2019, 2018 and 2017, respectively.

Note 9 – Pensions and Other Postretirement Benefits

The Company sponsors a defined benefit pension plan ("Plan") covering certain domestic employees. Benefits are based on each covered employee's years of service and compensation. The Plan is funded in conformity with the funding requirements of applicable U.S. regulations. The Plan was closed to new participants effective January 1, 2008. Employees hired after this date, in eligible locations, participate in an enhanced 401(k) plan instead of the defined benefit pension plan. Employees hired prior to this date continue to accrue benefits.

Additionally, the Company sponsors defined contribution pension plans made available to all domestic and Canadian employees. Total contributions to the plans were $2.3 million for 2019, $2.2 million for 2018 and $1.9 million for 2017.

The Company also sponsors a non-contributory defined benefit postretirement health care plan that provides health benefits to certain domestic and Canadian retirees and eligible spouses and dependent children. The Company funds the cost of these benefits as incurred. For measurement purposes, and based on maximum benefits as defined by the plan, a 5% annual rate of increase in the per capita cost of covered health care benefits for all retirees was assumed in estimating the projected postretirement benefit obligation at December 31, 2019, which is expected to remain constant going forward. A zero percent annual rate of increase was assumed in estimating the projected benefit obligation at December 31, 2018 and in calculating 2019 periodic benefit cost.

The Company recognizes the obligations associated with its defined benefit pension plan and defined benefit postretirement health care plan in its Consolidated Financial Statements. The following table presents the plans' funded status as of the measurement date, December 31, reconciled with amounts recognized in the Company's Consolidated Balance Sheets:

	Pension Plan		Postretirement Plan	
	2019	2018	2019	2018
Accumulated benefit obligation at end of year	$66,900	$56,408	$26,055	$23,679
Change in projected benefit obligation:				
Benefit obligation at beginning of year	$67,578	$76,489	$23,679	$17,367
Service cost	2,204	2,408	1,083	775
Interest cost	2,454	2,552	941	561
Settlement	-	990	-	-
Benefits paid	(3,735)	(8,504)	(2,311)	(2,536)
Effect of foreign exchange	-	-	16	(42)
Actuarial (gain) loss	12,824	(6,357)	2,647	7,554
Benefit obligation at end of year	$81,325	$67,578	$26,055	$23,679
Change in plan assets:				
Plan assets at beginning of year	$72,395	$80,802	$ -	$ -
Actual return on plan assets	11,625	(3,903)	-	-
Employer contributions	-	4,000	2,311	2,536
Benefits paid	(3,735)	(8,504)	(2,311)	(2,536)
Plan assets at end of year	80,285	72,395	-	-
Funded status at end of year	$(1,040)	$4,817	$(26,055)	$(23,679)

	Pension Plan		Postretirement Plan	
	2019	2018	2019	2018
Amounts recognized in the Consolidated Balance Sheets consist of:				
Noncurrent assets	$ -	$4,817	$ -	$ -
Current liabilities	-	-	(1,602)	(1,826)
Noncurrent liabilities	(1,040)	-	(24,453)	(21,853)
Total assets (liabilities)	$(1,040)	$4,817	$(26,055)	$(23,679)
Amounts recognized in Accumulated other comprehensive loss consist of:				
Net actuarial loss	$26,192	$23,158	$5,205	$2,596
Prior Service Cost	-	-	(4,383)	(5,508)
Deferred tax (benefit) expense	(6,499)	(5,798)	(132)	732
After tax actuarial loss (gain)	$19,693	$17,360	$690	$(2,180)

Components of net periodic benefit cost:

	2019	2018	2017
Pension Plan			
Service cost	$2,204	$2,408	$2,727
Interest cost	2,454	2,552	2,537
Expected return on plan assets	(3,561)	(4,481)	(4,697)
Recognized actuarial loss	1,726	1,577	1,770
Settlement loss	-	2,852	4,031
Net periodic benefit cost	$2,823	$4,908	$6,368
Other changes in pension plan assets and benefit obligations recognized in other comprehensive loss:			
Net loss (gain)	$3,034	$(1,413)	$(2,470)
Total expense recognized in net periodic benefit cost and other comprehensive income	$5,857	$3,495	$3,898
Postretirement Plan			
Service cost	$1,083	$775	$1,249
Interest cost	941	561	814
Prior service cost recognition	(1,129)	(1,128)	-
Recognized actuarial loss (gain)	27	(413)	(677)
Net periodic benefit (credit) cost	$922	$(205)	$1,386
Other changes in postretirement plan assets and benefit obligations recognized in other comprehensive loss:			
Net loss (gain)	$3,749	$9,096	$(4,105)
Total expense (benefit) recognized in net periodic benefit cost and other comprehensive income	$4,671	$8,891	$(2,719)

The components of net periodic benefit cost other than the service cost component are included in Other income (expense), net in the Consolidated Statements of Income.

No settlement loss was incurred in 2019. During 2018 and 2017, the Company recorded a settlement loss relating to retirees that received lump-sum distributions from the Company's defined benefit pension plan totaling $2.9 million and $4.0 million, respectively. These charges were the result of lump-sum payments to retirees which exceeded the Plan's actuarial service and interest cost thresholds.

The prior service cost is amortized on a straight-line basis over the average estimated remaining service period of active participants. The unrecognized actuarial gain or loss in excess of the greater of 10% of the benefit obligation or the market value of plan assets is also amortized on a straight-line basis over the average estimated remaining service period of active participants.

	Pension Plan		Postretirement Plan	
	2019	**2018**	**2019**	**2018**
Weighted-average assumptions used to determine benefit obligations at December 31:				
Discount rate	2.83%	3.94%	3.08%	4.13%
Rate of compensation increase	3.50%	3.50%	–	–
Weighted-average assumptions used to determine net periodic benefit cost for years ended December 31:				
Discount rate	3.94%	3.76%	4.13%	3.39%
Expected long-term rate of return on plan assets	5.37%	6.00%	–	–
Rate of compensation increase	3.50%	3.50%	–	–

To enhance the Company’s efforts to mitigate the impact of the defined benefit pension plan on its financial statements, in 2014 the Company moved towards a liability driven investing model to more closely align assets with liabilities based on when the liabilities are expected to come due. Currently, based on 2019 funding levels, equities may comprise between 8% and 28% of the Plan’s market value. Fixed income investments may comprise between 70% and 90% of the Plan’s market value. Alternative investments may comprise between 0% and 4% of the Plan’s market value. Cash and cash equivalents (including all senior debt securities with less than one year to maturity) may comprise between 0% and10% of the Plan’s market value.

Financial instruments included in pension plan assets are categorized into a fair value hierarchy of three levels, based on the degree of subjectivity inherent in the valuation methodology. Level 1 assets are based on unadjusted quoted prices in active markets that are accessible to the reporting entity at the measurement date for identical assets. Level 2 assets are valued at inputs other than quoted prices in active markets for identical assets that are observable either directly or indirectly for substantially the full term of the assets. Level 3 assets are valued based on unobservable inputs for the asset (i.e., supported by little or no market activity). These inputs include management’s own assessments about the assumptions that market participants would use in pricing assets (including assumptions about risk). The level in the fair value hierarchy within which the fair value measurement is classified is determined based on the lowest level input that is significant to the fair value measure in its entirety.

The following tables set forth by asset class the Plan's fair value of assets for the years ended December 31, 2019 and 2018:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Plan Assets at December 31, 2019
Equity	$12,986	$ -	$ -	$12,986
Fixed income	11,671	46,145	-	57,816
Mutual funds	1,992	-	-	1,992
Money funds and cash	3,103	4,388		7,491
Total fair value of Plan assets	$29,752	$50,533	-	$80,285

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Plan Assets at December 31, 2018
Equity	$10,144	$ -	$3	$10,147
Fixed income	9,768	44,333	-	54,101
Mutual funds	1,777	-	-	1,777
Money funds and cash	6,370	-	-	6,370
Total fair value of Plan assets	$28,059	$44,333	$3	$72,395

Contributions

The Company expects to contribute up to $2 million to its defined benefit pension plan in 2020.

Expected future benefit payments

The following benefit payments are expected to be paid as follows based on actuarial calculations:

	2020	2021	2022	2023	2024	Thereafter
Pension	$12,283	$5,146	$5,662	$5,125	$ 5,881	$27,567
Postretirement	1,627	1,515	1,478	1,509	1,544,	8,495

A one percentage point increase in the assumed health care trend rate would increase postretirement expense by approximately $0.3 million, changing the benefit obligation by approximately $2.3 million; while a one percentage point decrease in the assumed health care trend rate would decrease postretirement health care expense by approximately $0.2 million, changing the benefit obligation by approximately $2.1 million. For measurement purposes, and based on maximum benefits as defined by the plan, a 5% annual rate of increase in the per capita cost of covered health care benefits for all retirees was assumed as of December 31, 2019, which is expected to remain constant going forward. A zero percent annual rate of increase was assumed previously.

A one percentage point change in the assumed rate of return on the defined benefit pension plan assets is estimated to have an approximate $0.7 million effect on net periodic benefit cost. Additionally, a one percentage point increase in the discount rate is estimated to have a $1.3 million decrease in net periodic benefit cost, while a one percentage point decrease in the discount rate is estimated to have a $1.5 million increase in net periodic benefit cost.

Note 10 – Goodwill and Other Intangible Assets

The major components of Goodwill and other intangible assets are:

	2019		2018	
	Historical Cost	**Accumulated Amortization**	**Historical Cost**	**Accumulated Amortization**
Finite-lived intangible assets:				
Customer relationships	$ 7,832	$ 6,301	$ 7,833	$ 5,514
Technology and drawings	6,749	3,712	6,752	3,417
Other intangibles	2,292	1,151	1,838	1,172
Total finite-lived intangible assets	16,873	11,164	16,423	10,103
Goodwill	27,215	-	27,234	-
Trade names and trademarks	2,072	-	2,631	-
Total	$46,160	$11,164	$46,288	$10,103

Amortization of intangible assets was $1.2 million, $1.2 million and $1.6 million in 2019, 2018 and 2017, respectively. Amortization of these intangible assets for 2020 through 2024 is expected to approximate $0.7 million per year.

Changes in the carrying value of goodwill during the years ended December 31, 2019 and 2018 are as follows:

	Goodwill
Balance at December 31, 2017	$27,551
Acquisitions	-
Impairment	-
Foreign currency	(317)
Balance at December 31, 2018	27,234
Acquisitions	-
Impairment	-
Foreign currency	(19)
Balance at December 31, 2019	$27,215

For 2019, the Company used a quantitative analysis for the annual goodwill impairment testing as of October 1 for its National Pump Company ("National") reporting unit. The fair value for this reporting unit was estimated using a discounted cash flow model, which considered forecasted cash flows discounted at an estimated weighted-average cost of capital. The forecasted cash flows were based on the Company's long-term operating plan and a terminal value was used to estimate the cash flows beyond the period covered by the operating plan. The weighted-average cost of capital is an estimate of the overall after-tax rate of return required by equity and debt market holders of a business enterprise. These analyses require the exercise of significant judgments, including judgments about appropriate discount rates, perpetual growth rates and the timing of expected future cash flows.

Sensitivity analyses were performed around these assumptions in order to assess the reasonableness of the assumptions and the resulting estimated fair values.

The result of this goodwill impairment test indicated that no impairment existed at National. The Company's annual impairment analysis performed as of October 1, 2019 concluded that National's fair value exceeded its carrying value by approximately 18%. A sensitivity analysis was performed for the National reporting unit, assuming a hypothetical 100 basis point decrease in the expected long-term growth rate or a hypothetical 100 basis point increase in the weighted average cost of capital, and both scenarios independently yielded an estimated fair value for the National reporting unit slightly above carrying value. If National fails to experience growth or revises its long-term projections downward, it could be subject to impairment charges in the future. Goodwill relating to the National reporting unit represents 4% of the Company's December 31, 2019 total assets.

For 2019, for all other reporting units, the Company used a qualitative analysis for goodwill impairment testing as of October 1. This qualitative assessment included consideration of current industry and market conditions and circumstances as well as any mitigating factors that would most affect the fair value of the Company and these reporting units. Based on the assessment and consideration of the totality of the facts and circumstances, including the business environment in the fourth quarter of 2019, the Company determined that it was not more likely than not that the fair value of the Company or these reporting units is less than their respective carrying amounts. As such, no goodwill impairments for these reporting units were recorded for the year ended December 31, 2019.

During the third quarter of 2017, the decreasing demand for barge pumps for the marine transportation market, driven by low oil prices and overcapacity of inland barges, continued to negatively affect the Bayou City Pump Company ("Bayou") reporting unit, which led management to reconsider its estimates for future profitability of this reporting unit prior to the October 1 annual goodwill impairment testing date in 2017. As such, the Company performed an interim discounted cash flow analysis to test for potential impairment of goodwill pursuant to ASC 350, "Intangibles – Goodwill and Other." As a result of this impairment test, the Company concluded that the goodwill was impaired and recorded a non-cash impairment charge of $0.9 million during the third quarter of 2017 which represented the full remaining amount of Bayou's goodwill. This impairment charge is included in Impairment of goodwill and other intangible assets on the Consolidated Statements of Income.

Other indefinite-lived intangible assets primarily consist of trademarks and trade names. The fair value of these assets is also tested annually for impairment as of October 1, or whenever events or changes in circumstances indicate there may be a possible permanent loss of value. The fair value of these assets is determined using a royalty relief methodology similar to that employed when the associated assets were acquired, but using updated estimates of future sales, cash flows and profitability. For 2019 and 2018 the fair value of all indefinite lived intangible assets exceeded the respective carrying values.

Finite-lived assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recovered through future net cash flows generated by the assets. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to future net undiscounted cash flows estimated to be generated by such assets. Based upon our fiscal 2019 and 2018 quantitative and qualitative impairment analyses, except for the risk related to National's indicated fair value, the Company was not aware of any events or changes in circumstances that indicate the carrying value of its finite-lived intangible assets may not be recoverable.

Note 11 – Business Segment Information

The Company operates in one business segment comprising the design, manufacture and sale of pumps and pump systems. The Company's products are used in water, wastewater, construction, industrial, petroleum, original equipment, agriculture, fire protection, heating, ventilation and air conditioning (HVAC), military and other liquid-handling applications.

The pumps and pump systems are marketed in the United States and worldwide through a broad network of distributors, through manufacturers' representatives (for sales to many original equipment manufacturers), through third-party distributor catalogs, and by direct sales. International sales are made primarily through foreign distributors and representatives.

The Company sells to approximately 140 countries around the world. The following tables disaggregate total net sales by major product category and geographic location:

	Product Category		
	2019	**2018**	**2017**
Pumps and pump systems	$341,304	$357,882	$322,201
Repair parts for pumps and pump systems and other	56,875	56,452	57,188
Total net sales	$398,179	$414,334	$379,389

	Geographic Location		
	2019	**2018**	**2017**
United States	$275,290	$271,820	$241,746
Foreign countries	122,889	142,514	137,643
Total net sales	$398,179	$414,334	$379,389

As of December 31, 2019 and 2018, 87% of the Company's long-lived assets were located in the United States.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Company maintains a set of disclosure controls and procedures designed to ensure that information required to be disclosed by the Company in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. The Company's disclosure controls and procedures are also designed to ensure that information required to be disclosed in Company reports filed under the Securities Exchange Act of 1934 is accumulated and communicated to the Company's management, including the principal executive officer and the principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

An evaluation was carried out under the supervision and with the participation of the Company's management, including the principal executive officer and the principal financial officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the end of the period covered by this report on Form 10-K. Based on the evaluation, the principal executive officer and the principal financial officer have concluded that the Company's disclosure controls and procedures were effective as of December 31, 2019.

Report of Management on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Internal control over financial reporting is a process designed by, or under the supervision of, the Company's principal executive and principal financial officers, or persons performing similar functions, and affected by the Company's Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States.

The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and Directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO Criteria). Based on this evaluation, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2019.

The independent registered public accounting firm of Ernst & Young LLP that has audited the consolidated financial statements included in this annual report on Form 10-K, has also issued an attestation report on the Company's internal control over financial reporting as of December 31, 2019. This report is included on the following page.

/s/ Jeffrey S. Gorman
Jeffrey S. Gorman
Chairman, President and Chief Executive Officer

/s/ James C. Kerr
James C. Kerr
Vice President and Chief Financial Officer

March 2, 2020

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of The Gorman-Rupp Company

Opinion on Internal Control Over Financial Reporting

We have audited The Gorman-Rupp Company's internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, The Gorman-Rupp Company (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the 2019 consolidated financial statements of the Company and our report dated March 2, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report of Management on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP
Cleveland, Ohio
March 2, 2020

Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting that occurred during the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Attention is directed to the sections captioned "Election of Directors," "Board of Directors and Board Committees," "Audit Committee Report," "Beneficial Ownership of Shares" and "Deliquent Section 16(a) Reports" in the Company's definitive Notice of 2020 Annual Meeting of Shareholders and related Proxy Statement (filed with the SEC pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Form 10-K), which are incorporated herein by this reference.

With respect to Executive Officers, attention is directed to Part I of this Form 10-K.

The Company has adopted a Code of Ethics that applies to its Directors, officers and all employees. The Code of Ethics is set forth as an exhibit to this Form 10-K. In addition, the Code of Ethics is posted on the Company's website accessible through its Internet address of www.gormanrupp.com (under the heading "Investor Relations" and the sub-heading "Corporate Governance"), including any amendments.

ITEM 11. EXECUTIVE COMPENSATION

Attention is directed to the sections "Board of Directors and Board Committees," "Executive Compensation," "Compensation Discussion and Analysis," "Pension Benefits," "Summary Compensation Table," "Grants of Plan Based Awards," "Outstanding Equity Awards at December 31, 2019," "Non-Employee Director Compensation," "Risk Oversight," "Compensation Committee Interlocks and Insider Participation," "Compensation Committee Report," and "CEO Pay Ratio" in the Company's definitive Notice of 2020 Annual Meeting of Shareholders and related Proxy Statement (filed pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Form 10-K), which are incorporated herein by this reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Attention is directed to the section "Beneficial Ownership of Shares" and "Election of Directors" in the Company's definitive Notice of 2020 Annual Meeting of Shareholders and related Proxy Statement (filed with the SEC pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Form 10-K), which are incorporated herein by this reference.

Equity Compensation Plan Information

The following table provides information as of December 31, 2019 about the Company's Common Shares that may be issued upon exercise of options, warrants and rights granted, and shares remaining available for issuance, under all of the Company's existing equity compensation plans, including the 2015 Omnibus Incentive Plan and the 2016 Non-Employee Directors' Compensation Plan.

Plan Category	Number of securities to be issued upon exercise of outstanding options warrants and rights	Weighted average exercise price of outstanding options warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by shareholders	-	$ -0-	885,090(1)
Equity compensation plans not approved by shareholders	-	n/a	-
Total	-	$ -0-	885,090

(1) This amount reflects that an aggregate of 818,090 shares were reserved for issuance under the 2015 Omnibus Incentive Plan pursuant to performance share awards outstanding at December 31, 2019, which amount, for purposes of this table, assumes the maximum amount of shares will be earned under such awards, even though the actual payout under such awards may be less than maximum.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Attention is directed to the section "Board of Directors and Board Committees" and "Related Party Transactions" in the Company's definitive Notice of 2020 Annual Meeting of Shareholders and related Proxy Statement (filed with the SEC pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Form 10-K), which is incorporated herein by this reference. The Company has no relationships or transactions required to be reported by Item 404 of Regulation S-K.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Attention is directed to the section "Ratification of Appointment of Independent Registered Public Accounting Firm" in the Company's definitive Notice of 2020 Annual Meeting of Shareholders and related Proxy Statement (filed with the SEC pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Form 10-K), which is incorporated herein by this reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) (1) The Index to Consolidated Financial Statements of the Registrant under Item 8 of this Report is incorporated herein by reference as the list of Financial Statements required as part of this Report.

(2) All financial statement schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, or the information required to be set forth therein is included in the Consolidated Financial Statements or Notes thereto.

(3) Exhibits — The exhibit list in the Exhibit Index is incorporated by reference as the list of exhibits required as part of this Report.

ANNUAL REPORT ON FORM 10-K

THE GORMAN-RUPP COMPANY

For the Year Ended December 31, 2019

EXHIBIT INDEX

Exhibit Number	Description
(3)(4)(a)	Amended Articles of Incorporation, as amended*
(3)(4)(b)	Amended Regulations**
(4)(c)	Description of Securities Registered Under the Exchange Act
(10)(a)	Form of Indemnification Agreement between the Company and its Directors***
(10)(b)	Form of Indemnification Agreement between the Company and its Officers***
(10)(c)	2015 Omnibus Incentive Plan****#
(10)(d)	Form of Performance Share Grant Agreement*****#
(10)(e)	2016 Non-Employee Directors' Compensation Plan******#
(14)	Code of Ethics
(21)	Subsidiaries of the Company
(23)	Consent of Independent Registered Public Accounting Firm
(24)	Powers of Attorney
(31) (a)	Certification of Chief Executive Officer (Section 302 of the Sarbanes-Oxley Act of 2002)
(31) (b)	Certification of Chief Financial Officer (Section 302 of the Sarbanes-Oxley Act of 2002)
(32)	Certification Pursuant to 18 U. S. C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(101.INS)	XBRL Instance Document
(101.SCH)	XBRL Taxonomy Extension Schema Document
(101.CAL)	XBRL Taxonomy Extension Calculation Linkbase Document
(101.DEF)	XBRL Taxonomy Extension Definition Linkbase Document
(101.LAB)	XBRL Taxonomy Extension Label Linkbase Document
(101.PRE)	XBRL Taxonomy Extension Presentation Linkbase Document

*	Incorporated herein by this reference from Exhibit (3)(4)(a) of the Company's Annual Report on Form 10-K for the year ended December 31, 2015.
**	Incorporated herein by this reference from Exhibit (3)(ii)(4) of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2015.
***	Incorporated herein by this reference from Exhibits (10)(a)(b) of the Company's Annual Report on Form 10-K for the year ended December 31, 2014.
****	Incorporated herein by this reference from Exhibit 10.1 of the Company's Current Report on Form 8-K filed on April 28, 2015.
*****	Incorporated herein by this reference from Exhibit 10.1 of the Company's Current Report on Form 8-K filed on May 4, 2015.
******	Incorporated herein by this reference from Exhibit (4)(c) of the Company's Registration Statement on Form S-8 filed on May 24, 2016.
#	Management contract or compensatory plan or arrangement.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE GORMAN-RUPP COMPANY

*By: /s/ BRIGETTE A. BURNELL
Brigette A. Burnell
Attorney-In-Fact

Date: March 2, 2020

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

*JEFFREY S. GORMAN Jeffrey S. Gorman	Chairman, President and Chief Executive Officer and Director (Principal Executive Officer)
*JAMES C. KERR James C. Kerr	Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)
*M. ANN HARLAN M. Ann Harlan	Director
*THOMAS E. HOAGLIN Thomas E. Hoaglin	Director
*CHRISTOPHER H. LAKE Christopher H. Lake	Director
*SONJA K. MCCLELLAND Sonja K. McClelland	Director
*KENNETH R. REYNOLDS Kenneth R. Reynolds	Director
*RICK R. TAYLOR Rick R. Taylor	Director

* The undersigned, by signing her name hereto, does sign and execute this Annual Report on Form 10-K on behalf of The Gorman-Rupp Company and on behalf of each of the above-named Officers and Directors of The Gorman-Rupp Company pursuant to Powers of Attorney executed by The Gorman-Rupp Company and by each such Officer and Director and filed with the Securities and Exchange Commission.

March 2, 2020

By: /s/ BRIGETTE A. BURNELL

Brigette A. Burnell
Attorney-In-Fact

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INVESTOR & SHAREHOLDER INFORMATION

Investor Information Contact

James C. Kerr
Vice President & Chief Financial Officer

Phone: (419) 755-1011
Fax: (419) 755-1263
Email: JKerr@gormanrupp.com

The SEC Annual Report Form 10-K is available free of charge by written request to Mr. Kerr at:

The Gorman-Rupp Company
P. O. Box 1217
Mansfield, Ohio 44901-1217

Internet Information

Information about the Company, its U.S. Securities and Exchange Commission filings and its products are available through its web site at: **www.gormanrupp.com**

To Buy or Sell Stock

Stock cannot be purchased or sold directly through The Gorman-Rupp Company. Purchases and sales of the Company's stock generally are made through a Securities dealer or through the Dividend Reinvestment Plan offered through Broadridge Corporate Issuer Solutions, Inc.

In addition, employees of the Company may purchase shares through an Employee Stock Purchase Plan offered through monthly deductions from their paychecks.

Open Enrollment Dividend Reinvestment and Stock Purchase Plan

Broadridge Corporate Issuer Solutions, Inc. offers a convenient plan for investment in shares of common stock of The Gorman-Rupp Company. Investors may buy or sell common shares of The Gorman-Rupp Company through Broadridge Corporate Issuer Solutions, Inc.'s Direct Share Purchase and Sale Plan. Initial investments of $200 are required up to a maximum of $5,000 per month. Any subsequent investments may be made for a minimum of $50 (to a maximum of $5,000) per month.

For additional information, please contact The Gorman-Rupp Company, Attention: Corporate Secretary, for a copy of the Plan brochure, or call a customer service representative at Broadridge Corporate Issuer Solutions, Inc.

Phone: (844) 318-0130 or
(720) 358-3598

Direct Dividend Deposit

Gorman-Rupp provides the opportunity to have your dividend directly deposited into your checking or savings account. Your dividend is available to you on the payment date.

For additional information, call a customer service representative at Broadridge Corporate Issuer Solutions, Inc.

Phone: (844) 318-0130 or
(720) 358-3598

Annual Meeting

Annual Meeting of Shareholders of The Gorman-Rupp Company will be held at the Company's Corporate Headquarters, 600 South Airport Road, Mansfield, Ohio, on Thursday, April 23, 2020 at 10:00 a.m., Eastern Daylight Time.

Transfer Agent and Registrar

Broadridge Corporate Issuer Solutions, Inc.
P.O. Box 1342
Brentwood, New York 11717
Phone: (844) 318-0130 or
(720) 358-3598
Fax: (215) 553-5402
E-mail: Shareholder@broadridge.com

Mailing Address

The Gorman-Rupp Company
P.O. Box 1217
Mansfield, OH 44901-1217
Phone: (419) 755-1011
Fax: (419) 755-1263

Principal Office

The Gorman-Rupp Company
600 South Airport Road
Mansfield, OH 44903

Exchange Listing

NYSE Symbol GRC

Independent Registered Public Accounting Firm

Ernst & Young, LLP
950 Main Avenue
Suite 1800
Cleveland, OH 44113-7214

GORMAN-RUPP COMPANY
The Pump People

GRC
LISTED
NYSE

The Pump People®

THE GORMAN-RUPP COMPANY