

*Borough of Chambersburg
Pennsylvania*



*Comprehensive Annual
Financial Report*

Borough of Chambersburg
Pennsylvania

Comprehensive Annual
Financial Report

For the Year Ended
December 31, 2013

Prepared By the Department of Finance



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Borough of Chambersburg
Pennsylvania**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2012

Executive Director/CEO

CONTENTS

I. INTRODUCTORY SECTION

Letter of Transmittal	I - VII
Borough of Chambersburg Organization Chart	VIII
Mayor and Town Council	IX
List of Borough Officers and Officials	X

II. FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT	1 - 3
-------------------------------------	-------

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	4 - 16
---	--------

BASIC FINANCIAL STATEMENTS

Government-wide Financial Statements

Statement of net position	17
Statement of activities	18

Fund Financial Statements

Balance sheet – governmental funds	19
Reconciliation of governmental funds balance sheet to the statement of net position	20
Statement of revenues, expenditures and changes in fund balance - governmental funds	21
Reconciliation of statement of revenues, expenditures and changes in fund balance of governmental funds to the statement of activities	22
Statement of net position - proprietary funds	23
Statement of revenues, expenses and changes in fund net position - proprietary funds	24
Statement of cash flows - proprietary funds	25
Statement of fiduciary net position	26
Statement of changes in fiduciary net position	27

Notes to Financial Statements	28 - 59
-------------------------------	---------

REQUIRED SUPPLEMENTARY INFORMATION

Unaudited required schedule of funding progress – pension trust funds	60
Unaudited required schedule of employer contributions – pension trust funds	61
Unaudited required schedule of funding progress - OPEB	62
Budgetary comparison schedule - general fund	63
Budgetary comparison schedule – special revenue fund - grant programs	64

OTHER SUPPLEMENTARY INFORMATION - COMBINING AND INDIVIDUAL NONMAJOR FUND FINANCIAL STATEMENTS AND SCHEDULES

Other Governmental Funds	65
Combining balance sheet – other governmental funds	66
Combining statement of revenues, expenditures and changes in fund balances – other governmental funds	67
Budgetary comparison schedule – special revenue fund -liquid fuels	68
Budgetary comparison schedule – capital reserve fund	69

CONTENTS (CONTINUED)

Other Enterprise Funds	70
Combining statement of net position – other enterprise funds	71
Combining statement of revenues, expenses and changes in fund net position – other enterprise funds	72
Combining statement of cash flows – other enterprise funds	73
Internal Service Funds	74
Combining statement of net position - internal service funds	75
Combining statement of revenues, expenses and changes in fund net position - internal service funds	76
Combining statement of cash flows - internal service funds	77
Trust and Agency Funds	78
Combining statement of fiduciary net position – pension trust funds	79
Combining statement of changes in fiduciary net position - pension trust funds	80
Combining statement of fiduciary net position - private purpose trust funds	81
Combining statement of changes in fiduciary net position – private purpose trust funds	82
Combining statement of changes in assets and liabilities – all agency funds	83
Schedule of Real Estate Taxes Receivable - General Fund	84
III. STATISTICAL SECTION	
Schedule 1 - Net position by component	85
Schedule 2 - Changes in net position	86 - 87
Schedule 3 - Fund balances - governmental funds	88
Schedule 4 - Changes in fund balances - governmental funds	89
Schedule 5 - Program revenues by function	90
Schedule 6 - Tax revenues by source - governmental funds	91
Schedule 7 - Property tax rates - direct and overlapping governments	92
Schedule 8 - Assessed value and actual value of taxable property	93
Schedule 9 - Principal taxpayers	94
Schedule 10 - Property tax levies and collections	95
Schedule 11 - Municipal earned income tax revenue base and collections	96
Schedule 12 - Earned income tax statistics	97
Schedule 13 - Ratios of outstanding debt by type	98
Schedule 14 - Ratios of general bonded debt outstanding	99
Schedule 15 - Legal debt margin information	100
Schedule 16 - Computation of direct and overlapping debt	101
Schedule 17 - Debt capacity information - pledged-revenue coverage	102
Schedule 18 - Demographic and economic statistics	103
Schedule 19 - Principal employers	104
Schedule 20 - Full-time equivalent municipal employees by function/program	105
Schedule 21 - Operating indicators by function/program	106
Schedule 22 - Capital asset statistics by function/program	107

CONTENTS (CONTINUED)

IV. SINGLE AUDIT SECTION

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	108 - 109
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133	110 - 111
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	112
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	113
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	114 - 115
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS RELATED TO FEDERAL AWARDS	116



Introductory Section



Borough of Chambersburg

*Celebrating 50 years of consumer owned gas service
and over 100 years of consumer owned electric service*

Letter of Transmittal for 2013 Comprehensive Annual Financial Report

June 16, 2014

To the Honorable Mayor, Town Council and the Citizens of the Borough of Chambersburg, Pennsylvania.

The Comprehensive Annual Financial Report of the Borough of Chambersburg for the year ended December 31, 2013, is hereby submitted for your review. This report represents the commitment of the Borough of Chambersburg to adhere to nationally recognized standards of excellence in financial reporting.

Borough of Chambersburg staff prepared all statements, schedules, and other presentations in this report. Management is responsible for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures. We believe that the data presented in this report is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the Borough. Further, we believe that all disclosures necessary to enable the reader to gain an understanding of the Borough of Chambersburg's activities have been included.

The Comprehensive Annual Financial Report (CAFR) incorporates financial reporting standards established by Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. Statement No. 34 was developed to make annual financial reports of governments more comprehensive and easier to understand and use. All required elements of Statement No. 34, including retroactive restatement of general infrastructure assets are now required in this report and are included in this report as they were in the previous years' reports.

Please review the Management's Discussion and Analysis (MD&A) which is also located in the Financial Section of the CAFR. The MD&A is management's analysis of the municipality's financial position based on currently known facts as of the date of the auditor's report. It is required to precede the financial statements and provide the following analysis:

- Management's analysis of the organization's financial position and results of operations
- Comparison of current year assets, liabilities, revenues and expenses to the prior year
- Explanation of significant changes in fund based financial results and budgetary information
- Description of capital asset and long term debt activity during the year
- Description of currently known facts, decisions or circumstances expected to have a significant effect on the future overall financial activities of the municipality

THE BOROUGH OF CHAMBERSBURG

General Information

The Borough of Chambersburg, one of the earliest permanent settlements west of the Susquehanna River, was founded in 1764 by Benjamin Chambers on land granted to him by the Penn Proprietors. Chambersburg was incorporated as a Borough by an Act of the State Legislators on March 21, 1803. It is located on Interstate 81 in the south-central region of Pennsylvania and is the county seat of Franklin County. The Borough covers an area of 6.58 square miles and lies approximately 50 miles southwest of Harrisburg, 25 miles west of Gettysburg, and 22 miles north of Hagerstown, Maryland. It is the historic and commercial center of the region characterized by varied small and medium industrial enterprises, a rich agricultural area, and residential growth.

According to the U.S. Bureau of the Census, the Borough's population increased from 17,862 to 20,508, between 2000 and 2012; an increase of 14.8 percent during the period.

Municipal Services and Facilities

The Borough is a total service community providing a broad range of services for the citizens of Chambersburg, including the following general government functions: police and fire protection, emergency medical services, street construction and maintenance, storm water management, parks and recreation facilities and code enforcement.

The Borough is unique in Pennsylvania in that it owns and operates electric, gas, water, sewer, sanitation and parking facilities. The Borough is the largest municipal electric system, and the only electricity producing, consumer-owned system in the Commonwealth of Pennsylvania. The Chambersburg Electric Department is in its twenty-first year of its second century of service to the citizens of Chambersburg, and the Borough's Gas Department has been providing municipal gas for over 50 years. On August 20, 1875, the citizens of Chambersburg voted in favor of a bond issue to construct a water system, and sewer service was initiated on August 1, 1912.

Governmental Organization

The Act of Incorporation in 1803 provided for "the Burgess and Town Council of the Borough of Chambersburg as the one body politic and corporate in law". The title Burgess was changed to Mayor in 1961. The Mayor is elected at large every four years. His duties are outlined in the Borough Code and include the oversight of the Police Department. The Mayor votes on actions being considered by Town Council only to break tie votes.

The legislative and executive authority of the Borough is vested in a ten-member Council. Two councilmen are elected from each of the five wards, one councilman from each ward being elected at each biennial election. Council members are elected to overlapping four-year terms. The council enacts legislation to provide for Borough services, adopts budgets, levies taxes, borrows money, licenses and regulates businesses and trades, and performs such other duties consistent with the Borough Code. The presiding officer of the Council is the President of Council, who is a member of Council, and elected to that position by a vote of Council members.

By an ordinance approved in December of 1975, Town Council created the office of the Borough Manager. The Borough Manager is the Chief Administrative Officer of the Borough, and is responsible to the Town Council as a whole for the proper and efficient administration of the affairs of the Borough. The manager is appointed for an indefinite term and serves at the pleasure of Council.

The Director of Finance, who is appointed by the Borough Manager, is the Chief Financial Officer of the Borough. The Director of Finance exercises the powers otherwise granted to the Borough Treasurer position under the laws of the Commonwealth of Pennsylvania. As such, the Director of Finance is charged with the responsibility of receiving, disbursing, and maintaining custody of all funds of the Borough, and serves as Pension Funds Chief Administrative Officer. The Director of Finance advises the Borough Manager and Town Council concerning financial matters and assists the Borough Manager in the preparation of the annual budget.

Departmental Highlight – Chambersburg Electric Department

Each year we spotlight one of the Borough's many departments by reviewing the history, activities and accomplishments of the selected department. Last year's report focused on the Gas Department. This year's report highlights our Electric Department.

Community leaders formed public power utilities like Chambersburg starting in the early 1880's. At its heart, public power is an expression of the American ideal of local people working together to meet local needs. The Chambersburg public power utility now called the "Electric Department" was established in 1893 with its own generation and downtown lighting systems for its streets, homes, and businesses like many hundreds of small towns across America at the time. Motivated by the many benefits of local ownership and control, Chambersburg has owned and operated its own generation resources for all or part of its customer load since the Department was conceived in the late 19th century. To this day, Chambersburg is the only municipal electric supplier in the state to still own and operate its own generation assets.

In 1904, after only approximately 11 years of operation, a large utility outside of Chambersburg attempted to take over the Electric Light Plant. Several unselfish and courageous people named to this day on the "Park of The Valliant" dedication plaque "in the face of powerful opposition and public criticism prevented the sale of the Borough's Municipal Electric Light Plant and preserved for the community that which has proven to be its most valuable financial asset."

The first generating plant built in the Borough was called the "Electric Light Plant" because it was primarily used originally to replace oil and gas lighting on streets, in homes, businesses, and industries. The original portion of the Electric Light Plant still stands to this day as an integral part of the southernmost side of the whole existing brick plant that was expended over the years. The plant was remodeled in 1922, expanded, improved, and capacity additions made in 1930, 1939, 1952, and 1957. The expanded Electric Light Plant operated almost continuously until it was retired in about 1975.

In 1968, the Falling Spring Generation Station was completed on the Grant Street side of the same property using two Fairbanks Morse (FM) engine/generator sets to generate approximately 4.2 Mega Watt (MW) of the Borough's power during peak consumption times. Later, in 1999, a third and larger FM unit was added bringing the total generation at the newer facility to about 7 MW. In January 2004, The Orchard Park Generation Station began commercial operation. The newest plant uses four Wärtsilä engine/generator sets to produce 23 MW of peak power generation. The two newest generating plants have been used successfully over the years to lower the total cost of annual power supply costs in Chambersburg.

Through the late 1990's and further in the early 2000's, Federal and State laws had changed to allow Municipal Electrics like Chambersburg to "shop" for all of its customer power needs in the newly formed "competitive markets". Inside the Borough, the Electric Department shops for all of the 11,150 or so customers' electric power. Since these markets have been restructured and after the hard lessons of learning how to proactively shop for "future" power, the power purchasing team has learned that purchasing wholesale priced power out into the future does have significant cost-averaging and price-lowering advantages for the Borough residents. Fortunately, this "Portfolio of Energy Products" approach which is purchasing many blocks of power from numerous suppliers and over many differing lengths of time took full-effect January 1, 2013, and perhaps signals a time of relatively stable electric rates in Chambersburg, not seen since before 2002.

Also in January 2013, the PPL Renewable Energy landfill gas to power project began commercial operation, supplying the ultimate sustainable source of power to the Borough, which is from our own trash. PPL RE entered into agreement with the Blue Ridge Landfill for the methane gas and a separate arrangement with Chambersburg to take all of the power output. As a result of this National (EPA) and State (DEP) award winning project, while acting voluntarily to protect the environment, Chambersburg leaped from about 2-3% renewable power up to over 17%, leading change in the State's electric utility industry. Although Chambersburg is not under this particular law, the Pennsylvania Renewable Portfolio Standard requires the State to source about 18% of its electricity from renewable sources by 2020.

Chambersburg will continue to generate and deliver reasonably priced and world-class reliable power to its residents according to the long term plan. The plan includes mostly future power market products, but also the viable Borough-owned generation, and a financially optimized level of other renewable power sources such as roof top solar, wind, and perhaps bio-mass as, or if, they become viable in this area.

Later in 2014, the Electric Department is proposing a lowering of electric rates to Council for a third time over these past two years, and simultaneously updating Ordinance 135 to include maintenance on the base electric rates charged in the Borough. The improvements, when approved by Council, will allow residents to enjoy what are among the lowest cost electric rates in the state.

Economic Environment - Historical

Chambersburg's history as a strong commercial center is rooted in its strategic location. It was a crossroads of commerce almost from its founding. Situated in the center of the Cumberland Valley, it became the county seat of the newly created Franklin County in 1784. Scotch-Irish and German settlers predominated the early migration into the county. The Scotch-Irish began as farmers from the sheer necessity of survival, but many drifted into political and military occupations. The methodical and industrious Germans quickly and successfully assumed the development of agriculture in the community.

By congressional resolution in 1788, Chambersburg was placed on the post route between Philadelphia and Pittsburgh. The country's post-Revolutionary War expansion to the new western frontiers was beneficial to Chambersburg. At first, pack trains, and then the stagecoach and Conestoga wagons were common vehicles of traffic through the town. The demands for the movement of goods manufactured in the East to the West and the products from the frontier were beneficial to Chambersburg. It was reported of every tenth house being used as a hostelry, with the yards being filled nightly to overflowing with wagons.

As wagon traffic increased in volume, the demand for better roads arose. Many of the state's earliest roads were undertaken by the private sector. Acceding to public demands, the State Legislature made large appropriations available for highway construction between 1814 and 1821. \$275,000 was available for improvements of sections of the Carlisle to Chambersburg and the Chambersburg to Bedford sections of the turnpikes. In 1877, thirty-nine of the eighty-eight miles of turnpike in Franklin County were on roads converging on Chambersburg. By 1944, there were 228 miles of main highways and 338 miles of improved secondary roads in Franklin County.

In 1837, the Cumberland Valley Railroad was extended from Harrisburg to Chambersburg where it joined the turnpike to Pittsburgh. The railroad extended down the Cumberland Valley and crossed the Potomac River in 1870 and eventually was extended to Winchester, Virginia in 1889.

The Pennsylvania Turnpike was completed through the County in 1940. The county had two interchanges located within the general area of Chambersburg. The development of the largest U. S. Army Ordnance distribution facility of its kind in 1942 illustrated the possibilities of the area developing as a center of distribution. Chambersburg's location in relation to seaports, metropolitan markets and industrial areas was evident from the beginning.

Economic Environment - Today

The construction of the interstate highway system in the 1960's resulted in Interstate 81 being on the eastern edge of the Borough. Chambersburg has become a magnet for distribution warehouses to facilitate the flow of goods on the East Coast. Authorities are examining their options on how Interstate 81 can be improved to handle the abundant truck traffic that transverses the highway daily. This access to major highways and railroads coupled with Chambersburg's location has created opportunities for our continued prosperity. Other factors that make the Borough a good place to do business are competitively low utility rates, good municipal services, ample power supplies, affordable housing, a skilled and diversified workforce, a low crime rate, and a progressive school district.

The 10 largest employers operating in the Borough in 2013 were:

EMPLOYER	PRIMARY BUSINESS	AVERAGE NUMBER OF EMPLOYEES
Summit Health Services	Health Care	2,959
Chambersburg Area School District	Public Education	1,575
County of Franklin	Government	1,120
Menno Haven, Inc.	Retirement Community	621
Ventura Foods	Food Packaging	444
T. B. Woods, Inc.	Power Transmission Equipment	310
Staples	Retailing	307
F & M Trust Company	Financial Services	285
K-Mart Regional Specialty Center	Distribution Warehousing	220
Borough of Chambersburg	Municipal Government	197

The Borough of Chambersburg is considered the employment center for the region. Between 16,000 and 20,000 people work in the Borough on a daily basis.

However, within just five miles of Chambersburg there are a number of significant employers that add to the vitality of the community. Those employers are as follows:

EMPLOYER	PRIMARY BUSINESS	AVERAGE NUMBER OF EMPLOYEES
Letterkenny Army Depot/Tenants	Repair Military Vehicles and Missiles/Misc.	3,500
Target Distribution Center	Distribution Warehousing	590
Martins Famous Pastry Shop	Potato Bread and Rolls	480
Ulta Beauty	Distribution Center	350
Walmart	Retailing	350
Valley Quarries	Stone and Asphalt Products	285
Ingram Book Group Inc.	Book Distribution	270

FINANCIAL INFORMATION

Borough management has taken the initiative to prepare a Comprehensive Annual Financial Report (CAFR) starting with fiscal year ending 12/31/2004 and thereafter. The CAFR provides readers of our financial statements with much additional information relating to the financial condition of the Borough of Chambersburg. Among these include information regarding our local taxpayers, employers and a plethora of similar information encompassing the past ten years. We are honored and pleased that our efforts have resulted in our receiving the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association (GFOA) for each year a CAFR has been prepared. We are again cognizant of the implications of our continuing to strive for such a prestigious award, and will continue to pursue it. With this award, we have been designated as having attained the "highest standards in governmental accounting and financial reporting".

Accounting/Budgetary Control System

Internal Controls. To provide reasonable assurance of the reliability of the information underlying the Borough of Chambersburg's financial statements, management of the Borough is responsible for the establishment and maintenance of an internal control system that provides reasonable, but not absolute, assurance that:

1. The Borough's assets are protected against loss and unauthorized use or disposition: and
2. Adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America

The concept of reasonable assurance recognizes that:

1. The cost of control should not exceed the benefits likely to be derived; and
2. The valuation of costs and benefits requires estimates and judgments by management

As a recipient of federal and state financial assistance, the Borough is responsible for ensuring that adequate controls are in place to ensure and document compliance with applicable laws and regulations related to these programs.

Budgetary Controls. Town Council approves an annual budget for all funds and approves subsequent adjustments to that budget as needed. The “legal level of control” is the level of detail as approved by Council in its appropriation actions and ordinances. Total expenditures and encumbrances cannot exceed the amount approved by Council at the legal level of control. Legal level of control for the Borough is based on departmental level.

A purchasing control system is maintained which generally requires that an applicable appropriation be controlled through the issuance of encumbrances, authorized purchase orders and work orders before a purchase may be made or a contract executed.

Long Term Financial Planning

The Borough of Chambersburg Capital Improvements Plan is a five-year plan reflecting the programming and prioritization of capital improvement needs beginning in the current year. The plan is not a budget but rather a multi-year approach to capital improvements planning and analysis. The plan incorporates projects and proposals that may, in final analysis, not receive funding or that may be programmed for a future year.

The plan defines capital projects accordingly:

- A project related to a fixed asset according to the Fixed Asset Policy adopted by Town Council.
- A project that adds value or useful life to a fixed asset.
- A project involving buildings, facilities, land or easements as long as title does not expire in less than twenty-one years.
- A project involving buildings, facilities, land or easements as long as the useful life of such is twenty years or greater and the fair market value is greater than \$5,000.
- A project involving technology, vehicles or equipment as long as the useful life of such is two years or greater and the fair market value is greater than \$5,000.

Capital improvement needs for a particular fiscal year are budgeted in a variety of accounts due to the complexity of the Borough budget. Regardless of their placement in the budget, projects require the approval of Town Council in scheduling and appropriation. Should the project be approved in a future budget, the recommended funding source will be set. As such, the plan is subject to change as Town Council adjusts spending limits going forward.

CHANGES IN FINANCIAL POLICIES

There were no changes in financial policies that had a significant impact on the current period’s financial statements.

INDEPENDENT AUDIT

The independent accounting firm, Smith Elliott Kearns & Company, LLC, audited the basic financial statements of the Borough of Chambersburg for fiscal year 2013. The financial statements have received an unmodified opinion indicating that, in all material respects, the Borough’s basic financial statements are presented fairly and in conformity with accounting principles generally accepted in the United States of America. Auditing standards generally accepted in the United States of America and the standards set forth in the General Accounting Office’s Government Auditing Standards were used by the auditors in conducting the engagement. The auditors’ report on internal controls and compliance with applicable laws and regulations can be found in the report.

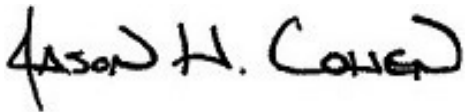
ACKNOWLEDGMENTS

The preparation of this CAFR would not have been possible without the meticulous hard work of every member of the Finance Department. This effort requires a significant investment of time and resources. Additional recognition is also due to Rachel Krum – Assistant Director of Finance, for the efforts that she devotes annually, to ensure the exemplary quality of this finished product. Appreciation is also due to the Department Heads, Assistant Department Heads, and employees of the various departments of the Borough, for their dedicated efforts in assisting in the preparation of this report.

I would also like to express my appreciation to our Borough Manager, Jeffrey Stonehill, most particularly for his decision to vest me with the privilege of serving as the Director of Finance for the Borough of Chambersburg. He has shown continued confidence in, and consistent support of, the Finance Department, particularly at this point in time, as well as through this past year, which has been, and will continue to be, a period of transition with respect to supervisory personnel and departmental operations.

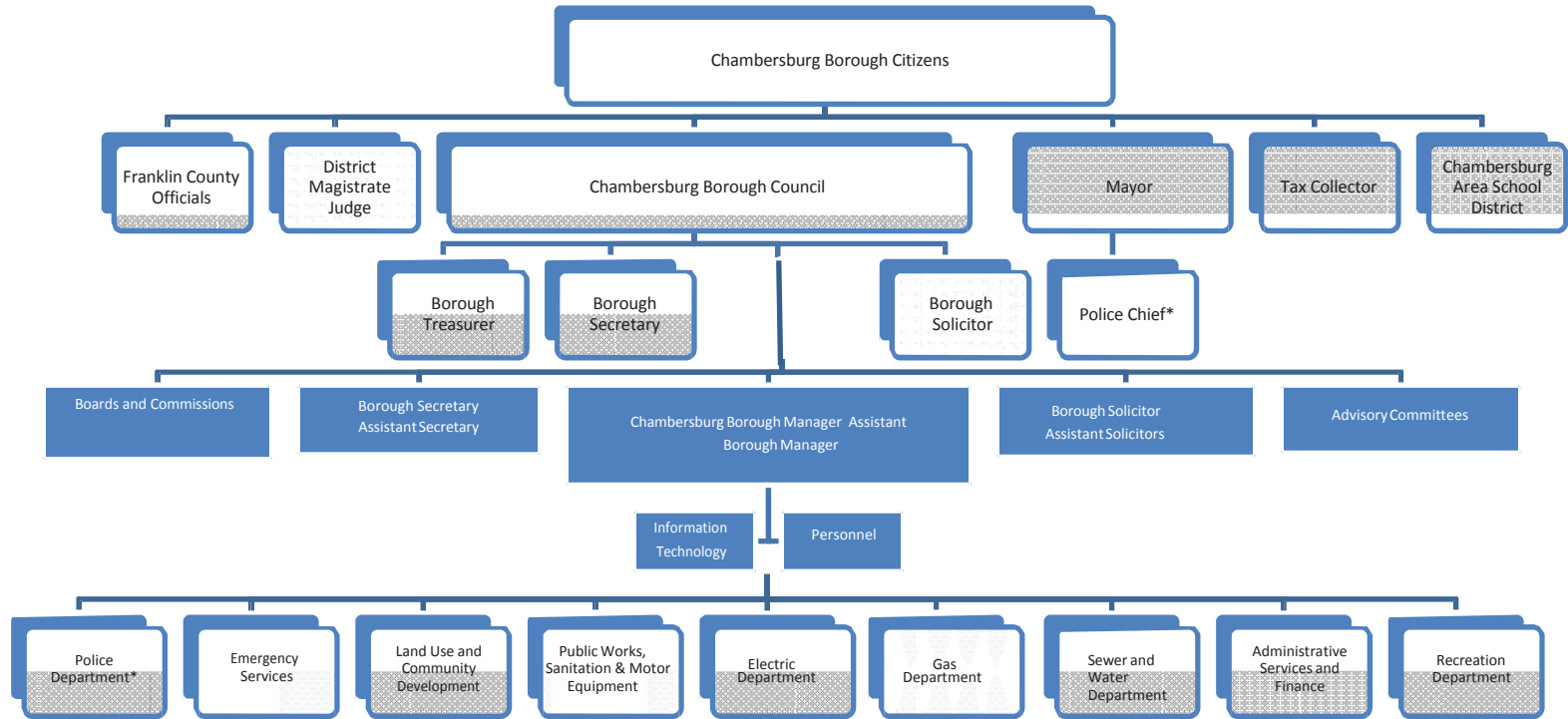
Finally, I wish to thank the Mayor and members of Town Council for their leadership and support, and particularly for their faith in the abilities and dedication of Borough staff to strive for, and to continue to meet, the high performance standards that have come to be the norm in our organization.

Respectfully submitted,

A handwritten signature in black ink that reads "Jason H. Cohen". The signature is written in a cursive, slightly slanted style.

Jason H. Cohen
Director of Finance

Chambersburg Borough Organization



- Per the Borough Code, the Chambersburg Police Department is supervised by the Mayor for day-to-day operation and the Borough Manager for administrative and financial management

June 2013

2014 ROSTER
MAYOR AND MEMBERS OF TOWN COUNCIL
OF THE BOROUGH OF CHAMBERSBURG, PENNSYLVANIA

MAYOR

Darren Brown
916 South Fifth Street
Chambersburg, PA 17201
2014 - 2017
(r) 331-0129; Mayor's Office 261-3243

COUNCILMEN

William F. McLaughlin
1306 Edgar Avenue
First Ward - 2012-2015
(c) 860-7779

Thomas L. Newcomer
Finance Chairman
129 Highfield Lane South
Second Ward - 2012-2015
(r) 267-0430

Elaine M. Swartz
326 Cosell Drive
Third Ward - 2012-2015
(r) 267-2120

Sharon A. Bigler
Assistant Finance Chairman
359 High Street
Fourth Ward - 2012-2015
(r) 263-5524

Bradley J. Elter
1042 Greystone Circle
Fifth Ward - 2012-2015
(r) 264-5112

Allen B. Coffman
President of Council
112 Pennsylvania Avenue
First Ward - 2014-2017
(r) 267-2739

John A. (Sean) Scott
473 East Liberty Street
Second Ward - 2014-2017
(r) 263-7365

Louisa C. (Lou) Cowles
535 Oak Street
Third Ward - 2014-2017
(r) 267-2769

Jeremy D. Cate
75 West Queen Street
Fourth Ward - 2014-2017
(r) 414-1918

Heath E. Talhelm
Vice-President of Council
840 Brandon Drive
Fifth Ward - 2014-2017
(r) 263-1108

Council Meetings - 7:00 P.M.
Regular Public: 2nd and 4th Mondays - Council Chambers

BOROUGH OFFICERS AND OFFICIALS

Jeffrey Stonehill
Borough Manager
Director of Utilities
(b) 261-3245

David C. Finch
Assistant Borough Manager
Public Works Director
(b) 261-3200

G. Bryan Salzmann
Borough Solicitor
(b) 263-2121

Welton J. Fischer
Assistant Borough Solicitor
(b) 264-8020

Jamia L. Wright
Borough Secretary
(b) 261-3254

Kristine M. Baker
Assistant Borough Secretary
(b) 261-3201

Jason H. Cohen
Director of Finance/Borough Treasurer
(b) 261-3248

Rachel Krum
Assistant Director of Finance
(b) 261-3255

Nancy Foster
Assistant Borough Treasurer
(b) 261-3244

Ron Pezon
Electric Superintendent
(b) 261-3238

Jeff Heverly
Assistant to the Electric Superintendent
(b) 261-3236

John Leary
Gas Superintendent
(b) 261-3234

Jon Mason
Assistant Gas Superintendent
(b) 263-6385

Lance Anderson
Water and Sewer Superintendent
(b) 709-2285

Travis Amsley
Assistant to the Water and Sewer Superintendent
(b) 261-3237

A. Elwood Sord
Assistant Public Works Director
(b) 261-3233

William FitzGerald
Emergency Services Chief
(b) 261-3230

H. Butch Leonhard
Assistant Emergency Services Chief
(b) 261-3230

David J. Arnold
Police Chief
(b) 264-4131

Guy Shaul
Recreation Superintendent
(b) 261-3275

Julie Redding
Assistant Recreation Superintendent
(b) 261-3275

Phil Wolgemuth
Land Use and Development Director
(b) 261-3232

William F. Dubbs, Jr.
Property Maintenance Code Officer
(b) 261-3262

Kathy Newcomer
Community Development Specialist
(b) 261-3208

Paul Cullinane
Economic Development Specialist
(b) 264-5151

James S. Clapper
Wage Tax Collector
(b) 263-5141

Brenda Hill
Borough Tax Collector
(b) 263-6565



Financial Section



INDEPENDENT AUDITOR'S REPORT

To the Mayor and Borough Council
Borough of Chambersburg
Chambersburg, Pennsylvania

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Chambersburg, Pennsylvania, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



To the Mayor and Borough Council
Borough of Chambersburg

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Chambersburg, Pennsylvania, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 16, the schedules of historical pension information on pages 60 through 61, the OPEB schedule of funding progress on page 62, and budgetary comparison information on pages 63 through 64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Chambersburg, Pennsylvania's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.



To the Mayor and Borough Council
Borough of Chambersburg

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

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2014, on our consideration of the Borough of Chambersburg, Pennsylvania's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough of Chambersburg, Pennsylvania's internal control over financial reporting and compliance.

Smith Elliott Kearns & Company, LLC

Chambersburg, Pennsylvania
June 16, 2014

BOROUGH OF CHAMBERSBURG, PENNSYLVANIA

Management's Discussion and Analysis - Unaudited

Year Ended December 31, 2013

The management of the Borough of Chambersburg provides the following information as an introduction, overview, and analysis of the Borough's financial statements for the year ended December 31, 2013. Readers should also review the basic financial statements and related footnotes on pages 17-59 to further enhance their understanding of the Borough's financial performance.

The Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can first understand the Borough of Chambersburg as a financial whole. The statements then proceed to provide an increasingly detailed look at specific financial conditions.

The Statement of Net Position and Statement of Activities (referred to collectively as the government-wide statements) provide information about the activities as an entire operating entity, presenting both an aggregate view of the Borough's finances and a longer-term view of those assets and liabilities. Major fund statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what dollars remain for future spending. The proprietary funds statements are prepared on the same basis as the government-wide statements.

Reporting on the Borough of Chambersburg as a Whole

Statement of Net Position and Statement of Activities

These government-wide statements answer the question "How did the Borough, as a whole, perform financially during 2013?" They are prepared on the accrual basis of accounting, in much the same way as a private enterprise. This basis of accounting includes all assets and liabilities and takes into account all of the reporting year's revenues and expenses, regardless of when the cash was received or paid.

- **The Statement of Net Position.** This statement (page 17) reports all assets and liabilities of the Borough as of December 31, 2013. The difference between total assets plus deferred outflow of resources and total liabilities is reported as "net position". Increases in net position generally indicate an improvement in financial standing while decreases may indicate a deterioration of financial position.
- **The Statement of Activities.** This statement (page 18) serves the purpose of the traditional income statement. It provides consolidated reporting of the results of all activities of the Borough for the year ended December 31, 2013. Changes in net position are recorded in the period in which the underlying event takes place, which may differ from the period in which cash is received or disbursed. The Statement of Activities displays the expense of the Borough's various programs net of related revenues, as well as a separate presentation of revenues available for general purposes.

A more detailed explanation of these statements is found in note 1 on pages 28 - 41 in the Notes to the Financial Statements.

BOROUGH OF CHAMBERSBURG, PENNSYLVANIA
Management's Discussion and Analysis - Unaudited
Year Ended December 31, 2013

Reporting on the Borough of Chambersburg's Most Significant Funds

Fund Financial Statements

These statements provide the financial position and results of operations of the Borough's major funds. A fund is an accounting entity created to account for a specific activity or purpose. Major funds of the Borough of Chambersburg are the General Fund, Special Revenue Fund – Grant Program, Electric Fund, Gas Fund, Water Fund, and Sewer Fund. The creation of some funds is mandated by law, while others are created by management to demonstrate financial compliance with budgetary or legal requirements. Funds are classified into three broad categories: governmental funds, proprietary funds, and fiduciary funds.

- **Governmental funds.** Governmental funds are used to account for “governmental-type” activities. Unlike the government-wide financial statements, governmental fund statements use a “flow of financial resources” measurement focus. That is to say, the operating statement of a governmental fund attempts to answer the question “Are there more or less resources that can be spent in the near future as a result of events and transactions of the reporting period?” Increases in spendable resources are reported in the operating statement as “revenues” or “other financing sources.” Decreases in spendable resources are reported as “expenditures” or “other financing uses.” We describe the differences between governmental funds and governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) in reconciliations presented on pages 20 and 22.

The Borough of Chambersburg maintains separate governmental funds. The governmental fund financial statements on pages 19 through 22 separately display the governmental funds considered to be major funds. All other governmental funds - the “non-major” funds - are combined into a single column. Detailed financial data for each of the non-major governmental funds is provided in combining statements in the supplementary information section of this report.

- **Proprietary funds.** There are two types of proprietary funds: enterprise funds and internal service funds.

Enterprise funds - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises for which either 1) the intent is that the costs (expenses, including depreciation) be recovered primarily through user charges, or 2) determination of net income is appropriate for management control, accountability or other purposes.

The Borough of Chambersburg's Electric, Gas, Water, and Sewer Funds are all considered to be major funds and are displayed separately in the proprietary fund statements on pages 23 through 25. The Borough has two other proprietary funds, Sanitation and Parking, Traffic & Street Lights, the activities of which are combined into one column for non-major funds.

Internal Service funds - Often, governments wish to allocate the cost of providing certain centralized services (e.g., motor pools, data processing, warehouses) to the other departments of the governmental entity that use the services. An internal service fund is the appropriate accounting mechanism when it is the intent of the government to recover the full cost of providing the service, through user charges to other departments.

BOROUGH OF CHAMBERSBURG, PENNSYLVANIA
Management's Discussion and Analysis - Unaudited
Year Ended December 31, 2013

The Borough of Chambersburg's six internal service funds are combined into a single column in the proprietary fund financial statements. Detailed financial data for those funds can be found in the combining statements in the supplementary information section of this report.

- **Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside of the Borough's government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Borough's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Fiduciary fund statements are on pages 26 - 27 of this report.

Other Information

Notes to the Basic Financial Statements

The notes provide additional and explanatory data. They are an integral part of the basic financial statements.

Required Supplementary Information

In addition to the basic financial statements and notes, this report also contains required supplementary information (RSI). RSI includes schedules of historical pension information, OPEB required schedule of funding progress and budgetary schedules for the General Fund and grant programs fund. This data is on pages 60 through 64 of this report.

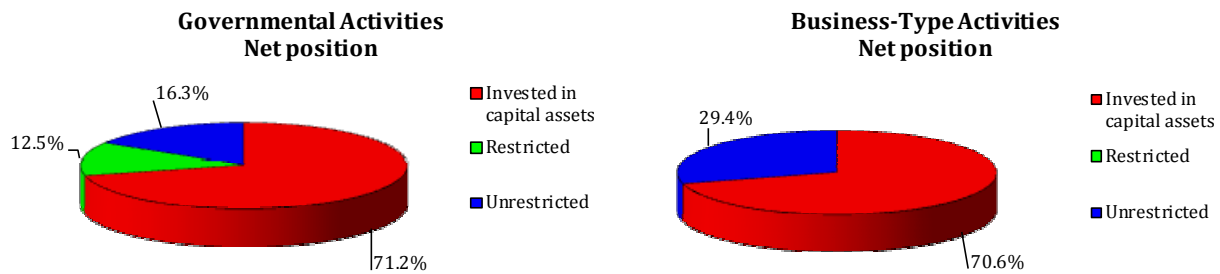
BOROUGH OF CHAMBERSBURG, PENNSYLVANIA
Management's Discussion and Analysis - Unaudited
Year Ended December 31, 2013

The Borough of Chambersburg as a Whole

The following table presents condensed information on net position as of December 31, 2013 and 2012.

	Net Position December 31, 2013 and 2012					
	2013 Governmental Activities	2012 Governmental Activities	2013 Business-Type Activities	2012 Business-Type Activities	2013 Total	2012 Total
Assets						
Current and other assets	\$ 11,686,312	\$ 10,098,721	\$ 41,484,702	\$ 36,714,105	\$ 53,171,014	\$ 46,812,826
Capital assets	<u>22,575,924</u>	<u>22,218,240</u>	<u>103,669,763</u>	<u>101,677,089</u>	<u>126,245,687</u>	<u>123,895,329</u>
Total assets	<u>34,262,236</u>	<u>32,316,961</u>	<u>145,154,465</u>	<u>138,391,194</u>	<u>179,416,701</u>	<u>170,708,155</u>
Deferred Outflows of Resources						
Deferred charge on bond refinancing	-	-	302,491	363,467	302,491	363,467
Total deferred outflows of resources	-	-	<u>302,491</u>	<u>363,467</u>	<u>302,491</u>	<u>363,467</u>
Liabilities						
Current liabilities	866,229	919,091	6,848,551	8,640,895	7,714,780	9,559,986
Other liabilities	<u>1,685,942</u>	<u>1,375,546</u>	<u>16,918,720</u>	<u>17,303,657</u>	<u>18,604,662</u>	<u>18,679,203</u>
Total liabilities	<u>2,552,171</u>	<u>2,294,637</u>	<u>23,767,271</u>	<u>25,944,552</u>	<u>26,319,442</u>	<u>28,239,189</u>
Net Position:						
Net investment in capital assets	22,561,919	22,217,709	85,933,597	81,864,727	108,495,516	104,082,436
Restricted	3,975,045	3,852,332	-	-	3,975,045	3,852,332
Unrestricted	<u>5,173,101</u>	<u>3,952,283</u>	<u>35,756,088</u>	<u>30,945,382</u>	<u>40,929,189</u>	<u>34,897,665</u>
Total net position	<u>\$ 31,710,065</u>	<u>\$ 30,022,324</u>	<u>\$ 121,689,685</u>	<u>\$ 112,810,109</u>	<u>\$ 153,399,750</u>	<u>\$ 142,832,433</u>

The breakdown of net position is as follows, as of December 31, 2013:



In total, combined net position equaled \$153.4 million as of December 31, 2013.

BOROUGH OF CHAMBERSBURG, PENNSYLVANIA
Management's Discussion and Analysis - Unaudited
Year Ended December 31, 2013

The following tables present condensed information on the changes in net position for the years ended December 31, 2013, and 2012, respectively.

Changes in Net Position
For the Year Ended December 31, 2013

	Governmental Activities	Business-Type Activities	Total Activities
Revenues			
Program revenues:			
Charges for services	\$ 2,577,025	\$ 51,429,790	\$ 54,006,815
Operating grants and contributions	2,746,623	264,847	3,011,470
Capital grants and contributions	1,325,376	2,484,348	3,809,724
General revenues:			
Property taxes	3,871,122	-	3,871,122
Real estate transfer tax	261,049	-	261,049
Earned income tax	1,804,341	-	1,804,341
Local services tax	729,747	-	729,747
Other taxes	62,682	-	62,682
Unrestricted investment earnings	11,165	41,143	52,308
Gain (loss) on sale of assets	(13,184)	-	(13,184)
Miscellaneous income	29,829	74,087	103,916
Total revenues	<u>\$ 13,405,775</u>	<u>\$ 54,294,215</u>	<u>\$ 67,699,990</u>
Expenses			
General government	\$ 1,632,713	\$ -	\$ 1,632,713
Public safety	7,882,241	-	7,882,241
Public works	1,814,913	-	1,814,913
Community development	655,614	-	655,614
Culture and recreation	1,378,850	-	1,378,850
Electric	-	25,296,812	25,296,812
Gas	-	7,079,332	7,079,332
Water	-	3,123,219	3,123,219
Sewer	-	5,185,515	5,185,515
Other business-type activities	-	3,083,464	3,083,464
Total expenses	<u>13,364,331</u>	<u>43,768,342</u>	<u>57,132,673</u>
Excess before transfers	41,444	10,525,873	10,567,317
Transfers	1,646,297	(1,646,297)	-
Change in net position	<u>\$ 1,687,741</u>	<u>\$ 8,879,576</u>	<u>\$ 10,567,317</u>

BOROUGH OF CHAMBERSBURG, PENNSYLVANIA
Management's Discussion and Analysis - Unaudited
Year Ended December 31, 2013

Changes in Net Position
For the Year Ended December 31, 2012

	Governmental Activities	Business-Type Activities	Total Activities
Revenues			
Program revenues:			
Charges for services	\$ 2,466,746	\$ 50,135,224	\$ 52,601,970
Operating grants and contributions	2,089,208	139,192	2,228,400
Capital grants and contributions	171,505	3,643,331	3,814,836
General revenues:			
Property taxes	3,860,019	-	3,860,019
Real estate transfer tax	296,618	-	296,618
Earned income tax	1,753,574	-	1,753,574
Local services tax	747,799	-	747,799
Other taxes	14,803	-	14,803
Unrestricted investment earnings	19,745	60,705	80,450
Miscellaneous income	10,557	42,013	52,570
Total revenues	<u>\$ 11,430,574</u>	<u>\$ 54,020,465</u>	<u>\$ 65,451,039</u>
Expenses			
General government	\$ 1,696,708	\$ -	\$ 1,696,708
Public safety	7,697,570	-	7,697,570
Public works	1,655,579	-	1,655,579
Community development	539,858	-	539,858
Culture and recreation	1,353,831	-	1,353,831
Electric	-	32,925,694	32,925,694
Gas	-	6,531,657	6,531,657
Water	-	2,950,841	2,950,841
Sewer	-	5,260,073	5,260,073
Other business-type activities	-	2,965,698	2,965,698
Total expenses	<u>12,943,546</u>	<u>50,633,963</u>	<u>63,577,509</u>
Excess before transfers	(1,512,972)	3,386,502	1,873,530
Transfers	<u>(2,143,515)</u>	<u>2,143,515</u>	<u>-</u>
Change in net position	<u>\$ (3,656,487)</u>	<u>\$ 5,530,017</u>	<u>\$ 1,873,530</u>

Net position increased by \$ 10.57M in 2013 for "total activities" compared to an increase of \$ 1.87M in 2012 for the same "total activities". This is an \$ 8.70M increase in overall performance for 2013 compared to 2012 and is the result of an increase in revenues of \$ 2.25M with a corresponding decrease in expenses of \$ 6.44M. In the business-type activities transfers line item there were \$ 1.65M of transfers to governmental activities. This represents net transfers from the business-type activities funds to the governmental activities fund (General Fund), the majority of which (\$ 1,482,580) consists of operating transfers from the Electric, Gas, and Water Departments to the General Fund.

BOROUGH OF CHAMBERSBURG, PENNSYLVANIA

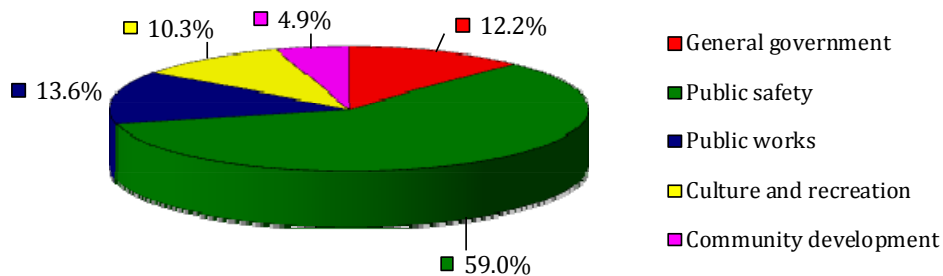
Management's Discussion and Analysis - Unaudited

Year Ended December 31, 2013

The Borough's largest governmental activities revenue source: real estate taxes, increased by \$ 11,103 or 0.29% in 2013. This was a smaller increase than the 1.65% increase for the year ended December 31, 2012. The minimal increase in real estate revenues was due to an increase of only 0.70% in the taxable assessed value for the year ended 2013, which is lesser than in previous years. The effect of this positive movement was mitigated by a continuance of the delinquency and/or non-payment trend that has been present since the economic downturn of the last decade. However, 2013 does represent the first increase in the percentage of levy collected within the fiscal year of the levy, since 2009. There was no increase in the mill rate for 2013. The earned income tax receipts increased \$ 50,767 or 2.90% in 2013, while the real estate transfer tax decreased by \$ 35,569 or 11.99% in 2013.

Expenses of governmental activities break down as follows:

Governmental Expenses by Program 2013



Total governmental expenses for 2013 were \$13.4 million. Public safety, which consisted primarily of police, fire and ambulance services, comprised 59% of the total governmental expenses. Public works expenses, which include streets overlaying and repairs, were 13.6%. Leisure time activities represented by the culture and recreation portion of expenses were 10.3% of the total. General government expenses were 12.2%. Community development comprised 4.9% of total expenses.

The Statement of Activities reports expenses of each of the governmental activities programs and the related program revenue that offsets the cost of each program. The amount by which the cost of a particular program exceeds its program revenue represents the extent to which that program must be subsidized by general revenues, such as property taxes, earned income taxes, local services taxes, deed transfer taxes, and others.

BOROUGH OF CHAMBERSBURG, PENNSYLVANIA
Management's Discussion and Analysis - Unaudited
Year Ended December 31, 2013

The following tables and graph summarize the net cost of each program:

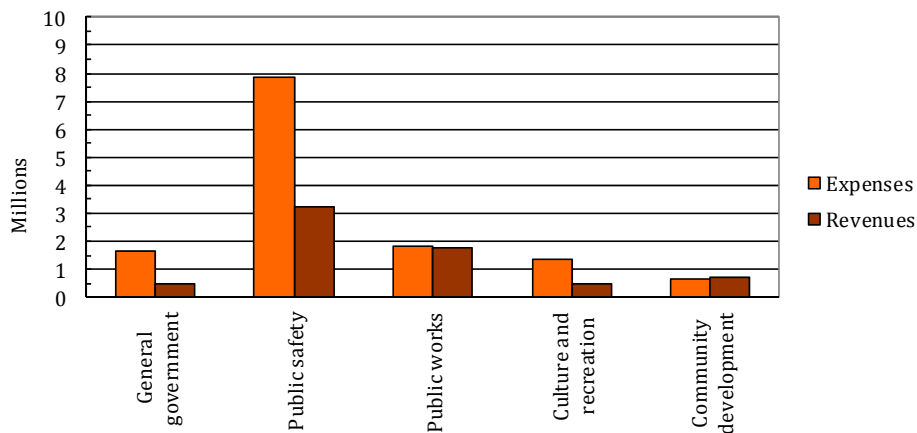
Expenses and Program Revenue - Governmental Activities
Year Ended December 31, 2013

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Governmental activities					
General government	\$ 1,632,713	\$ 455,531	\$ 32,548	\$ -	\$ (1,144,634)
Public safety	7,882,241	1,717,115	1,487,750	-	(4,677,376)
Public works	1,814,913	1,845	436,159	1,325,376	(51,533)
Culture and recreation	1,378,850	402,534	98,799	-	(877,517)
Community development	655,614	-	691,367	-	35,753
Total Governmental Activities	\$ 13,364,331	\$ 2,577,025	\$ 2,746,623	\$ 1,325,376	\$ (6,715,307)

Expenses and Program Revenue - Governmental Activities
Year Ended December 31, 2012

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Governmental activities					
General government	\$ 1,696,708	\$ 334,574	\$ 31,617	\$ -	\$ (1,330,517)
Public safety	7,697,570	1,692,575	902,580	44,290	(5,058,125)
Public works	1,655,579	806	438,845	124,660	(1,091,268)
Culture and recreation	1,353,831	438,791	109,226	2,555	(803,259)
Community development	539,858	-	606,940	-	67,082
Total Governmental Activities	\$ 12,943,546	\$ 2,466,746	\$ 2,089,208	\$ 171,505	\$ (8,216,087)

Expenses and Program Revenue - Governmental Activities
2013



The above chart and graph illustrates the priority that Chambersburg places on the safety of its citizens.

BOROUGH OF CHAMBERSBURG, PENNSYLVANIA
Management's Discussion and Analysis - Unaudited
Year Ended December 31, 2013

Business-Type Activities

Business-type net position increased \$ 8,879,576 in 2013. Electric Department revenues decreased 2.37%, Gas Department revenues increased 11.39%, Water Department revenues decreased 7.46%, Sewer Department revenues decreased 0.09%, Sanitation Department revenues increased 21.73%, and the Parking, Traffic & Street Lights Department revenues increased 2.80%. The total increase in revenues was \$ 261,238 or 0.48%.

The following table and graph summarize the expenses and program revenues for business-type activities:

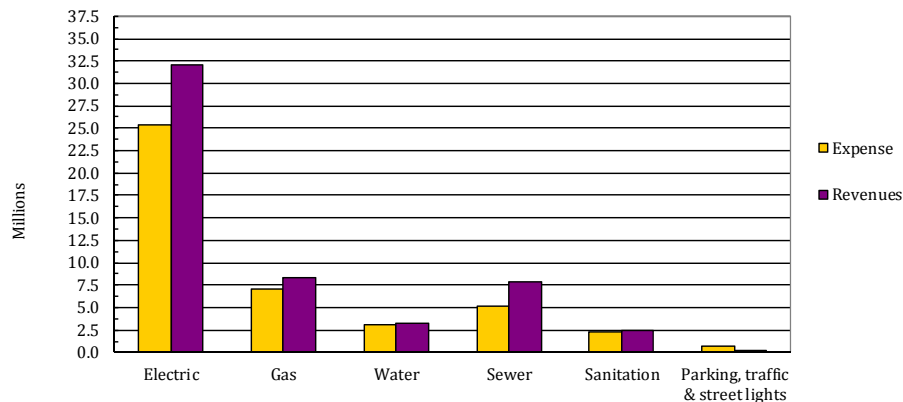
Expenses and Program Revenue - Business-Type Activities
For Year Ended December 31, 2013

	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Electric	\$ 25,296,812	\$ 31,914,866	\$ 51,355	\$ 16,563	\$ 6,685,972
Gas	7,079,332	8,273,829	25,343	89,579	1,309,419
Water	3,123,219	3,101,815	28,218	92,000	98,814
Sewer	5,185,515	5,507,845	131,828	2,286,206	2,740,364
Sanitation	2,322,274	2,452,154	24,569	-	154,449
Parking, traffic & st. lights	761,190	179,281	3,534	-	(578,375)
Total business-type activities	\$ 43,768,342	\$ 51,429,790	\$ 264,847	\$ 2,484,348	\$ 10,410,643

Expenses and Program Revenue - Business-Type Activities
For Year Ended December 31, 2012

	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Electric	\$ 32,925,694	\$ 31,823,441	\$ 36,096	\$ 900,000	(\$ 166,157)
Gas	6,531,657	7,368,579	18,056	143,775	998,753
Water	2,950,841	3,460,555	21,304	-	531,018
Sewer	5,260,073	5,317,072	22,927	2,593,657	2,673,583
Sanitation	2,205,691	1,997,409	37,042	-	(171,240)
Parking, traffic & st. lights	760,007	168,168	3,767	5,899	(582,173)
Total business-type activities	\$ 50,633,963	\$ 50,135,224	\$ 139,192	\$ 3,643,331	\$ 3,283,784

Expenses and Program Revenue - Business-Type Activities
2013



BOROUGH OF CHAMBERSBURG, PENNSYLVANIA

Management's Discussion and Analysis - Unaudited

Year Ended December 31, 2013

Individual Funds Summary and Analysis

Governmental funds focus on spendable resources and near-term inflows and outflows of those resources. As such, fund balance is generally a good indicator of net resources available for spending at the end of the fiscal year, subject to any stated restrictions on its use.

The combined fund balances of the Borough's governmental funds as of December 31, 2013 were \$ 6.7 million, as compared to \$ 5.3 million as of December 31, 2012.

The General Fund is the primary operating fund of the Borough of Chambersburg, accounting for such activities as police and fire protection, ambulance services, highways, parks and recreation, and general governmental services. The General Fund balance increased from \$ 1,450,260 to \$ 2,746,679.

Budget Variations

Operations for the Borough's General Fund resulted in an overall favorable net budget variance of \$ 417,134 for the year ended December 31, 2013. That means that we had \$ 417,134 more in net cash inflows than we budgeted. The budget had a net excess of revenues over expenditures of \$ 879,285, but finished the year with an actual net excess of revenues over expenditures of \$ 1,296,419. Total expenditures exceeded total revenues by \$ 915,236 and net inter-fund transfers from other Borough funds amounted to \$ 2,211,655 creating the overall positive results of \$ 1,296,419 for net receipts or "net change in fund balance".

While we had an unfavorable budget variance of \$ 417,125, or 3.90%, of total budgeted operating expenditures (\$ 10,669,735), we also had a favorable budget variance of \$ 825,924 or 8.83% of total budgeted operating revenues (\$ 9,345,700). Additionally, while there was an unfavorable budget variance of \$ 22,650, or 4.35%, of the budgeted transfers out of the General Fund, there was also a favorable budget variance of \$ 30,098, or 1.10%, of the budgeted transfers in to the General Fund, resulting in a positive net budget variance of \$ 8,335, or 0.37%, of budgeted net transfers.

On the expenditure side, the unfavorable variance (\$ 417,125) can be primarily attributed to the \$ 336,630 in unbudgeted salary and benefit expenditures, allocated to Emergency Services personnel, due to the imposition of a binding arbitration decision, which included mandatory minimum staffing levels as well as prescribed wage increases. Additionally, unanticipated legal expenses associated with property maintenance code enforcement functions, in the amount of \$ 81,141, contributed to this variance as well.

Changes in Revenue and Expenditure Levels

In looking at the performance of the General Fund for 2013, we had an overall improvement of \$ 1,105,846 in 2013 as compared to 2012 for the change in fund balance. This can be seen as an improvement in the "**net change in fund balance**" (*ncfb*) between the two years. In 2013, we finished the year with a positive *ncfb* of \$ 1,296,419 compared to \$ 190,573 for 2012. Most of this improvement can be attributed to the increase in revenue spanning several categories; including taxes, licenses and permits, fines, and miscellaneous income: much of which can be attributed to slowly improving economic conditions. This is coupled with an \$ 88,000 decrease in spending on behalf of the Police Department. Additionally, \$ 334,498 in Liquid Fuels funds were transferred into the General Fund to fund street projects, whereas last year, no such transfer was made.

BOROUGH OF CHAMBERSBURG, PENNSYLVANIA
Management's Discussion and Analysis - Unaudited
Year Ended December 31, 2013

In the absence of transfers to and from other departments, we would have ended the year with a *ncfb* of (\$ 915,236) (negative) for 2013, in the General Fund. Compared to the same for 2012, of (\$ 1,030,406) (negative), 2013 is \$ 115,170 less. In 2013 there was budgeted a net \$ 2,203,320 transfer into the general fund, whereas in 2012, budgeted net was \$ 1,548,375. The basis for this increase of \$ 654,945 in transfers is due to the budgeting of a transfer of \$ 766,165 from SAFER grant funds in the Special Revenue Fund, to the General Fund, for the purpose of compensating Fire Department personnel.

Changes in Fund Balance

The fund balance in the General Fund increased by \$ 1,296,419 in 2013. This was because total expenditures (\$ 11,086,860) exceeded total revenues (\$ 10,171,624) by \$ 915,236, while net transfers (\$ 2,211,655) from other departments offset the deficiency, leaving \$ 1,296,419 as the net increase in fund balance for the General Fund. Since 2011, when the net reduction in fund balance was \$ 115,347, organizational structural changes that occurred in 2012 have contributed significantly to the positive performance of the General Fund, resulting in positive net changes in fund balance for the past two years.

The fund balance in the Special Revenue Fund decreased by \$ 127,903 in 2013. Revenues increased by \$ 601,458 to \$ 1,532,967 in 2013 while expenditures increased by \$ 8,917, to \$ 798,614. However, this increase in resources of \$ 734,353 was surpassed by an increase in transfers out (\$ 862,256) in 2013, resulting in a drawing down of the fund balance in the amount of \$ 127,903, related directly to expending grant funds received in previous years. This is in comparison to an increase in fund balance of \$ 38,438 for 2012.

The net position in the enterprise funds increased by \$ 8,401,498, or 8.19%, in 2013, compared to an increase of \$ 4,397,829, or 4.48%, in 2012. Operating revenues in the enterprise funds increased by \$ 1,699,254, or 3.43%. Most of the increase in operating revenues for 2013 can be attributed to an increase of \$ 905,350, or 12.28%, in operating revenues in the Gas Department, due in large part, to an increasing customer base. Operating expenditures decreased by \$ 6,065,409, or 12.19%, which is comprised primarily of the \$ 7,179,541 decrease in Electric Department operating expenses, which was offset with relatively minor increases in operating expenses on behalf of the other enterprise funds. The net position of the Electric Department increased by \$ 4,403,372, or 13.25%, in 2013. The substantial improvement in the net position of the Electric Department is the result of entering into much more economically advantageous power supply purchase agreements in 2013, thereby substantially decreasing operating expenses.

Net position of the Gas Department increased by \$ 734,564, or 5.91%, which was driven by increased sales; while that of the Water Department decreased slightly by \$ 6,218, or 0.02%; and sewer increased by \$ 2,654,207, or 10.72%, due to increased sales revenue via a rate increase, in addition to capital contributions and grants. Additionally, the net position of the Other Enterprise Funds (Sanitation and Parking, Traffic & Street Lights) increased by \$ 615,573, or 15.51%, due to a rate increase for sanitation services, as well as an increased allocation of funding to the Parking, Traffic, and Street Lights Fund from the Electric Department, to cover operational expenses related to the provision of street lighting.

BOROUGH OF CHAMBERSBURG, PENNSYLVANIA

Management's Discussion and Analysis - Unaudited

Year Ended December 31, 2013

Also, the net position in the internal service funds increased by \$ 915,626, or 6.44%, compared to a decrease of \$ 30,802, or 0.22% in 2012. Revenues increased by \$ 524,388, or 8.45%, while expenses decreased by \$ 13,663, or 0.20%. The increase in revenues was due largely to the increased use of the Motor Equipment Fund and Engineering Department assets on behalf of other departments, in addition to an increasingly more accurate assessment of the use and future replacement costs of vehicles and equipment to the respective departments making use of them, via the rental rates paid to the Motor Equipment Fund.

Capital Asset and Debt Administration

Capital Asset Activity

In 2013, Chambersburg Borough continued its ambitious multi-year plan to provide its residents, businesses, patrons, and visitors with top-notch infrastructure accommodations, via significant upgrades, by utilizing accumulated reserves in utility funds and special accounts, as well as financing partnerships with state agencies and the local hospital.

The Gas Department continued to undertake significant main and service line improvements on North Franklin, East Washington, and Glen Streets, and US 11, in addition to main extensions along several streets as a result of increased demands for service. Additionally, the year saw several new street improvement projects making use of Liquid Fuels funds; including the overlay of East Washington, West Washington, and Cedar Streets, Orchard Drive, and Rosewood Court; the reconstruction of the East Washington Street and Plasterer Avenue intersection; and the improvement of the Lincoln Way East and Coldbrook Avenue intersection, which also made use of Pennsylvania Department of Transportation, Department of Environmental Protection, and private funds via a contribution from the Chambersburg Hospital. Many more street projects are planned for 2014, with the Borough continuing to make use of cost saving technology/techniques such as cold in-place asphalt recycling and micro-surfacing.

The Electric Department successfully brought the Electric Generation Feeder project online which connects the new PPL-RE generation station at the Blue Ridge Landfill with the Borough's Cree Substation on line and in to operation, which has resulted in approximately 17% of our energy portfolio being provided via renewable energy sources, as well as accolades via national (EPA) and state (DEP) awards for the project. Water treatment process upgrades were completed at the Long Pine Run Dam Control Tower in 2013, consisting of replacing three intake valves and one release valve. This was the first equipment replacement at the facility since being built in 1969. The Water Department also purchased two residences adjacent to Borough Hall, with the intent of future expansion, ultimately resulting in additional revenue for the Water Department via the assessment of rent to other departments making use of the facility, keeping in line with the Borough's cost-based accounting philosophy.

In 2013, the Borough began the largest public works project in Borough history; commencing renovations to the J. Haste Mowrey Regional Waste Water Treatment Plant, which will virtually double the treatment capacity of the plant, thereby allowing the reception and treatment of the region's sanitary sewage, while continuing to meet current and anticipated nutrient discharge limits into the future. The Borough's portion of the costs associated with the Waste Water Treatment Plant upgrade is being funded by the Borough's 2012, \$ 8 million debt offering.

Additional detail on the capital asset activity for the year ended December 31, 2013 is presented in the Notes to the Basic Financial Statements in note 4.

BOROUGH OF CHAMBERSBURG, PENNSYLVANIA
Management's Discussion and Analysis - Unaudited
Year Ended December 31, 2013

Debt

A summary of outstanding debt at December 31, 2013 and 2012, respectively, is as follows:

	December 31, 2013	December 31, 2012
General Obligation Bonds/Notes		
Governmental activities	\$ -	\$ -
Business-type activities	15,140,441	15,189,551
Pennsylvania ("Pennvest" Water Projects)		
Governmental activities	-	-
Business-type activities	<u>2,463,360</u>	<u>2,649,126</u>
Total outstanding debt	<u>\$ 17,603,801</u>	<u>\$ 17,838,677</u>

Additional detailed data for all debt of the Borough of Chambersburg is presented in the Notes to the Basic Financial Statements in note 5.

Contacting the Borough's Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with an overview of the Borough's finances. If you have questions or need additional financial information, please contact the Director of Finance, Borough of Chambersburg, 100 South Second Street, Chambersburg, PA 17201.

BOROUGH OF CHAMBERSBURG

Statement of Net Position

December 31, 2013

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets			
Cash and equity in pooled cash and investments	\$ 9,002,972	\$ 31,543,303	\$ 40,546,275
Taxes receivable, net of allowance	394,150	-	394,150
Accounts receivable, net of allowance	400,757	6,270,901	6,671,658
Due from other governments	864,832	421,377	1,286,209
Other receivables	383,160	5,257	388,417
Inventories	396,985	3,073,326	3,470,311
Prepaid expenses	2,069	159,410	161,479
Total current assets	<u>11,444,925</u>	<u>41,473,574</u>	<u>52,918,499</u>
Noncurrent assets			
Noncurrent receivables	241,387	-	241,387
Prepaid bond insurance	-	11,128	11,128
Capital assets not being depreciated:			
Land	402,365	900,435	1,302,800
Construction in progress	235,791	8,872,026	9,107,817
Capital assets net of accumulated depreciation:			
Utility plant in service	-	88,667,574	88,667,574
Land improvements	2,257,487	42,014	2,299,501
Buildings and improvements	1,299,429	673,072	1,972,501
Machinery, equipment and furniture	1,628,658	4,514,642	6,143,300
Infrastructure	16,752,194	-	16,752,194
Total noncurrent assets	<u>22,817,311</u>	<u>103,680,891</u>	<u>126,498,202</u>
Total assets	<u>34,262,236</u>	<u>145,154,465</u>	<u>179,416,701</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on bond refunding	-	302,491	302,491
Total assets and deferred outflows of resources	<u>\$ 34,262,236</u>	<u>\$ 145,456,956</u>	<u>\$ 179,719,192</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 141,895	\$ 2,927,239	\$ 3,069,134
Accrued wages and withholdings	144,083	149,216	293,299
Accrued interest expense	-	137,410	137,410
Unearned revenues	108,020	1,082,876	1,190,896
Long-term liabilities: Due within one year			
Bonds and notes payable	-	1,825,694	1,825,694
Compensated absences	339,007	399,216	738,223
Liability for self-insured losses	133,224	326,900	460,124
Total current liabilities	<u>866,229</u>	<u>6,848,551</u>	<u>7,714,780</u>
Noncurrent liabilities			
Long-term liabilities: Due in more than one year			
Bonds and notes payable	-	15,895,850	15,895,850
Compensated absences	292,856	368,601	661,457
Net OPEB obligation	1,207,030	197,733	1,404,763
Liability for self-insured losses	186,056	456,536	642,592
Total noncurrent liabilities	<u>1,685,942</u>	<u>16,918,720</u>	<u>18,604,662</u>
Total liabilities	<u>2,552,171</u>	<u>23,767,271</u>	<u>26,319,442</u>
NET POSITION			
Net investment in capital assets	22,561,919	85,933,597	108,495,516
Restricted			
Future highway projects	847,895	-	847,895
Future capital improvements	2,774,000	-	2,774,000
Future grants	353,150	-	353,150
Unrestricted	5,173,101	35,756,088	40,929,189
Total net position	<u>31,710,065</u>	<u>121,689,685</u>	<u>153,399,750</u>
Total liabilities and net position	<u>\$ 34,262,236</u>	<u>\$ 145,456,956</u>	<u>\$ 179,719,192</u>

BOROUGH OF CHAMBERSBURG
Statement of Activities
Year Ended December 31, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government							
Governmental activities							
General government	\$ 1,632,713	\$ 455,531	\$ 32,548	\$ -	\$ (1,144,634)	\$ -	\$ (1,144,634)
Public safety	7,882,241	1,717,115	1,487,750	-	(4,677,376)	-	(4,677,376)
Public works	1,814,913	1,845	436,159	1,325,376	(51,533)	-	(51,533)
Culture and recreation	1,378,850	402,534	98,799	-	(877,517)	-	(877,517)
Community development	655,614	-	691,367	-	35,753	-	35,753
Total governmental activities	<u>13,364,331</u>	<u>2,577,025</u>	<u>2,746,623</u>	<u>1,325,376</u>	<u>(6,715,307)</u>	<u>-</u>	<u>(6,715,307)</u>
Business-type activities							
Electric	25,296,812	31,914,866	51,355	16,563	-	6,685,972	6,685,972
Gas	7,079,332	8,273,829	25,343	89,579	-	1,309,419	1,309,419
Water	3,123,219	3,101,815	28,218	92,000	-	98,814	98,814
Sewer	5,185,515	5,507,845	131,828	2,286,206	-	2,740,364	2,740,364
Sanitation	2,322,274	2,452,154	24,569	-	-	154,449	154,449
Parking, traffic and street lights	761,190	179,281	3,534	-	-	(578,375)	(578,375)
Total business-type activities	<u>43,768,342</u>	<u>51,429,790</u>	<u>264,847</u>	<u>2,484,348</u>	<u>-</u>	<u>10,410,643</u>	<u>10,410,643</u>
Total primary government	<u>\$ 57,132,673</u>	<u>\$ 54,006,815</u>	<u>\$ 3,011,470</u>	<u>\$ 3,809,724</u>	<u>\$ (6,715,307)</u>	<u>\$ 10,410,643</u>	<u>\$ 3,695,336</u>
General revenues and transfers:							
Taxes:							
Property taxes, levied for general purposes					\$ 3,871,122	\$ -	\$ 3,871,122
Real estate transfer tax					261,049	-	261,049
Earned income tax					1,804,341	-	1,804,341
Local services tax					729,747	-	729,747
Other taxes					62,682	-	62,682
Unrestricted investment earnings					11,165	41,143	52,308
Gain (loss) on sale of assets					(13,184)	-	(13,184)
Miscellaneous income					29,829	74,087	103,916
Transfers					1,646,297	(1,646,297)	-
Total general revenues and transfers					<u>8,403,048</u>	<u>(1,531,067)</u>	<u>6,871,981</u>
Change in net position					1,687,741	8,879,576	10,567,317
Net position - beginning					<u>30,022,324</u>	<u>112,810,109</u>	<u>142,832,433</u>
Net position - ending					<u>\$ 31,710,065</u>	<u>\$ 121,689,685</u>	<u>\$ 153,399,750</u>

BOROUGH OF CHAMBERSBURG
Balance Sheet - Governmental Funds
December 31, 2013

	General Fund	Special Revenue Fund - Grant Programs	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and equity in pooled cash and investments	\$ 2,250,760	\$ 26,158	\$ 3,170,188	\$ 5,447,106
Taxes receivable, net	394,150	-	-	394,150
Receivable from other governments	376,430	145,226	-	521,656
Other receivables, net	360,391	187,483	465,712	1,013,586
Total assets	<u>\$ 3,381,731</u>	<u>\$ 358,867</u>	<u>\$ 3,635,900</u>	<u>\$ 7,376,498</u>
LIABILITIES				
Accounts payable	\$ 96,698	\$ 5,083	\$ 13,923	\$ 115,704
Unearned ambulance revenues	108,020	-	-	108,020
Accrued wages, benefits and withholdings	127,737	634	82	128,453
Total liabilities	<u>332,455</u>	<u>5,717</u>	<u>14,005</u>	<u>352,177</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred tax revenue	302,597	-	-	302,597
Total deferred inflows of resources	<u>302,597</u>	<u>-</u>	<u>-</u>	<u>302,597</u>
Fund balances				
Nonspendable for long term receivables	-	66,610	174,777	241,387
Restricted	-	286,540	3,447,118	3,733,658
Unassigned	2,746,679	-	-	2,746,679
Total fund balances	<u>2,746,679</u>	<u>353,150</u>	<u>3,621,895</u>	<u>6,721,724</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,381,731</u>	<u>\$ 358,867</u>	<u>\$ 3,635,900</u>	<u>\$ 7,376,498</u>

BOROUGH OF CHAMBERSBURG
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
Year Ended December 31, 2013

Total fund balance - governmental funds \$ 6,721,724

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.

Cost of assets	35,768,409	
Accumulated depreciation	<u>(14,056,247)</u>	21,712,162

Taxes receivable will be collected in the future, but are not available soon enough to pay for the current period's expenditures, and therefore are not recorded in the fund financial statements. 617,884

Net Other Post Employment Benefits (OPEB) obligation does not require the use of current financial resources and, therefore, is not reported as a liability in the governmental funds. (1,189,096)

Internal service funds are used by management to charge the costs of certain activities, such as insurance, motor equipment, engineering, and others, to individual funds. A portion of these assets and liabilities of the internal service funds are included in the governmental activities and are allocated based on the usage of those funds by the governmental funds. 4,377,743

Long-term liabilities are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of compensated absences. (530,352)

Total net position - governmental activities \$ 31,710,065

BOROUGH OF CHAMBERSBURG**Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds****Year Ended December 31, 2013**

	General Fund	Special Revenue Fund - Grant Programs	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 6,771,173	\$ -	\$ -	\$ 6,771,173
Licenses and permits	381,972	-	-	381,972
Fines and forfeits	169,126	-	-	169,126
Investment earnings	2,563	28	4,772	7,363
Intergovernmental	796,741	1,491,038	1,387,051	3,674,830
Charges for services	1,844,936	-	-	1,844,936
Contributions and donations	-	-	349,025	349,025
Miscellaneous	205,113	41,901	10,218	257,232
Total revenues	<u>10,171,624</u>	<u>1,532,967</u>	<u>1,751,066</u>	<u>13,455,657</u>
EXPENDITURES				
General government	1,093,938	71,557	122,320	1,287,815
Public Safety				
Police department	3,924,147	21,002	34,986	3,980,135
Emergency services	3,336,951	46,834	13,125	3,396,910
Planning and zoning	474,599	-	-	474,599
Public works				
Highways	1,145,134	3,791	1,247,500	2,396,425
Culture and recreation	1,112,091	4,549	103,849	1,220,489
Community development	-	650,881	30,425	681,306
Total expenditures	<u>11,086,860</u>	<u>798,614</u>	<u>1,552,205</u>	<u>13,437,679</u>
Excess (deficiency) of revenues over expenditures	<u>(915,236)</u>	<u>734,353</u>	<u>198,861</u>	<u>17,978</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	2,754,730	7,764	389,017	3,151,511
Transfers out	<u>(543,075)</u>	<u>(870,020)</u>	<u>(337,262)</u>	<u>(1,750,357)</u>
Total other financing sources and uses	<u>2,211,655</u>	<u>(862,256)</u>	<u>51,755</u>	<u>1,401,154</u>
Net change in fund balances	1,296,419	(127,903)	250,616	1,419,132
Fund balances - beginning	<u>1,450,260</u>	<u>481,053</u>	<u>3,371,279</u>	<u>5,302,592</u>
Fund balances - ending	<u>\$ 2,746,679</u>	<u>\$ 353,150</u>	<u>\$ 3,621,895</u>	<u>\$ 6,721,724</u>

BOROUGH OF CHAMBERSBURG

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities Year Ended December 31, 2013

Net change in fund balances - total governmental funds: \$ 1,419,132

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense differs from capital outlays in the period.

Depreciation expense	(1,344,926)	
Capital outlays	<u>1,552,204</u>	
		207,278

In the statement of activities, only the gain on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase other financing sources. Thus, the change in net position differs from the changes in the fund balance by the cost of the capital assets sold. (13,184)

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. (42,232)

In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year the net amount earned or (used) was: (24,529)

Net Other Post Employment Benefits (OPEB) obligation does not require the use of current financial resources and, therefore, is not reported as an expense in the governmental funds. (296,273)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities. 437,549

Change in net position - governmental activities **\$ 1,687,741**

BOROUGH OF CHAMBERSBURG
Statement of Net Position - Proprietary Funds
December 31, 2013

	Enterprise Funds					Total	Internal Service Funds
	Electric Fund	Gas Fund	Water Fund	Sewer Fund	Other Enterprise Funds		
ASSETS							
Current assets							
Cash and equity in pooled cash and investments	\$ 3,375,422	\$ 2,378,483	\$ 10,518,135	\$ 4,121,014	\$ 2,425,028	\$ 22,818,082	\$ 12,281,087
Accounts receivable, net	3,382,589	1,509,180	317,801	884,734	176,160	6,270,464	1,385
Due from other funds	-	-	-	-	-	-	109,233
Receivables from other governments	-	-	-	326,644	-	326,644	133,340
Other receivables	-	397	1,751	688	405	3,241	2,068
Inventories	1,147,176	795,243	65,422	91,380	-	2,099,221	1,371,090
Prepaid expenses	75,150	21,316	15,875	25,641	16,351	154,333	7,146
Total current assets	<u>7,980,337</u>	<u>4,704,619</u>	<u>10,918,984</u>	<u>5,450,101</u>	<u>2,617,944</u>	<u>31,671,985</u>	<u>13,905,349</u>
Noncurrent assets							
Prepaid bond insurance	7,141	-	-	3,987	-	11,128	-
Capital assets not being depreciated:							
Land	447,512	37,716	269,820	24,299	111,153	890,500	13,984
Construction in progress	1,047,830	1,375,733	166,890	6,253,476	28,097	8,872,026	-
Capital assets being depreciated:							
Buildings and system	72,388,929	13,333,695	31,664,896	43,360,110	75,529	160,823,159	183,907
Improvements other than buildings	45,308	-	-	-	452,928	498,236	-
Machinery and equipment	626,201	256,512	331,706	431,853	3,522,461	5,168,733	7,983,346
Less accumulated depreciation	(29,295,024)	(5,568,433)	(12,485,087)	(25,314,860)	(2,038,949)	(74,702,353)	(5,198,013)
Total capital assets	<u>45,260,756</u>	<u>9,435,223</u>	<u>19,948,225</u>	<u>24,754,878</u>	<u>2,151,219</u>	<u>101,550,301</u>	<u>2,983,224</u>
Total noncurrent assets	<u>45,267,897</u>	<u>9,435,223</u>	<u>19,948,225</u>	<u>24,758,865</u>	<u>2,151,219</u>	<u>101,561,429</u>	<u>2,983,224</u>
Total assets	<u>53,248,234</u>	<u>14,139,842</u>	<u>30,867,209</u>	<u>30,208,966</u>	<u>4,769,163</u>	<u>133,233,414</u>	<u>16,888,573</u>
DEFERRED OUTFLOWS OF RESOURCES							
Deferred charge on bond refunding	183,782	-	-	118,709	-	302,491	-
Total assets and deferred outflows of resources	<u>\$ 53,432,016</u>	<u>\$ 14,139,842</u>	<u>\$ 30,867,209</u>	<u>\$ 30,327,675</u>	<u>\$ 4,769,163</u>	<u>\$ 133,535,905</u>	<u>\$ 16,888,573</u>
LIABILITIES							
Current liabilities							
Accounts payable	\$ 1,541,957	\$ 786,507	\$ 90,495	\$ 377,236	\$ 66,913	\$ 2,863,108	\$ 90,458
Accrued wages payable	35,610	15,551	19,963	20,251	19,352	110,727	53,983
Accrued interest payable	119,156	-	6,617	11,637	-	137,410	-
Due to other funds	-	-	-	-	-	-	109,233
Unearned revenue	26,081	51,873	-	1,004,922	-	1,082,876	-
Compensated absences - current	96,744	40,114	41,779	51,239	39,153	269,029	183,243
Liability for self insured losses - current	-	-	-	-	-	-	460,124
Bonds, notes and loans payable - current	1,080,260	842	192,048	552,544	-	1,825,694	-
Total current liabilities	<u>2,899,808</u>	<u>894,887</u>	<u>350,902</u>	<u>2,017,829</u>	<u>125,418</u>	<u>6,288,844</u>	<u>897,041</u>
Noncurrent liabilities							
Compensated absences	89,639	24,397	43,071	52,523	40,075	249,705	167,351
Liability for self insured losses	-	-	-	-	-	-	642,592
Net OPEB obligation	52,223	23,820	29,664	26,840	21,182	153,729	61,938
Bonds, notes and loans payable	12,754,402	37,575	2,271,312	832,561	-	15,895,850	-
Total noncurrent liabilities	<u>12,896,264</u>	<u>85,792</u>	<u>2,344,047</u>	<u>911,924</u>	<u>61,257</u>	<u>16,299,284</u>	<u>871,881</u>
Total liabilities	<u>15,796,072</u>	<u>980,679</u>	<u>2,694,949</u>	<u>2,929,753</u>	<u>186,675</u>	<u>22,588,128</u>	<u>1,768,922</u>
NET POSITION							
Net investment in capital assets	31,593,030	9,381,185	17,470,839	23,217,862	2,151,219	83,814,135	2,983,224
Unrestricted	6,042,914	3,777,978	10,701,421	4,180,060	2,431,269	27,133,642	12,136,427
Total net position	<u>37,635,944</u>	<u>13,159,163</u>	<u>28,172,260</u>	<u>27,397,922</u>	<u>4,582,488</u>	<u>110,947,777</u>	<u>15,119,651</u>
Total liabilities and net position	<u>\$ 53,432,016</u>	<u>\$ 14,139,842</u>	<u>\$ 30,867,209</u>	<u>\$ 30,327,675</u>	<u>\$ 4,769,163</u>	<u>\$ 133,535,905</u>	<u>\$ 16,888,573</u>

Some amounts reported for business-type activities in the statement of net position are different because certain internal service funds' assets and liabilities are included with business-type activities

10,741,908

Net position of business-type activities \$ 121,689,685

BOROUGH OF CHAMBERSBURG

Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds Year Ended December 31, 2013

	Enterprise Funds				Other Enterprise Funds	Total	Internal Service Funds
	Electric Fund	Gas Fund	Water Fund	Sewer Fund			
OPERATING REVENUES							
Charges for services	\$ 30,926,631	\$ 8,223,701	\$ 2,853,535	\$ 5,348,501	\$ 2,479,610	\$ 49,831,978	\$ 6,715,090
Miscellaneous	933,025	49,603	102,320	108,752	119,025	1,312,725	9,739
Total operating revenues	<u>31,859,656</u>	<u>8,273,304</u>	<u>2,955,855</u>	<u>5,457,253</u>	<u>2,598,635</u>	<u>51,144,703</u>	<u>6,724,829</u>
OPERATING EXPENSES							
Production, gathering, treatment and transmission	1,997,431	655,883	1,554,346	2,260,897	-	6,468,557	-
Operation and maintenance	-	-	-	-	587,615	587,615	4,832,683
Collection and disposal	-	-	-	828,471	2,115,351	2,943,822	-
Purchase of energy for sale	18,714,706	5,146,363	-	-	-	23,861,069	-
Customer accounting and administrative	2,489,313	1,043,974	880,125	618,091	274,323	5,305,826	614,411
Claim payments and special services	-	-	-	-	-	-	732,697
Increase (decrease) in expected unpaid losses	-	-	-	-	-	-	22,238
Depreciation and amortization	1,966,602	308,618	674,919	1,448,483	123,357	4,521,979	472,813
Total operating expenses	<u>25,168,052</u>	<u>7,154,838</u>	<u>3,109,390</u>	<u>5,155,942</u>	<u>3,100,646</u>	<u>43,688,868</u>	<u>6,674,842</u>
Operating income (loss)	<u>6,691,604</u>	<u>1,118,466</u>	<u>(153,535)</u>	<u>301,311</u>	<u>(502,011)</u>	<u>7,455,835</u>	<u>49,987</u>
NONOPERATING REVENUES (EXPENSES)							
Connection fees	-	-	125,060	47,161	-	172,221	-
Interest and investment revenue	2,678	5,234	12,305	5,494	2,898	28,609	13,181
Gain (loss) on sale of assets	(3,721)	(118)	(454)	-	7,583	3,290	11,200
Reimbursement of prior year expense	-	-	-	-	-	-	354,811
Other nonoperating revenues	76,286	2,187	37,153	17,941	-	133,567	5,938
Intergovernmental revenues	51,355	25,343	28,218	131,828	28,103	264,847	96,061
Interest expense and debt issuance costs	(327,413)	(927)	(84,924)	(75,693)	-	(488,957)	-
Total nonoperating revenues (expenses)	<u>(200,815)</u>	<u>31,719</u>	<u>117,358</u>	<u>126,731</u>	<u>38,584</u>	<u>113,577</u>	<u>481,191</u>
Income (loss) before contributions and transfers	6,490,789	1,150,185	(36,177)	428,042	(463,427)	7,569,412	531,178
Capital contributions and grants	16,563	89,579	92,000	2,286,206	-	2,484,348	133,340
Transfers in	-	110	242,559	9,959	1,079,000	1,331,628	393,235
Transfers out	(2,103,980)	(505,310)	(304,600)	(70,000)	-	(2,983,890)	(142,127)
Change in net position	4,403,372	734,564	(6,218)	2,654,207	615,573	8,401,498	915,626
Total net position - beginning	<u>33,232,572</u>	<u>12,424,599</u>	<u>28,178,478</u>	<u>24,743,715</u>	<u>3,966,915</u>	<u>102,546,279</u>	<u>14,204,025</u>
Total net position - ending	<u>\$ 37,635,944</u>	<u>\$ 13,159,163</u>	<u>\$ 28,172,260</u>	<u>\$ 27,397,922</u>	<u>\$ 4,582,488</u>	<u>\$ 110,947,777</u>	<u>\$ 15,119,651</u>

Some amounts reported for business-type activities in the statement of activities are different because the net revenue (expense) of certain internal service funds is reported with business-type activities

478,078

Change in net position of business-type activities

\$ 8,879,576

BOROUGH OF CHAMBERSBURG
Statement of Cash Flows - Proprietary Funds
Year Ended December 31, 2013

	Enterprise Funds				Other Enterprise Funds	Total	Internal Service Funds
	Electric Fund	Gas Fund	Water Fund	Sewer Fund			
Cash flows from operating activities:							
Receipts from customers/interfund services provided	\$ 32,521,382	\$ 8,132,580	\$ 3,024,994	\$ 5,670,580	\$ 2,633,962	\$ 51,983,498	\$ 6,753,785
Payments to suppliers	(24,304,916)	(6,002,548)	(1,262,643)	(2,436,589)	(1,829,874)	(35,836,570)	(2,804,056)
Payments to and on behalf of employees	(2,025,193)	(857,867)	(1,060,138)	(1,303,429)	(1,144,368)	(6,390,995)	(3,426,554)
Net cash provided (used) by operating activities	<u>6,191,273</u>	<u>1,272,165</u>	<u>702,213</u>	<u>1,930,562</u>	<u>(340,280)</u>	<u>9,755,933</u>	<u>523,175</u>
Cash flows from capital and related financing activities:							
Grants and reimbursements received	400,000	-	-	3,188,047	-	3,588,047	-
Proceeds from capital debt	1,480,890	-	-	-	-	1,480,890	-
Purchase of capital assets	(1,327,137)	(880,438)	(820,834)	(2,827,535)	(124,177)	(5,980,121)	(931,983)
Proceeds from sale of assets	-	-	-	-	7,573	7,573	11,200
Proceeds from tap fees	-	-	125,060	47,161	-	172,221	-
Principal paid on capital debt	(997,900)	-	(185,766)	(532,100)	-	(1,715,766)	-
Interest and fiscal charges paid on capital debt	(321,757)	(927)	(85,422)	(52,346)	-	(460,452)	-
Net cash provided (used) by capital and related financing activities	<u>(765,904)</u>	<u>(881,365)</u>	<u>(966,962)</u>	<u>(176,773)</u>	<u>(116,604)</u>	<u>(2,907,608)</u>	<u>(920,783)</u>
Cash flows from non-capital financing activities:							
Transfer from other funds	-	110	242,559	9,959	1,079,000	1,331,628	393,235
Transfer to other funds	(2,103,980)	(505,310)	(304,600)	(70,000)	-	(2,983,890)	(142,127)
Refund received for health insurance	-	-	-	-	-	-	354,811
Grants received	51,355	25,343	28,218	131,828	28,103	264,847	96,061
Net cash provided (used) by non-capital financing activities	<u>(2,052,625)</u>	<u>(479,857)</u>	<u>(33,823)</u>	<u>71,787</u>	<u>1,107,103</u>	<u>(1,387,415)</u>	<u>701,980</u>
Cash flows from investing activities:							
Interest and dividends received	2,678	6,422	17,559	6,278	3,635	36,572	18,815
Net cash provided (used) by investing activities	<u>2,678</u>	<u>6,422</u>	<u>17,559</u>	<u>6,278</u>	<u>3,635</u>	<u>36,572</u>	<u>18,815</u>
Net increase (decrease) in cash and cash equivalents	<u>3,375,422</u>	<u>(82,635)</u>	<u>(281,013)</u>	<u>1,831,854</u>	<u>653,854</u>	<u>5,497,482</u>	<u>323,187</u>
Cash and cash equivalents - beginning of the year	-	2,461,118	10,799,148	2,289,160	1,771,174	17,320,600	11,957,900
Cash and cash equivalents - end of the year	<u>\$ 3,375,422</u>	<u>\$ 2,378,483</u>	<u>\$ 10,518,135</u>	<u>\$ 4,121,014</u>	<u>\$ 2,425,028</u>	<u>\$ 22,818,082</u>	<u>\$ 12,281,087</u>
Reconciliation of income from operations to net cash provided (used) by operating activities							
Operating income (loss)	\$ 6,691,604	\$ 1,118,466	(\$ 153,535)	\$ 301,311	(\$ 502,011)	\$ 7,455,835	\$ 49,987
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:							
Depreciation and amortization expense	1,966,602	308,618	674,919	1,448,483	123,357	4,521,979	472,813
Miscellaneous nonoperating income	76,286	2,187	37,153	17,941	-	133,567	5,938
(Increase) decrease in:							
Accounts receivable	574,249	(153,312)	31,986	195,386	35,327	683,636	23,018
Due from other funds	-	-	102,958	-	-	102,958	(102,568)
Inventories	(172,645)	(42,537)	3,860	8,192	-	(203,130)	6,909
Prepaid expenses	(5,560)	(2,414)	1,935	(323)	(3,053)	(9,415)	1,402
Increase (decrease) in:							
Accounts payable and accrued expenses	(2,856,610)	30,756	2,937	(40,428)	6,100	(2,857,245)	(36,892)
Due to other funds	(102,958)	-	-	-	-	(102,958)	102,568
Unearned revenue	20,305	10,401	-	-	-	30,706	-
Net cash provided (used) by operating activities	<u>\$ 6,191,273</u>	<u>\$ 1,272,165</u>	<u>\$ 702,213</u>	<u>\$ 1,930,562</u>	<u>\$ (340,280)</u>	<u>\$ 9,755,933</u>	<u>\$ 523,175</u>
Non-cash investing, capital and non-capital financing activities							
Donated assets from developers	\$ 16,563	\$ 89,579	\$ 92,000	\$ 83,635	\$ -	\$ 281,777	\$ -

BOROUGH OF CHAMBERSBURG
Statement of Fiduciary Net Position
December 31, 2013

	Pension Trust Funds	Private Purpose Trust Funds	Agency Funds
ASSETS			
Cash and equity in pooled cash and investments	\$ 1,700,377	\$ 50,855	\$ 866,099
Mutual funds - U.S. Securities	5,787,338	-	-
Mutual funds - Corporate bonds	3,995,586	-	-
Mutual funds - Stocks	21,908,187	-	-
Mutual funds - Real estate securities	941,569	-	-
Other receivables	-	2	145
Total assets	<u>\$ 34,333,057</u>	<u>\$ 50,857</u>	<u>\$ 866,244</u>
LIABILITIES			
Consumer deposits	\$ -	\$ -	\$ 866,244
Total liabilities	<u>-</u>	<u>-</u>	<u>866,244</u>
NET POSITION			
Held in trust for benefits and other purposes	<u>34,333,057</u>	<u>50,857</u>	<u>-</u>
Total liabilities and net position	<u>\$ 34,333,057</u>	<u>\$ 50,857</u>	<u>\$ 866,244</u>

BOROUGH OF CHAMBERSBURG
Statement of Changes in Fiduciary Net Position
Year Ended December 31, 2013

	Pension Trust Funds	Private Purpose Trust Funds
ADDITIONS		
Contributions		
Employer	\$ 1,454,864	\$ -
Plan member	191,967	-
Public contributions and other revenue	<u>-</u>	<u>28,208</u>
Total contributions	<u>1,646,831</u>	<u>28,208</u>
Investment income		
Net appreciation (depreciation) in fair value of investments and gain (loss) on sale of investments	4,894,143	-
Interest, dividends, and other	<u>568,238</u>	<u>20</u>
Total net investment earnings	<u>5,462,381</u>	<u>20</u>
 Total additions	 <u>7,109,212</u>	 <u>28,228</u>
DEDUCTIONS		
Benefits	2,202,739	-
Administrative expenses	9,222	10,000
Miscellaneous expenses	<u>-</u>	<u>200</u>
Total deductions	<u>2,211,961</u>	<u>10,200</u>
 Change in net position	 4,897,251	 18,028
Net position - beginning	<u>29,435,806</u>	<u>32,829</u>
Net position - ending	<u>\$ 34,333,057</u>	<u>\$ 50,857</u>

BOROUGH OF CHAMBERSBURG
Notes to Financial Statements
December 31, 2013

Note 1 Summary of Significant Accounting Policies

Nature of Operations

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

Reporting Entity

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

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

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

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

Based upon the application of these criteria, the following component unit meets the criteria for blending and is included within the reporting entity:

The Municipal Authority of the Borough of Chambersburg (the "Authority") is governed by a Board appointed by Borough Council. The Authority had no financial activity during 2013. See Note 11 for additional information.

BOROUGH OF CHAMBERSBURG
Notes to Financial Statements
December 31, 2013

Note 1 Summary of Significant Accounting Policies (Continued)

Fund Accounting

The Borough uses funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance/net position/(deficit), revenue, and expenditures/expenses. The various funds of the primary government are grouped into the categories of governmental, proprietary, and fiduciary.

Governmental Funds

Governmental Funds are those through which most governmental functions of the Borough are financed. The measurement focus is on the flow of expendable resources, rather than on net earnings determination.

The Borough reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the Borough. This fund is used to account for all financial transactions except those required to be accounted for in another fund. This is a budgeted fund, and any unrestricted fund balances are considered as resources available for use.

Special Revenue Fund - Grant Programs - Grant Programs are used to account for the proceeds of a majority specific revenue sources from grants used to finance specific activities as required by law or administrative regulation obtained by the Borough for the governmental activities.

Additionally, the Borough reports the following non-major governmental funds:

Special Revenue Funds – These funds are used to account for proceeds of specific revenue sources used to finance specific activities as required by law or administrative regulation. The Borough has two Special Revenue Funds, the Grant Program Fund above and the following:

Liquid Fuels Fund is used to account for state liquid fuels tax revenue used primarily for building, improving, and maintaining local roads and bridges.

Capital Reserve Fund – This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by enterprise funds).

Proprietary Funds

Proprietary funds are used to account for activities similar to those found in the private sector, where the focus of proprietary funds is on the determination of net earnings and capital maintenance. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds).

BOROUGH OF CHAMBERSBURG
Notes to Financial Statements
December 31, 2013

Note 1 Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

Proprietary Funds (Continued)

The Borough reports the following major enterprise funds:

Electric Department – Provides electric power and related services to the Borough of Chambersburg and all customers, both residential and commercial, throughout the Borough.

Gas Department – Provides natural gas and related services to the Borough of Chambersburg in addition to its residential and commercial customers throughout the Borough and within its proximity.

Water Department – Provides water and related services, including laboratory analyses, to the Borough of Chambersburg, its residents, business establishments and various customers within the proximity of the Borough.

Sewer Department – Provides wastewater treatment services for the Borough of Chambersburg, its residents, commercial establishments and various customers located within the neighboring areas of Greene Township, Guilford Township, Hamilton Township and Letterkenny Township.

The Borough reports the following non-major enterprise funds:

Sanitation Department – Provides trash and garbage removal for the Borough of Chambersburg, its residents and commercial establishments throughout the Borough.

Parking, Traffic and Street Lights Department – Regulates and controls vehicle parking, traffic and street lights throughout the Borough of Chambersburg.

Classification of Revenues - For proprietary funds, the Borough has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating Revenues - Operating revenues include activities that have the characteristics of exchange transactions, such as (1) utility billings; (2) penalties and late charges; and (3) other miscellaneous sales.

Nonoperating Revenues - Nonoperating revenues include activities that have the characteristics of non-exchange transactions (in which the Borough receives value without directly giving equal value in return), such as contributions and grants, and other revenues that are defined as nonoperating revenues by GASB pronouncements, such as investment earnings. Tap fees are also considered nonoperating since they are charged based on future capacity needs of the system and are not based on an exchange-type transaction.

Note 1 Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

Proprietary Funds (Continued)

Internal service funds of a government (which traditionally provide services primarily to other funds of the government) are presented, in summary form, as part of the proprietary fund financial statements. Since the principal users of the internal services are a combination of the Borough's governmental and enterprise funds, financial statements of internal service funds are allocated based on the usage of those funds and included in the governmental and business-type column when presented at the government-wide level. The costs of these services are allocated to the appropriate functional activity.

The Borough's internal service funds consist of:

Stores Fund – The Stores Department is responsible for the purchase, storage, and disbursal of inventory which is used to support the construction and maintenance functions of the Borough utilities.

Motor Equipment Fund – This fund supports the activities of the Motor Equipment Department which manages a rolling stock of more than 120 vehicles.

Self-insurance Fund – This fund is used for the purpose of funding risk which the Borough does not transfer to commercial insurance carriers or insurance pools.

Engineering Fund – This fund supports the activities of the Engineering Department which is responsible for furnishing engineering, surveying, drafting, and utility location information to other departments. The department also designs and inspects public works projects.

Worker's Compensation – This fund underwrites the risks to the Borough resulting from job-related injury or illness to its employees.

Administrative Services Fund – Administrative Services is synonymous with the Finance Department which is responsible for the complete financial reporting and utility meter reading, as well as the operation and maintenance of Borough Hall.

The major fund concept does not apply to internal service funds.

Fiduciary Fund Types

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds (Firemen's, Police, and Bargaining and Administrative Employees), investment trust funds, private-purpose trust funds (Citizen's Reward, Sister City and Project Heat), and agency funds (Payroll Clearing, Consumer Deposit).

Trust funds are used to account for assets held by the Borough under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Borough's own program. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Note 1 Summary of Significant Accounting Policies (Continued)

Fiduciary Fund Types (Continued)

The Borough's fiduciary funds consist of:

Police Pension Fund - This fund is used to account for the accumulation of resources for pension benefit payments to qualified public safety (police) employees.

Bargaining and Administrative Employees Pension Fund - This fund is used to account for the accumulation of resources for pension benefit payments to qualified employees of the Borough other than police or fire department employees.

Firemen's Pension Fund - This fund is used to account for the accumulation of resources for pension benefit payments to qualified Fire Department employees.

Citizen's Reward Fund - Trust fund used to hold contributions from private citizens for the purpose of rewarding police informants for their assistance in solving crime.

Sister City Fund - Trust fund used to hold money that accumulates for the specific purpose of "sister city" activities. Our sister city is Gotemba, Japan.

Project HEAT Fund - Trust fund to hold contributions from citizens for the purpose of assisting others pay their utility bills.

Payroll Clearing Fund - An account to temporarily hold every dollar expended through the payroll system. This includes net payroll, all taxes withheld, miscellaneous deductions and employers' share of Social Security/Medicare expense. Theoretically, every dollar contained within the account will eventually be paid out in net pay, taxes or other deductions.

Consumer Deposits Fund - Agency fund used to hold deposits on behalf of utility customers. Interest is earned and "tracked" for individual customers at the Borough's composite interest rate. These funds can be used to settle an outstanding account or returned to the customer whenever a "good credit history" record is attained. These funds are also returned to the customer whenever they move outside the Borough. Occasionally, some deposits and or down payments from other individuals and organizations for other purposes are deposited in this account and held until final resolution has occurred.

Basis of Presentation

Government-wide Financial Statements – The statement of net position and the statement of activities display information about the Borough as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Borough that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financials, but differs from the manner in which governmental fund financials are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and statements for governmental funds.

BOROUGH OF CHAMBERSBURG
Notes to Financial Statements
December 31, 2013

Note 1 Summary of Significant Accounting Policies (Continued)

Basis of Presentation

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

Fund Financial Statements – Fund financial statements report detailed information about the Borough. The focus of the governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The major fund concept does not apply to internal service funds which are considered proprietary funds and are presented with enterprise funds. Fiduciary funds are reported by fund type.

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

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the Borough finances and meets the cash flow needs of its proprietary activities.

Fiduciary funds are reported using the economic resources measurement focus. However, agency funds have no measurement focus.

BOROUGH OF CHAMBERSBURG

Notes to Financial Statements

December 31, 2013

Note 1 Summary of Significant Accounting Policies (Continued)

Basis of Accounting

The government-wide, proprietary, and fiduciary fund (except agency fund) financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Net position (total assets plus deferred outflows of resources less total liabilities and deferred inflows of resources) are used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased net position. Depreciation is charged as expense against current operations and accumulated depreciation is reported on the statement of net position. The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Revenue from federal, state, and other grants designated for payment of specific Borough expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recorded as unearned revenues until earned. If time eligibility requirements are not met, a deferred inflow of resources would be recorded. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general fund, liquid fuels fund, capital projects, grant program, and proprietary funds. All annual appropriations lapse at year end and must be reappropriated. Budgets are not revised during the year. Encumbrance accounting is utilized for internal management purposes, but not for financial reporting. The budget is prepared and approved at the departmental level. The departments presented in the Budgetary Comparison Schedules included as required supplementary information represent the legal level of budgetary control.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities, if any, at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

BOROUGH OF CHAMBERSBURG
Notes to Financial Statements
December 31, 2013

Note 1 Summary of Significant Accounting Policies (Continued)

Cash, Cash Equivalents and Investments

Cash and cash equivalents include cash on hand, demand deposits, and in accordance with GASB pronouncements, each fund's equity in the Borough's investment pool since each fund can deposit or effectively withdraw cash at any time without prior written notice or penalty. Cash and cash equivalents on the Proprietary Funds' cash flow statements are in agreement with the amounts listed on the related statement of net position as "cash and equity in pooled cash and investments".

Investments are reported at fair value based on quoted values from established markets. Managed funds related to the retirement systems not listed on an established market are reported at estimated fair value as determined by the respective fund managers based on quoted sales prices of the underlying securities. Income, including the change in fair value, from investments held by the individual funds is recorded in the respective fund as it is earned. All other investments owned by the Borough are accounted for in pooled cash and temporary investment accounts. Income earned from this pooling of investments is allocated monthly to the respective funds based upon month end balances.

Inventories

Inventories held by the Electric, Gas, Water, Sewer, and Stores Funds, as well as fuel in the Motor Equipment Fund are priced using the moving weighted-average method. Inventories of parts held by the Motor Equipment Fund are stated at the lower of cost or market, cost being determined using the first-in/first-out (FIFO) method.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type column of the government-wide statement of net position and in the respective fund.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair values as of the date received. The Borough maintains a capitalization threshold of \$ 2,500. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed. Interest costs incurred during the construction of capital assets is capitalized for business-type activities and enterprise funds and expensed for governmental activities.

Infrastructure assets that have been acquired since 1980 have been recorded in accordance with GASB requirements. These consist mainly of highway improvements.

BOROUGH OF CHAMBERSBURG
Notes to Financial Statements
December 31, 2013

Note 1 Summary of Significant Accounting Policies (Continued)

Capital Assets (Continued)

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

	Governmental Activities	Business-Type Activities
Land improvements	10-20 years	10-20 years
Buildings	40-50 years	40-50 years
Machinery and equipment	8-40 years	8-40 years
Utility plant in service	20-50 years	20-50 years
Infrastructure - railroads	25 years	N/A
Infrastructure - highways	25 years	N/A
Infrastructure - other	5-50 years	N/A

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Borough only has one item that qualifies for reporting in this category, which is the deferred charge on bond refunding reported in the statement of net position. A deferred charge on bond refunding results from the difference in the carrying value of refunding debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Borough has deferred tax revenue that is reported as deferred inflows of resources.

Interfund Transactions

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

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

Note 1 Summary of Significant Accounting Policies (Continued)

Allowance for Uncollectible Accounts

The Borough provides credit to its customers in the normal course of business. Receivables are generally due thirty days after billed. The Borough provides an allowance for uncollectible accounts equal to the estimated losses based on historical collection experience that will be incurred in the collection of all receivables.

Loans Receivable

Loans receivable on the statement of net position (classified in "other receivables") represent loans made to low income residents under a revolving loan program funded by the Pennsylvania Department of Community and Economic Development (DCED) and the Federal HOME Program, as well as a loan agreement with the Chambersburg Area Development Corporation for the renovation of the Heritage Center funded by DCED.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business type activity columns in the statement of net position. This same treatment also applies to proprietary fund financial statements.

Bond premium and discounts, deferred charge on bond refunding, as well as prepaid bond insurance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. The deferred charge on bond refunding is reported as deferred outflows of resources and amortized over the term of the related debt. Prepaid bond insurance costs are reported as an asset and amortized over the term of the related debt.

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

BOROUGH OF CHAMBERSBURG
Notes to Financial Statements
December 31, 2013

Note 1 Summary of Significant Accounting Policies (Continued)

Net Position

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

Net Investment in Capital Assets: This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt and accounts payable and retainage payable that are attributable to the acquisition, construction or improvement of these assets reduce this category. *Net Investment in Capital Assets* consists of the following at December 31, 2013:

Government-Wide Activity

	Governmental Activities	Business-Type Activities
Capital assets	\$ 22,575,924	\$ 103,669,763
Bonds and notes payable	-	(17,721,544)
Deferred charge on bond refunding	-	302,491
Accounts and retainage payable related to capital assets	(14,005)	(317,113)
Net investment in capital assets	<u>\$ 22,561,919</u>	<u>\$ 85,933,597</u>

Proprietary Funds

	Electric Fund	Gas Fund	Water Fund	Sewer Fund	Sanitation Fund	Parking, Traffic, and Street Lights Fund
Capital assets	\$ 45,260,756	\$ 9,435,223	\$ 19,948,225	\$ 24,754,878	\$ 98,790	\$ 2,052,429
Bonds and notes payable	(13,834,662)	(38,417)	(2,463,360)	(1,385,105)	-	-
Deferred charge on bond refunding	183,782	-	-	118,709	-	-
Accounts and retainage payable related to capital assets	(16,846)	(15,621)	(14,026)	(270,620)	-	-
Net investment in capital assets	<u>\$ 31,593,030</u>	<u>\$ 9,381,185</u>	<u>\$ 17,470,839</u>	<u>\$ 23,217,862</u>	<u>\$ 98,790</u>	<u>\$ 2,052,429</u>

Internal Service Funds

	Stores Fund	Motor Equipment Fund	Engineering Fund
Capital assets	\$ 2,401	\$ 2,978,948	\$ 1,875
Bonds and notes payable	-	-	-
Deferred charge on bond refunding	-	-	-
Accounts and retainage payable related to capital assets	-	-	-
Net investment in capital assets	<u>\$ 2,401</u>	<u>\$ 2,978,948</u>	<u>\$ 1,875</u>

Restricted: This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. The following details restricted net position:

Restricted for future capital improvements by borough code	\$ 2,774,000
Restricted for future grant expenditures	353,150
Restricted for future highway improvements/projects	<u>847,895</u>
	<u>\$ 3,975,045</u>

BOROUGH OF CHAMBERSBURG
Notes to Financial Statements
December 31, 2013

Note 1 Summary of Significant Accounting Policies (Continued)

Net Position

Unrestricted: This category of net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Net Position Flow Assumption: Sometimes the government will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted net position, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Borough's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Balance – Governmental Funds

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

Nonspendable: This classification includes amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact. This classification includes items such as prepaid amounts, inventories, and the long term portion of loans and notes receivable. This also includes the corpus (or principal) of permanent funds.

Restricted: This classification includes amounts where the constraints placed on the use of resources are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, change or mandate payment and includes a legally enforceable requirement on the use of these funds. The following details restricted fund balance:

Restricted for future capital improvements by borough code	\$ 2,591,450
Restricted for future grant expenditures	286,540
Restricted for future highway improvements/projects	<u>847,895</u>
	<u>\$ 3,725,885</u>

Committed: This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Borough's highest level of decision-making authority. This formal action is in the form of a resolution which is made by the Borough Council. Once an amount is committed, it cannot be used for any other purpose unless changed by the same type of formal action used to initially constrain the funds.

Note 1 Summary of Significant Accounting Policies (Continued)

Fund Balance – Governmental Funds (Continued)

Assigned: This classification includes spendable amounts that are reported in governmental funds *other than in the General Fund*, that are neither restricted nor committed, and amounts in the General Fund that are intended to be used for a specific purpose. The intent of an assigned fund balance should be expressed by the Borough Council. The assignment of fund balance cannot result in a negative unassigned fund balance.

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

Minimum Fund Balance

The Borough's policy is to maintain a minimum of 5% of the total budgeted expenditures (including interfund transfers out) as the residual unassigned fund balance at year end. Three methods that can be employed in increasing fund balance if it were to fall below the minimum threshold are: 1) increase general fund revenues via tax or other revenue increase (charges for service), 2) decreasing general fund expenditures, or 3) increasing transfers from other Borough funds.

Order of Spending Policy

The Borough's policy for spending order when fund balance resources are available for a specific purpose in multiple classifications is to use restricted resources first and then apply unrestricted resources in the following order: unassigned, assigned, and committed.

Pension Trust Funds

The GASB requires a statement of plan net position and a statement of changes in plan net position. These are shown as part of the fiduciary statements. It also requires plan investments to be recorded at their fair value and establishes standards for the measurement, recognition, and display of pension expense and related liabilities, assets, and note disclosures.

Deferred Compensation Plan

The Borough has established a deferred compensation plan under Internal Revenue Code Section 457 which covers all employees. All assets and income of the plan are held for the exclusive benefit of the plan's participants and their beneficiaries. In accordance with the provisions of the GASB, the assets and liabilities of the plan are not reported on the financial statements of the Borough.

BOROUGH OF CHAMBERSBURG
Notes to Financial Statements
December 31, 2013

Note 1 Summary of Significant Accounting Policies (Continued)

Compensated Absences

Liability for compensated absences is accounted for in accordance with the provisions of the GASB, which require entities to accrue for employees' rights to receive compensation for vacation leave, or payments in lieu of accrued vacation or sick leave, as such benefits are earned and payment becomes probable.

Under terms of the Borough's employment agreements, employees are granted vacation and sick leave in varying amounts. Vacation days not used by December 31 are lost unless otherwise approved, or are retained if employed for at least 20 years by the Borough. All employees (including uniformed police) are permitted to accumulate unlimited sick days. Upon retirement from the Borough, employees with a certain number of years of continuous service are reimbursed as follows for their accumulated sick leave:

- **Non-Bargaining and Police** - employees may accrue and bank unlimited sick leave time but said time shall be understood to have no cash value. As a wellness incentive, the Borough shall pay to an employee with at least five (5) years of continuous employment with the Borough, a post-separation lump sum payment of 1% of such employee's unused accumulated sick leave for each year of that the employee has been employed with the Borough. (Example: An employee who has been employed for 15 years with the Borough would be entitled to 15% of the employee's unused accumulated sick leave, subject to the maximum payment amount set forth below). Such payment shall be based upon the employee's hourly rate at the time of separation. However, any employee who is terminated due to gross neglect, fraud, dishonesty, or willful failure to perform such employee's duties, shall forfeit all rights to such lump sum payment for unused sick leave (the wellness incentive). Additionally, employees shall only be eligible for the WELLNESS INCENTIVE if, upon separation, the employee has accumulated in excess of five hundred (500) hours of sick leave. The maximum amount to be paid to any employee for such WELLNESS INCENTIVE shall be Ten Thousand Dollars (\$10,000).
- **Bargaining** - 1% per year of service of unused sick leave up to a maximum of 90 days pay for employees with at least five (5) years of continuous employment.
- **Fire** - 15% to 27.5% of accumulated sick leave based on years of service.

Other Postemployment Benefits Other Than Pension

The Borough provides postemployment benefits by permitting retired employees the ability to participate in the employee health plan. Even though the retirees pay 102% of the Borough's blended premium rate, the Borough is still providing an implicit rate subsidy to its retirees. These benefits are financed on a pay-as-you-go basis. The Borough provides no other postemployment benefits for Borough employees.

Statement of Cash Flows - Proprietary Funds

Because the Borough accounts for all deposits and investments through a Central Treasury function, all investments are considered to be cash equivalents for purposes of the statement of cash flows.

Deficit Net Position

The Administrative Services Fund and Worker's Compensation Fund (internal service funds) have deficit net position balances of \$ 434,737 and \$ 1,069,984, respectively, at December 31, 2013.

BOROUGH OF CHAMBERSBURG
Notes to Financial Statements
December 31, 2013

Note 2 Cash and Cash Equivalents

The Borough is authorized to invest in the following:

- U.S. Treasury Bills.
- Short-term obligations of the U.S. Government or its agencies.
- Deposits in savings accounts or certificates of deposit insured by the FDIC or NCUSIF to the extent that such accounts are so insured and for any amounts above the insured maximum, provided that approved collateral as provided by law shall be pledged by the depository.
- Obligations of the U.S. Government, Commonwealth of Pennsylvania, or any agency, instrumentality, or political subdivision thereof, backed by the full faith and credit of the applicable government.
- Shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933.

Deposits

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Borough’s deposits may not be returned to it. The Borough does not have a written policy for custodial credit risk. As of December 31, 2013, the Borough has a bank balance of \$ 3,703,519. Of this balance, \$ 849,158 is covered by FDIC insurance and the remaining balance of \$ 2,854,361 is collateralized by securities held by the pledging financial institution.

Investments

As of December 31, 2013, the Borough’s investments were as follows:

Investment Type	Fair Value	Credit Quality
		Rating
PLGIT/PLGIT PLUS	\$ 23,333,498	AAAm
PLGIT - CD's and Term CD's	15,433,214	AAAm

The certificates of deposit held at PLGIT were all covered by FDIC insurance.

Credit Risk – Investments

The Borough has no investment policy that would limit its investment choices to certain credit ratings.

Included in cash and cash equivalents on the statement of net position are pooled investments in the Pennsylvania Local Government (PLGIT) of \$ 23,333,498. These funds are basically mutual funds that consist of short-term money market instruments and seek to maintain a constant net asset value of \$ 1 per share.

BOROUGH OF CHAMBERSBURG
Notes to Financial Statements
December 31, 2013

Note 2 Cash and Cash Equivalents (Continued)

Deposits (Continued)

Interest Rate Risk - Investments

The following investments are subject to interest rate risk:

	Total Fair Value	Investment Maturities (in Years)	
		Less Than 1	1-5
PLGIT - CD's and Term CD's	\$ 15,433,214	\$ 12,471,851	\$ 2,961,363

The Borough does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Municipal Pension Plans

Investments held by the trustees of the pension plans are as follows:

	Total Fair Value	Investment Maturities
Investment		
Money Market Funds	\$ 1,700,377	N/A
Open End Mutual Funds	<u>32,632,680</u>	N/A
Total	<u>\$ 34,333,057</u>	

Credit Risk

The Borough does not have a formal policy pertaining to credit risk. Of the investments that have a credit quality rating, they are rated Aaa.

Foreign Securities and Currencies Risk

Foreign securities prices may decline or fluctuate because of economic or political actions of foreign governments or the possibility that foreign currency will fluctuate in value against the U. S. dollar. Included in the \$ 32,632,680 of Open End Mutual Funds shown above are International Mutual Funds with a fair value of \$ 4,335,698. The International Mutual Funds may be subject to foreign securities and currencies risk.

BOROUGH OF CHAMBERSBURG
Notes to Financial Statements
December 31, 2013

Note 3 Taxes and Other Receivables

Property taxes are levied on March 1 for the tax year. Taxes are payable at a 2% discount if paid before May 1 and at a 10% penalty if paid after the due date of June 30. Outstanding real estate taxes are turned over to a delinquent tax collector on January 15 of each year. After proper notification is made to a property owner, a lien is filed on or about May 1 and must remain in effect for a period of two years before a tax sale may occur.

Taxes are recorded in the funds as revenue by the Borough when received from the tax collector, and accruals are recorded at year-end for taxes expected to be received within 60 days of December 31 in accordance with the modified accrual basis of accounting. The Borough has not established an allowance for uncollectible taxes since experience has demonstrated that substantially all taxes are ultimately collectible.

Receivables as of December 31, 2013 for the Borough's governmental activities, including the applicable allowances for uncollectible accounts, are as follows:

Real estate	\$ 394,150
Earned income tax	641,232
Real estate transfer tax	27,885
Ambulance billings	324,630
Loans receivable	380,751
Grants receivable	134,508
Contribution receivable	282,775
Other	239,680
Allowance for uncollectible accounts	<u>(141,325)</u>
Receivables - full accrual basis	2,284,286
Taxes not receivable within 60 days and allocation of internal service funds not recorded in fund financial statements	<u>(354,894)</u>
Receivables - modified accrual basis	<u><u>\$ 1,929,392</u></u>

BOROUGH OF CHAMBERSBURG
Notes to Financial Statements
December 31, 2013

Note 4 Capital Assets

Capital asset activity for the Borough consists of the following as of and for the year ended December 31, 2013:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Cost:				
Capital assets not being depreciated				
Land	\$ 402,365	\$ -	\$ -	\$ 402,365
Construction-in-progress	207,142	128,058	(99,409)	235,791
Capital assets				
Land improvements	3,416,557	71,373	-	3,487,930
Buildings	4,742,336	7,052	-	4,749,388
Machinery and equipment	4,902,452	368,863	(77,084)	5,194,231
Infrastructure - highways	13,840,379	1,336,036	-	15,176,415
Infrastructure - railroads	2,676,132	-	-	2,676,132
Infrastructure - other	6,214,950	-	-	6,214,950
Total cost	<u>36,402,313</u>	<u>1,911,382</u>	<u>(176,493)</u>	<u>38,137,202</u>
Less accumulated depreciation:				
Land improvements	(1,041,565)	(188,878)	-	(1,230,443)
Buildings	(3,338,055)	(111,904)	-	(3,449,959)
Machinery and equipment	(3,337,726)	(301,822)	73,975	(3,565,573)
Infrastructure - railroads	(1,536,794)	(99,148)	-	(1,635,942)
Infrastructure - highways	(3,425,863)	(514,008)	-	(3,939,871)
Infrastructure - other	(1,473,426)	(266,064)	-	(1,739,490)
Total accumulated depreciation	<u>(14,153,429)</u>	<u>(1,481,824)</u>	<u>73,975</u>	<u>(15,561,278)</u>
Capital assets, net	<u>\$ 22,248,884</u>	<u>\$ 429,558</u>	<u>\$ (102,518)</u>	<u>\$ 22,575,924</u>
Business-Type Activities:				
Cost:				
Capital assets not being depreciated				
Land	\$ 836,683	\$ 63,752	\$ -	\$ 900,435
Construction-in-progress	8,170,046	3,940,359	(3,238,379)	8,872,026
Capital assets				
Utility plant in service	155,168,341	4,773,465	(40,400)	159,901,406
Land improvements	498,236	-	-	498,236
Buildings	591,589	460,823	-	1,052,412
Machinery and equipment	10,041,323	889,530	(90,407)	10,840,446
Total cost	<u>175,306,218</u>	<u>10,127,929</u>	<u>(3,369,186)</u>	<u>182,064,961</u>
Less accumulated depreciation:				
Utility plant in service	(66,999,249)	(4,271,759)	37,176	(71,233,832)
Land improvements	(454,163)	(2,059)	-	(456,222)
Buildings	(362,520)	(16,820)	-	(379,340)
Machinery and equipment	(5,843,840)	(566,189)	84,225	(6,325,804)
Total accumulated depreciation	<u>(73,659,772)</u>	<u>(4,856,827)</u>	<u>121,401</u>	<u>(78,395,198)</u>
Capital assets, net	<u>\$ 101,646,446</u>	<u>\$ 5,271,102</u>	<u>\$ (3,247,785)</u>	<u>\$ 103,669,763</u>

BOROUGH OF CHAMBERSBURG
Notes to Financial Statements
December 31, 2013

Note 4 Capital Assets (Continued)

See Note 10 for project commitments.

Depreciation expense for the year ended December 31, 2013 was charged to expense functions, including the internal service fund allocations, as follows:

	Governmental Activities	Business-Type Activities
General government	\$ 301,684	\$ -
Public safety	201,837	-
Public services	777,610	-
Parks and recreation	200,693	-
Electric	-	2,114,862
Gas	-	364,697
Water	-	727,336
Sewer	-	1,481,205
Sanitation	-	54,108
Parking, traffic and street lights	-	114,619
	<u>\$ 1,481,824</u>	<u>\$ 4,856,827</u>

Internal Service Fund Allocation

The capital asset information shown above for governmental activities and business-type activities includes the allocation of capital assets, accumulated depreciation and current year depreciation expense of internal services funds. This allocation is based on the applicable usage of each internal service fund by the governmental activities (29%) and the business-type activities (71%). These allocations changed in 2013 compared to 2012, thus the beginning balances do not match the previous year financial statements due to reallocating the beginning balance of the internal service funds using the new allocations.

BOROUGH OF CHAMBERSBURG
Notes to Financial Statements
December 31, 2013

Note 5 Long-term Liabilities

The changes in long-term liabilities during the year ended December 31, 2013 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Unamortized Bond Premium and Discount	Current Portion	Long-term Portion
Governmental Activities:							
Liability for self-insured losses	\$ 299,725	\$ 168,156	\$ (148,601)	\$ 319,280	\$ -	\$ 133,224	\$ 186,056
Compensated absences	<u>618,378</u>	<u>417,312</u>	<u>(403,827)</u>	<u>631,863</u>	<u>-</u>	<u>339,007</u>	<u>292,856</u>
Total long-term liabilities	\$ 918,103	\$ 585,468	\$ (552,428)	\$ 951,143	\$ -	\$ 472,231	\$ 478,912
Business-Type Activities							
Bonds and notes payable							
(C) Sewer 2009 GO Bond	\$ 1,847,100	\$ -	\$ (532,100)	\$ 1,315,000	\$ 11,426	\$ 551,258	\$ 775,168
(E) Sewer 2012 GO Note	58,667	-	-	58,667	-	1,286	57,381
(B) Electric 2007 GO Bond	125,000	-	(40,000)	85,000	(425)	44,745	39,830
(C) Electric 2009 GO Bond	3,307,900	-	(952,900)	2,355,000	20,463	987,277	1,388,186
(D) Electric 2012 GO Bond	9,785,000	-	(5,000)	9,780,000	86,279	15,170	9,851,109
(E) Electric 2012 GO Note	27,467	1,480,890	-	1,508,357	-	33,068	1,475,289
(E) Gas 2012 GO Note	38,417	-	-	38,417	-	842	37,575
(A) Water PennVest Loan	<u>2,649,126</u>	<u>-</u>	<u>(185,766)</u>	<u>2,463,360</u>	<u>-</u>	<u>192,048</u>	<u>2,271,312</u>
Subtotal - bonds and notes	<u>17,838,677</u>	<u>1,480,890</u>	<u>(1,715,766)</u>	<u>17,603,801</u>	<u>117,743</u>	<u>1,825,694</u>	<u>15,895,850</u>
Liability for self-insured losses	780,753	367,312	(364,629)	783,436	-	326,900	456,536
Compensated absences	<u>839,952</u>	<u>322,845</u>	<u>(394,980)</u>	<u>767,817</u>	<u>-</u>	<u>399,216</u>	<u>368,601</u>
Total long-term liabilities	\$ 19,459,382	\$ 2,171,047	\$ (2,475,375)	\$ 19,155,054	\$ 117,743	\$ 2,551,810	\$ 16,720,987

The General Fund and Internal Service Funds have been used in prior years to liquidate the liability for compensated absences in the Governmental Activities. In addition to the long-term liabilities listed above, the Borough has a net OPEB obligation. See Note 8 for additional details. The General Fund and the Internal Service Fund have been used in prior years to liquidate the net other postemployment benefit obligation in the Governmental Activities.

Internal Service Fund Allocation

The liability for self-insured losses and compensated absences information shown above for governmental activities and business-type activities includes the allocation of self-insured losses and use of compensated absences of internal service funds. This allocation is based on the applicable usage of each internal service fund by the governmental activities (29%) and the business-type activities (71%). These allocations changed in 2013 compared to 2012, thus the beginning balances do not match the previous year financial statements due to reallocating the beginning balance of the internal service funds using the new allocations.

Pennvest Loan – On July 27, 2001, the Borough entered into a loan agreement with the Pennsylvania Infrastructure Investment Authority for \$ 4,400,000 to be used to partially finance the construction of a water system in the Borough, and Greene and Guilford Townships. Interest rates range from 2.501% to 3.331%. Principal and interest payments are payable monthly, are based on the full amount of the loan and are due through October 2024. The future principal and interest payments shown below are based on this amount. The Pennvest loan is secured by the full faith, credit and taxing power of the Borough, and a security interest on gross revenues and receipts generated from operations of the system and accounts receivable.

BOROUGH OF CHAMBERSBURG
Notes to Financial Statements
December 31, 2013

Note 5 Long-term Liabilities (Continued)

Internal Service Fund Allocation (Continued)

General Obligation Bonds – Series of 2007 – On June 1, 2007, the Borough issued General Obligation Bonds in the principal amount of \$ 10,000,000 to be used for a partial refunding of the General Obligation Bonds, Series of 2002 and 2003 and the costs of issuing the Bonds. Annual installments of the debt are to be paid from the Electric Fund vary from \$ 30,000 to \$ 1,475,000 and are due through September 1, 2022. Interest rates vary from 3.60% to 4.00%. Interest is payable every March 1 and September 1.

General Obligation Bonds – Series of 2009 – On March 1, 2009, the Borough issued General Obligation Bonds in the principal amount of \$ 10,000,000 to be used for a full refunding of the General Obligation Bonds, Series of 2002 and 2003, a partial refunding of the General Obligation Bonds, Series of 2004 and the costs of issuing the Bonds. Annual installments of the debt are to be paid from the Electric and Sewer Funds, which vary from \$ 510,000 to \$ 1,530,000 and are due through September 1, 2017. Interest rates vary from 2.50% to 3.00%. Interest is payable every March 1 and September 1.

General Obligation Bonds – Series of 2012 – On May 29, 2012, the Borough issued General Obligation Bonds in the principal amount of \$ 9,785,000 to be used for a partial refunding of the General Obligation Bonds, Series of 2007 and the costs of issuing the bonds. Annual installments of debt are to be paid from the Electric Funds, which vary in amounts from \$ 5,000 to \$ 1,500,000 and are due through July 1, 2022. Interest rates for the bonds are 2.00%. Interest is payable every January 1 and July 1.

General Obligation Notes – Series of 2012 – On October 5, 2012, the Borough issued a General Obligation Note in the total of \$ 8,000,000 to be used for various projects. The drawdown period on the note is through April 31, 2014. The funds will be utilized by the Sewer, Electric and Gas Funds. Principal is due monthly beginning on May 1, 2014. Interest rates for the note is 2.46% for the first eight years, followed by 66% of U.S. prime rate, less 0.25% with a floor of 1.98% and a ceiling of 2.51% for the next 3.5 years and 66% of the U.S. prime rate less 0.25% with a floor of 1.98% and a ceiling of 5.3% for the remaining 15 years. The maturity date of the principal is April 1, 2039.

The general obligation bonds and general obligation notes are secured by the full faith, credit, and taxing power of the Borough. The principal and interest payments of the 2007 and 2009 General Obligation bonds are also guaranteed under financial guarantee insurance policies.

Subsequent Events

On March 31, 2014, the Borough issued a General Obligation Note in the total of \$ 1,500,000 to be used for the purpose of financing the construction of a new green waste recycling facility. Principal is due monthly beginning on November 1, 2015. Interest rates for the note are 3.17% for the first 11 years and six months, followed by 66% of U.S. prime rate, less 0.25% with a floor of 1.98% and a ceiling of 5.30% for the remaining 10 years. The maturity date of the principal is October 1, 2035.

Subsequent to year end, the Borough used existing funds in the Water Fund to fully pay the Water Pennvest loan.

BOROUGH OF CHAMBERSBURG
Notes to Financial Statements
December 31, 2013

Note 5 Long-term Liabilities (Continued)

The following is a schedule by years and in the aggregate of future minimum bond and note principal and interest payments required at December 31, 2013. This also includes the effects of the repayment of the Water Pennvest loan and full drawdown of the Series of 2014 Note, which is expected to occur during 2014:

Electric									
	Series of 2007 Bonds		Series of 2009 Bonds		Series of 2012 Bonds		Series of 2012 Note		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2014	\$ 45,000	\$ 3,145	\$ 981,800	\$ 62,340	\$ 5,000	\$ 195,600	\$ 33,068	\$ 36,835	
2015	40,000	1,480	731,500	37,800	55,000	195,500	45,050	35,786	
2016	-	-	314,400	18,780	1,110,000	194,400	46,171	34,665	
2017	-	-	327,300	9,820	1,365,000	172,200	47,320	33,517	
2018	-	-	-	-	1,395,000	144,900	48,497	32,340	
2019 - 2023	-	-	-	-	5,850,000	295,200	261,193	142,987	
2024 - 2028	-	-	-	-	-	-	295,344	108,837	
2029 - 2033	-	-	-	-	-	-	333,958	70,223	
2034 - 2038	-	-	-	-	-	-	377,619	26,562	
2039	-	-	-	-	-	-	20,137	82	
	<u>\$ 85,000</u>	<u>\$ 4,625</u>	<u>\$ 2,355,000</u>	<u>\$ 128,740</u>	<u>\$ 9,780,000</u>	<u>\$ 1,197,800</u>	<u>\$ 1,508,357</u>	<u>\$ 521,834</u>	

Sewer						Gas	
	Series of 2009 Bonds		Series of 2012 Note		Series of 2012 Note		
	Principal	Interest	Principal	Interest	Principal	Interest	
2014	\$ 548,200	\$ 34,815	\$ 1,286	\$ 1,433	\$ 842	\$ 938	
2015	408,500	21,105	1,752	1,392	1,147	911	
2016	175,600	10,485	1,796	1,348	1,176	883	
2017	182,700	5,480	1,840	1,304	1,205	854	
2018	-	-	1,886	1,258	1,235	824	
2019 - 2023	-	-	10,159	5,562	6,653	3,641	
2024 - 2028	-	-	11,487	4,233	7,522	2,772	
2029 - 2033	-	-	12,989	2,731	8,506	1,789	
2034 - 2038	-	-	14,689	1,033	9,617	677	
2039	-	-	783	3	514	1	
	<u>\$ 1,315,000</u>	<u>\$ 71,885</u>	<u>\$ 58,667</u>	<u>\$ 20,297</u>	<u>\$ 38,417</u>	<u>\$ 13,290</u>	

Water		Sanitation		Total		
	Pennvest Loan		Series of 2014 Note		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 2,463,360	\$ 10,235	\$ 0	\$ 31,831	\$ 4,455,728	
2015	-	-	8,981	47,538	1,633,442	
2016	-	-	54,894	46,472	2,011,070	
2017	-	-	56,660	44,707	2,249,907	
2018	-	-	58,482	42,884	1,727,306	
2019 - 2023	-	-	321,866	184,966	7,082,227	
2024 - 2028	-	-	358,356	182,078	970,629	
2029 - 2033	-	-	445,539	114,350	990,085	
2034 - 2038	-	-	195,222	10,066	635,485	
2039	-	-	-	-	21,520	
	<u>\$ 2,463,360</u>	<u>\$ 10,235</u>	<u>\$ 1,500,000</u>	<u>\$ 704,892</u>	<u>\$ 21,777,399</u>	

BOROUGH OF CHAMBERSBURG
Notes to Financial Statements
December 31, 2013

Note 6 Interfund Activity

Due from/to other funds consist of the following as of December 31, 2013:

	<u>Due From</u>	<u>Due To</u>
Internal service funds:		
Self insurance	\$ -	\$ 109,233
Worker's compensation	<u>109,233</u>	<u>-</u>
	<u>\$ 109,233</u>	<u>\$ 109,233</u>

The due to/due from amounts were a result of reclassifying negative cash balances in the worker's compensation fund to the self-insurance fund.

Interfund transfers consisted of the following during 2013:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major governmental funds:		
General fund	\$ 2,754,730	\$ 543,075
Special revenue grant programs	7,764	870,020
Nonmajor governmental funds:		
Special revenue liquid fuels	-	334,498
Capital reserve	389,017	2,764
Major proprietary funds:		
Electric	-	2,103,980
Gas	110	505,310
Water	242,559	304,600
Sewer	9,959	70,000
Nonmajor proprietary funds:		
Parking, traffic and street lights	1,079,000	-
Internal service funds:		
Stores	-	-
Motor equipment	48,000	69,917
Self insurance	18,625	-
Engineering	-	25,000
Worker's compensation	326,500	-
Administrative services	<u>110</u>	<u>47,210</u>
	<u>\$ 4,876,374</u>	<u>\$ 4,876,374</u>

Transfers were made to help finance operations of the general or other funds. Transfers were also made during the current year to establish reserves for various future capital improvements. All transfers are considered routine.

BOROUGH OF CHAMBERSBURG
Notes to Financial Statements
December 31, 2013

Note 7 Pension Plans

Plan Description

The Borough sponsors three single-employer defined benefit retirement plans which cover Bargaining and Administrative Employees, Police Officers and Paid Firemen. Plan provisions are established by municipal ordinance with the authority for municipal contributions required by Act 205 of the Commonwealth.

All regular full-time and certain part-time employees are eligible to participate in the plans. Benefits vest after twelve years of service for Bargaining and Administrative Employees, Paid Firemen and Police Officers. Bargaining and Administrative Employees are eligible for normal retirement after attaining age sixty-five. Eligibility for normal retirement under the Police Officers' and Paid Firemen's plans is attained at age fifty and completion of twenty-five years of service. Benefits under the Bargaining and Administrative plan are based on 1.5% of average monthly pay times the number of years of service not to exceed thirty-five years. Average monthly pay is based on the three years of highest pay out of the last five years of employment. Benefits under the Police Officers' and Paid Firemen's pensions are based on 50% of average monthly pay during the last thirty-six months and the average monthly pay of the three highest years of compensation, respectively. The Bargaining and Administrative Plan and the Police Officers' Plan also include a disability benefit and survivor benefits for 2013. Effective January 1, 2013, administrative employees contribute 2% of compensation.

The Bargaining and Administrative Employees' plan and the Police Officers' plan require employee contributions of 2% as of January 1, 2013 and January 1, 2012, respectively. The Paid Fireman's plan requires employee contributions of 5% as of January 1, 2011. The Borough is required to contribute the remaining amounts necessary to fund the plans, using the actuarial basis specified by the plan.

At January 1, 2013, the date of the most recent actuarial valuation, the participation in each plan is as follows:

	General Employees	Police	Firemen
Participants:			
Retirees and beneficiaries	96	18	17
Vested former members	12	1	0
Active employees	136	32	23

Summary of Significant Accounting Policies

The plans' financial statements are prepared using the accrual basis of accounting. Employer contributions to each plan are recognized when due as required by Act 205 of the Commonwealth. Benefits and refunds are recognized when due and payable in accordance with the terms of the appropriate plan.

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

BOROUGH OF CHAMBERSBURG
Notes to Financial Statements
December 31, 2013

Note 7 Pension Plans (Continued)

Summary of Significant Accounting Policies (Continued)

At December 31, 2013, there were no individual investments in excess of 5% of plan net position. In addition, the plans did not have any investment transactions with related parties during the year.

There is no separate, audited GAAP-basis postemployment benefit plan report for the defined benefit plans.

Contributions and Funding Policy

Act 205 of the Commonwealth requires that annual contributions be based upon the calculation of the Minimum Municipal Obligation (MMO). The MMO calculation is based upon the biennial actuarial valuation also required by Act 205. Employees are not required to contribute under Act 205; such contributions are subject to collective bargaining. The Commonwealth allocates foreign fire and casualty premiums to assist in pension funding. Any financial requirement above the Commonwealth allocation must be funded by the Borough.

Administrative costs, including investment services, custodial trustee and actuarial services are charged to the appropriate plan and funded from investment earnings.

Annual Pension Cost and Net Pension Obligations

The Municipality's annual pension cost and related information for each plan follows:

Three Year Trend Information

Year Ended	Annual Pension Cost (APC)	% of APC Contributed	Net Pension Obligation
General			
12/31/13	\$ 789,962	100%	\$ 0
12/31/12	650,683	100%	0
12/31/11	648,162	100%	0
Police			
12/31/13	\$ 420,753	100%	\$ 0
12/31/12	454,682	100%	0
12/31/11	474,748	100%	0
Firemen			
12/31/13	\$ 244,149	100%	\$ 0
12/31/12	209,739	100%	0
12/31/11	204,343	100%	0

BOROUGH OF CHAMBERSBURG
Notes to Financial Statements
December 31, 2013

Note 7 Pension Plans (Continued)

Actuarial Methods and Assumptions

	General Employees	Police	Firemen
Actuarial valuation date	01/01/13	01/01/13	01/01/13
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method	Level Dollar Closed	Level Dollar Closed	Level Dollar Closed
Remaining amortization period	16 years	13 years	14 years
Asset valuation method	Artificial Investment Return of 7%	Artificial Investment Return of 7%	Artificial Investment Return of 7%
Actuarial assumptions:			
Investment rate of return	8%	8%	8%
Projected salary increases	5%	5%	5%
Cost-of-living adjustments	N/A	4%	4%
Inflation rate	4%	4%	4%

Funded Status and Funding Progress

The following is funded status information for each plan as of January 1, 2013, the most recent actuarial valuation date:

	Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	(Overfunded) Unfunded AAL ("UAAL")	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
General	01/01/13	\$ 18,369,432	\$ 22,248,614	\$ 3,879,182	82.56%	\$ 7,504,401	51.69%
Police	01/01/13	10,328,269	12,181,761	1,853,492	84.78%	1,936,497	95.71%
Firemen	01/01/13	4,542,705	5,905,610	1,362,905	76.92%	1,414,222	96.37%

The schedules of funding progress presented as required supplementary information (RSI) following the notes to the financial statements present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AAL's for benefits.

BOROUGH OF CHAMBERSBURG
Notes to Financial Statements
December 31, 2013

Note 7 Pension Plans (Continued)

Financial Statements

The following are financial statements as of December 31, 2013 for the individual pension plans maintained by the Borough:

	Firemen's Pension Fund	Police Pension Fund	Bargaining and Administrative Employees Pension Fund	Total Pension Trust Funds
ASSETS				
Cash and cash equivalents	\$ 330,862	\$ 541,933	\$ 827,582	\$ 1,700,377
Mutual funds - U.S. Government and Agency Securities	786,300	1,808,730	3,192,308	5,787,338
Mutual funds - Corporate bonds	564,072	1,288,512	2,143,002	3,995,586
Mutual funds - Stocks	2,992,753	7,037,759	11,877,675	21,908,187
Mutual funds - Real estate securities	119,788	303,710	518,071	941,569
Total assets	<u>\$ 4,793,775</u>	<u>\$ 10,980,644</u>	<u>\$ 18,558,638</u>	<u>\$ 34,333,057</u>
NET POSITION				
Held in trust for benefits and other purposes	<u>\$ 4,793,775</u>	<u>\$ 10,980,644</u>	<u>\$ 18,558,638</u>	<u>\$ 34,333,057</u>
	Firemen's Pension Fund	Police Pension Fund	Bargaining and Administrative Employees Pension Fund	Total Pension Trust Funds
ADDITIONS				
Contributions				
Employer	\$ 244,149	\$ 420,753	\$ 789,962	\$ 1,454,864
Plan member	72,783	42,336	76,848	191,967
Total contributions	<u>316,932</u>	<u>463,089</u>	<u>866,810</u>	<u>1,646,831</u>
Investment income:				
Net appreciation (depreciation) in fair value of investments and gains (loss) on sale of investments	660,483	1,580,658	2,653,002	4,894,143
Interest, dividends and other	77,751	181,920	308,567	568,238
Total net investment earnings	<u>738,234</u>	<u>1,762,578</u>	<u>2,961,569</u>	<u>5,462,381</u>
Total additions	<u>1,055,166</u>	<u>2,225,667</u>	<u>3,828,379</u>	<u>7,109,212</u>
DEDUCTIONS				
Benefits	269,836	510,758	1,422,145	2,202,739
Administrative expenses	1,285	2,102	5,835	9,222
Total deductions	<u>271,121</u>	<u>512,860</u>	<u>1,427,980</u>	<u>2,211,961</u>
Change in net position	784,045	1,712,807	2,400,399	4,897,251
Net position - beginning	4,009,730	9,267,837	16,158,239	29,435,806
Net position - ending	<u>\$ 4,793,775</u>	<u>\$ 10,980,644</u>	<u>\$ 18,558,638</u>	<u>\$ 34,333,057</u>

BOROUGH OF CHAMBERSBURG
Notes to Financial Statements
December 31, 2013

Note 8 Postemployment Healthcare Plan

Plan Description

The Borough has a healthcare plan for retired employees, which is a single employer defined benefit healthcare plan administered by the Borough. The plan provides medical, prescription drug, and vision coverage for both the retiree and spouse. Retirees opting to participate are asked to pay a premium that is less than the Borough’s actual cost to provide health care coverage to retirees. The premium amount retirees pay is a blended rate for covering both active and retired Plan members and amounts to 102% of the Borough’s current blended premium rate. The fact that the blended rate that the retirees pay is less than the actual cost of covering retired members and their beneficiaries results in what is known as an “implicit rate subsidy” by the Borough, which gives rise to the other postemployment benefit (OPEB).

Because the Plan consists solely of the Borough’s decision to provide OPEB through the payment of the implied subsidy by extending medical benefits to retirees at the above mentioned blended rate, no stand-alone financial report is available. The Plan is not included in the financial report of another entity. The coverage shall discontinue if the retiree obtains employment where medical coverage is provided, the retiree’s spouse insurance coverage covers the retiree, or the retiree qualifies for Medicare coverage.

Funding Policy

The Borough funds Plan liabilities on a “pay-as-you-go” basis, and has not established an OPEB trust fund to accumulate assets to fund Plan obligations. The Borough has no statutory or contractual obligation to fund the Plan and only does so at the Borough’s discretion. The Borough funds the implicit rate subsidy through the payment of health insurance premiums. For fiscal year 2013, the Borough contributed an estimated \$ 59,041 in the form of additional premiums for active employees based on implicit rates for retired employees to the plan. Plan members receiving benefits also contributed \$ 62,591, or approximately 102% of the total premiums.

Annual OPEB Cost and Net OPEB Obligation

The Borough’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Borough’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Borough’s net OPEB obligation to the plan:

Annual required contribution (ARC)	\$ 419,131
Estimated interest on Net OPEB obligation	47,793
Estimated adjustment to ARC	<u>(65,203)</u>
Annual OPEB Cost	401,721
Estimated employer contributions made	<u>(59,041)</u>
Increase in net OPEB obligation	342,680
Net OPEB obligation – beginning of the year	<u>1,062,083</u>
Net OPEB obligation – end of the year	<u><u>\$ 1,404,763</u></u>

BOROUGH OF CHAMBERSBURG
Notes to Financial Statements
December 31, 2013

Note 8 Postemployment Healthcare Plan (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The Borough's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and the preceding two years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/13	\$ 401,721	15%	\$ 1,404,763
12/31/12	407,693	11%	1,062,083
12/31/11	219,156	15%	697,806

Funded Status and Funding Progress

As of January 1, 2012, the most recent actuarial valuation date, the plan had the following funding status and progress:

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
01/01/12	\$ -	\$ 1,538,475	\$ 1,538,475	0.00%	\$ 10,572,905	14.55%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multiyear trend information in the future, about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2012 actuarial valuation, the entry age normal cost method was used. The actuarial assumption included a 4.5 percent investment rate of return (net of administrative expenses), a 4.0 percent inflation rate, annual salary increases of 5% and an annual healthcare cost trend rate of 7.5 percent in 2012, decreasing by .5 percent to an ultimate rate of 5.5% in 2016 with rates gradually decreasing from 5.3% in 2017 to 4.2% in 2089 and later. The actuarial value of assets is equal to the market value of the assets. The UAAL is being amortized based on a level dollar 30 year open period.

BOROUGH OF CHAMBERSBURG

Notes to Financial Statements

December 31, 2013

Note 9 Risk Management

The Borough is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Borough has established a Self-Insurance Fund and a Workmen's Compensation Fund (internal service funds), respectively, to account for and finance its uninsured risks of loss. The Self-Insurance Fund services all general liability, medical, directors' and officers' liability, and unemployment compensation claims for risk of loss. The Workmen's Compensation Fund provides coverage up to a maximum of \$ 500,000 for each worker's compensation claim. The Borough has purchased workmen's compensation insurance for claims in excess of coverage provided by the Fund, and also has purchased vehicle insurance and employee bonding coverage. Settlements have not exceeded insurance coverage for each of the past three years.

The general fund, all enterprise funds, and all internal service funds (except the Insurance Funds) participate in the program and make payments to the Self-Insurance and Workmen's Compensation Funds (Insurance Funds) based on estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses.

Insurance Fund liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities are computed under actuarial formulas and include an amount for claims that have been incurred but not reported.

Changes in the general and workers' compensation claims liability amounts for the prior two years were:

	Liability Beginning	Current Year Claims and Changes in Estimates	Claim Payments	Liability Ending
2013				
Self-insurance fund	\$ 121,864	\$ 159,650	\$ (132,397)	\$ 149,117
Workers' compensation fund	958,614	343,550	(348,565)	953,599
2012				
Self-insurance fund	\$ 108,703	\$ 22,187	\$ (9,026)	\$ 121,864
Workers' compensation fund	917,033	363,269	(321,688)	958,614

The Borough is part of the Pennsylvania Municipal Health Insurance Cooperative (PMHIC). This trust consists of a group of municipalities that have pooled their interests together in order to establish a self-funded medical insurance plan in order to better control insurance rates. The Borough pays a premium to PMHIC that consists of a portion for actual claim expenses, administrative costs, reinsurance costs and a reserve account. At year end, the actual claims of the Borough are reviewed and the reserve account is used to fund any excess claims for the Borough over premiums paid during the year. If any funds remain in the reserve account, 15% of the total reserve balance could possibly be used to fund claim overages for the trust. A reinsurance policy is used to pay any additional excess claims. Therefore, the expense recognized by the Borough is limited to the premiums paid during the year. Any potential refund of the reserve account is calculated and received by the Borough several months after year end. Total payments by the Borough to PMHIC during the year were \$ 3,267,050. During 2013, the Borough received \$ 275,289 from PMHIC as a refund for prior premiums paid.

BOROUGH OF CHAMBERSBURG
Notes to Financial Statements
December 31, 2013

Note 10 Commitments

The Borough has the following projects open at December 31, 2013:

Project Description	Total estimated costs							Costs paid as of 12/31/13	Costs to complete
	Electric	Gas	Water	Sewer	Parking, Traffic, and Street Light	Sanitation	General		
Upgrade control system at Orchard Park	\$ 555,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 165,930	\$ 389,070
Extension of feeders #242 and #251	300,000	-	-	-	-	-	-	276,028	23,972
Installation of #261 underground getaway on Orchard Drive	250,000	-	-	-	-	-	-	192,260	57,740
Feeder #112 conversion and extension of feeder #964	200,000	-	-	-	-	-	-	193,067	6,933
Convert feeder #163 from 4KV to 12 KV	175,000	-	-	-	-	-	-	155,724	19,276
CNG Station Design and Construction	-	2,500,000	-	-	-	-	-	328,343	2,171,657
Upgrade gas mains	-	1,459,000	-	-	-	-	-	984,150	474,850
Upgrade the water treatment plants filtering system	-	-	1,150,000	-	-	-	-	49,988	1,100,012
Wastewater treatment plant upgrade (*)	-	-	-	41,244,760	-	-	-	5,440,609	35,804,151
Upgrade East Conococheague interceptor	-	-	-	1,200,000	-	-	-	41,606	1,158,394
Upgrade Chambers 5 lift station	-	-	-	1,000,000	-	-	-	350	999,650
Nutrient Credit plan	-	-	-	600,000	-	-	-	300,678	299,322
Upgrade wastewater treatment plant approach interceptor	-	-	-	500,000	-	-	-	56,951	443,049
Install gas line at wastewater treatment plant	-	-	-	115,000	-	-	-	95,044	19,956
Norland and Walker Road intersection project	-	-	-	-	1,019,061	-	-	9,221	1,009,840
Historic windows and doors at Borough Hall	-	-	-	-	-	-	500,000	226,690	273,310
Mike Waters Memorial Park phase II	-	-	-	-	-	-	150,000	35,813	114,187
Recreation for Chambersburg Family Townhomes	-	-	-	-	-	-	123,000	99,633	23,367
Various	20,000	-	107,500	-	-	27,907	248,367	118,773	285,001
Totals	\$ 1,500,000	\$ 3,959,000	\$ 1,257,500	\$ 44,659,760	\$ 1,019,061	\$ 27,907	\$ 1,021,367	\$ 8,770,858	\$ 44,673,737

(*) The Borough has a signed agreement with the local Townships related to the wastewater treatment plant upgrades. The majority of the project is for the additional capacity of the Townships and therefore will be paid for by the Townships. Of this total cost, approximately 85% will be reimbursed by the Townships.

Note 11 Conduit Debt Obligations

From time to time, the Municipal Authority of the Borough of Chambersburg has issued Revenue Notes to provide financial assistance to local not-for-profit organizations. Banks agree to loan the funds (via purchasing the Revenue Notes) to the entities, and the Municipal Authority assigns all rights, title, and interest in, and all sums payable by the entities to the banks. The notes are fully secured by the properties financed and are payable solely from resources of the entities that ultimately receive the financing. The Municipal Authority is not obligated in any manner for repayment of the debt. Consequently, this debt and the corresponding mortgages receivable are not reflected in these financial statements.

As of December 31, 2013 outstanding note balances under conduit debt arrangements were as follows:

Wilson College	\$ 26,680,000
Lutheran Homes	2,346,577
Children's Aid Society	1,287,708
Franklin County Library	370,000

BOROUGH OF CHAMBERSBURG
Notes to Financial Statements
December 31, 2013

Note 12 Contingencies

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

The Borough is involved with various lawsuits in the normal course of operations. In most cases, management cannot predict the outcome of the lawsuits or estimate the amount of any loss that may result. Management believes that losses resulting from these matters, if any, would be substantially covered under the Borough's professional liability insurance policy and would not have a material effect on the financial position of the Borough.

Note 13 Restatement

A restatement was necessary in the current year to correct a transfer in the previous year that was incorrectly made to the Capital Reserve Fund and should have been made to the Special Revenue Liquid Fuels Fund.

	Special Revenue Liquid Fuels Fund	Capital Reserve Fund
Fund balance, as originally stated - December 31, 2012	\$ 516,410	\$ 2,854,869
Restatement	<u>258,630</u>	<u>(258,630)</u>
Fund balance, as restated - December 31, 2012	<u>\$ 775,040</u>	<u>\$ 2,596,239</u>
Change in fund balance, as originally stated	\$ 284,680	\$ (240,547)
Restatement	<u>258,630</u>	<u>(258,630)</u>
Change in fund balance, as restated	<u>\$ 543,310</u>	<u>\$ (499,177)</u>

REQUIRED SUPPLEMENTARY INFORMATION

BOROUGH OF CHAMBERSBURG
Pension Trust Funds
Unaudited Required Schedule of Funding Progress

	Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	(Overfunded) Unfunded AAL ("UAAL")	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
General:	01/01/05	\$ 14,503,660	\$ 13,918,831	\$ (584,829)	104.20%	\$ 5,708,522	(10.20%)
	01/01/07	16,163,230	15,456,281	(706,949)	104.60%	6,172,381	(11.50%)
	01/01/09	15,984,144	17,342,609	1,358,465	92.17%	6,873,071	19.77%
	01/01/11	17,085,584	20,391,819	3,306,235	83.79%	7,587,865	43.57%
	01/01/13	18,369,432	22,248,614	3,879,182	82.56%	7,504,401	51.69%
Police:	01/01/05	\$ 6,240,158	\$ 7,671,322	\$ 1,431,164	81.30%	\$ 1,431,559	100.00%
	01/01/07	7,351,019	8,637,360	1,286,341	85.10%	1,558,754	82.50%
	01/01/09	7,840,209	9,833,514	1,993,305	79.73%	1,824,708	109.24%
	01/01/11	9,081,804	10,583,842	1,502,038	85.81%	1,918,058	78.31%
	01/01/13	10,328,269	12,181,761	1,853,492	84.78%	1,936,497	95.71%
Firemen:	01/01/05	\$ 3,209,245	\$ 3,382,444	\$ 173,199	94.90%	\$ 925,075	18.70%
	01/01/07	3,546,426	3,672,003	125,577	96.60%	867,312	14.50%
	01/01/09	3,584,099	4,619,052	1,034,953	77.59%	1,231,786	84.02%
	01/01/11	3,946,197	5,221,325	1,275,128	75.58%	1,330,676	95.83%
	01/01/13	4,542,705	5,905,610	1,362,905	76.92%	1,414,222	96.37%

BOROUGH OF CHAMBERSBURG
Pension Trust Funds
Unaudited Required Schedule of Employer Contributions

Calendar Year	----- General -----			----- Police -----			----- Firemen -----		
	Annual Required Contribution	Contributions From Employer	Percentage Contributed	Annual Required Contribution	Contributions From Employer	Percentage Contributed	Annual Required Contribution	Contributions From Employer	Percentage Contributed
2008	\$ 418,654	\$ 418,654	100.0%	\$ 453,071	\$ 453,071	100.0%	\$ 112,021	\$ 112,021	100.0%
2009	454,028	454,028	100.0%	466,941	466,941	100.0%	124,682	124,682	100.0%
2010	472,936	472,936	100.0%	490,641	490,641	100.0%	116,340	116,340	100.0%
2011	648,162	759,192	100%+	474,748	474,748	100.0%	204,343	204,343	100.0%
2012	650,683	650,683	100.0%	454,682	454,682	100.0%	209,739	209,739	100.0%
2013	789,962	789,962	100.0%	420,753	420,753	100.0%	244,149	244,149	100.0%

BOROUGH OF CHAMBERSBURG
OPEB (Other Postemployment Benefit Plan)
Unaudited Required Schedule of Funding Progress

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
01/01/08	\$ -	\$ 812,880	\$ 812,880	0.00%	\$ 9,425,804	8.62%
01/01/10	-	674,215	674,215	0.00%	10,934,753	6.17%
01/01/12	-	1,538,475	1,538,475	0.00%	10,572,905	14.55%

BOROUGH OF CHAMBERSBURG
Unaudited Required Supplementary Information
Budgetary Comparison Schedule - General Fund
Year Ended December 31, 2013

	Original/Final Budget	Actual (Budgetary/ GAAP Basis)	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes	\$ 6,181,500	\$ 6,771,173	\$ 589,673
Licenses and permits	334,500	381,972	47,472
Fines and forfeits	134,000	169,126	35,126
Investment earnings	4,000	2,563	(1,437)
Intergovernmental	906,200	796,741	(109,459)
Departmental charges for services	1,623,000	1,844,936	221,936
Miscellaneous	162,500	205,113	42,613
Total revenues	<u>9,345,700</u>	<u>10,171,624</u>	<u>825,924</u>
EXPENDITURES			
General government	1,339,432	1,093,938	245,494
Police department	4,079,712	3,924,147	155,565
Emergency services	2,170,600	3,336,951	(1,166,351)
Planning and zoning	380,570	474,599	(94,029)
Highways	1,335,221	1,145,134	190,087
Culture and recreation	1,364,200	1,112,091	252,109
Miscellaneous expense	-	-	-
Total expenditures	<u>10,669,735</u>	<u>11,086,860</u>	<u>(417,125)</u>
Excess (deficiency) of revenues over expenditures	<u>(1,324,035)</u>	<u>(915,236)</u>	<u>408,799</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	2,723,745	2,754,730	30,985
Transfers out	(520,425)	(543,075)	(22,650)
Total other financing sources and uses	<u>2,203,320</u>	<u>2,211,655</u>	<u>8,335</u>
Net change in fund balance	<u>\$ 879,285</u>	1,296,419	<u>\$ 417,134</u>
Fund balance - beginning		<u>1,450,260</u>	
Fund balance - ending		<u>\$ 2,746,679</u>	

BOROUGH OF CHAMBERSBURG
Unaudited Required Supplementary Information
Budgetary Comparison Schedule - Special Revenue Fund - Grant Programs
Year Ended December 31, 2013

	Original/Final Budget	Actual (Budgetary/ GAAP Basis)	Variance with Final Budget Positive (Negative)
REVENUES			
Investment earnings	\$ 50	\$ 28	\$ (22)
Intergovernmental	2,296,555	1,491,038	(805,517)
Miscellaneous	30,100	41,901	11,801
Total revenues	<u>2,326,705</u>	<u>1,532,967</u>	<u>(793,738)</u>
EXPENDITURES (by department)			
General government	-	71,557	71,557
Public Safety			
Police department	6,000	21,002	15,002
Fire department	-	46,834	46,834
Public works			
Highways	-	3,791	3,791
Culture and recreation	352,939	4,549	(348,390)
Community development	1,259,440	650,881	(608,559)
Total expenditures	<u>1,618,379</u>	<u>798,614</u>	<u>(819,765)</u>
Excess (deficiency) of revenues over expenditures	<u>708,326</u>	<u>734,353</u>	<u>26,027</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	9,000	7,764	(1,236)
Transfers out	(766,165)	(870,020)	(103,855)
Total other financing sources and uses	<u>(757,165)</u>	<u>(862,256)</u>	<u>(105,091)</u>
Net change in fund balance	<u>\$ (48,839)</u>	(127,903)	<u>\$ (79,064)</u>
Fund balance - beginning		<u>481,053</u>	
Fund balance - ending		<u>\$ 353,150</u>	

OTHER SUPPLEMENTARY INFORMATION

BOROUGH OF CHAMBERSBURG
Other Governmental Funds
Year Ended December 31, 2013

Liquid Fuels Fund – This fund (special revenue fund) is used to account for the Borough’s share of Liquid Fuels funds disbursed by the Commonwealth of Pennsylvania. The funds are legally restricted to the construction and maintenance of Borough streets and bridges.

Capital Reserve Fund – This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by enterprise funds).

BOROUGH OF CHAMBERSBURG
Combining Balance Sheet - Other Governmental Funds
December 31, 2013

	Special Revenue Liquid Fuels Fund	Capital Reserve Fund	Total - Other Governmental Funds
ASSETS			
Cash and equity in pooled cash and investments	\$ 847,895	\$ 2,322,293	\$ 3,170,188
Other receivables	-	465,712	465,712
Total assets	<u>\$ 847,895</u>	<u>\$ 2,788,005</u>	<u>\$ 3,635,900</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ -	\$ 13,923	\$ 13,923
Accrued wages, benefits and withholdings	-	82	82
Total liabilities	<u>-</u>	<u>14,005</u>	<u>14,005</u>
Fund balances			
Nonspendable for long term receivables	-	174,777	174,777
Restricted	847,895	2,599,223	3,447,118
Total fund balances	<u>847,895</u>	<u>2,774,000</u>	<u>3,621,895</u>
Total liabilities and fund balances	<u>\$ 847,895</u>	<u>\$ 2,788,005</u>	<u>\$ 3,635,900</u>

BOROUGH OF CHAMBERSBURG**Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Other
Governmental Funds
Year Ended December 31, 2013**

	Special Revenue Liquid Fuels Fund	Capital Reserve Fund	Total - Other Governmental Funds
REVENUES			
Investment earnings	\$ 302	\$ 4,470	\$ 4,772
Intergovernmental	407,051	980,000	1,387,051
Contributions and donations	-	349,025	349,025
Miscellaneous	-	10,218	10,218
Total revenues	<u>407,353</u>	<u>1,343,713</u>	<u>1,751,066</u>
EXPENDITURES			
General government	-	122,320	122,320
Public Safety			
Police department	-	34,986	34,986
Emergency services	-	13,125	13,125
Public works			
Highways	-	1,247,500	1,247,500
Culture and recreation	-	103,849	103,849
Community development	-	30,425	30,425
Total expenditures	<u>-</u>	<u>1,552,205</u>	<u>1,552,205</u>
Excess (deficiency) of revenues over expenditures	<u>407,353</u>	<u>(208,492)</u>	<u>198,861</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	389,017	389,017
Transfers out	<u>(334,498)</u>	<u>(2,764)</u>	<u>(337,262)</u>
Total other financing sources and uses	<u>(334,498)</u>	<u>386,253</u>	<u>51,755</u>
Net change in fund balances	72,855	177,761	250,616
Fund balances - beginning, as restated	<u>775,040</u>	<u>2,596,239</u>	<u>3,371,279</u>
Fund balances - ending	<u>\$ 847,895</u>	<u>\$ 2,774,000</u>	<u>\$ 3,621,895</u>

BOROUGH OF CHAMBERSBURG
Budgetary Comparison Schedule - Special Revenue Fund - Liquid Fuels
Year Ended December 31, 2013

	Original/Final Budget	Actual (Budgetary/ GAAP Basis)	Variance with Final Budget Positive (Negative)
REVENUES			
Investment earnings	\$ -	\$ 302	\$ 302
Intergovernmental	<u>395,300</u>	<u>407,051</u>	<u>11,751</u>
Total revenues	<u>395,300</u>	<u>407,353</u>	<u>12,053</u>
EXPENDITURES			
	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>395,300</u>	<u>407,353</u>	<u>12,053</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	<u>(400,000)</u>	<u>(334,498)</u>	<u>65,502</u>
Total other financing sources and uses	<u>(400,000)</u>	<u>(334,498)</u>	<u>65,502</u>
Net change in fund balance	<u>\$ (4,700)</u>	72,855	<u>\$ 77,555</u>
Fund balance - beginning, as restated		<u>775,040</u>	
Fund balance - ending		<u>\$ 847,895</u>	

BOROUGH OF CHAMBERSBURG
Budgetary Comparison Schedule - Capital Reserve Fund
Year Ended December 31, 2013

	Original/Final Budget	Actual (Budgetary/ GAAP Basis)	Variance with Final Budget Positive (Negative)
REVENUES			
Investment earnings	\$ 12,000	\$ 4,470	\$ (7,530)
Intergovernmental	-	980,000	980,000
Contributions and donations	-	349,025	349,025
Miscellaneous	<u>17,000</u>	<u>10,218</u>	<u>(6,782)</u>
Total revenues	<u>29,000</u>	<u>1,343,713</u>	<u>1,314,713</u>
EXPENDITURES			
General government	52,000	122,320	(70,320)
Police department	22,000	34,986	(12,986)
Emergency services	55,000	13,125	41,875
Highways	70,000	1,247,500	(1,177,500)
Culture and recreation	78,000	103,849	(25,849)
Miscellaneous expense	<u>123,000</u>	<u>30,425</u>	<u>92,575</u>
Total expenditures	<u>400,000</u>	<u>1,552,205</u>	<u>(1,152,205)</u>
Excess (deficiency) of revenues over expenditures	<u>(371,000)</u>	<u>(208,492)</u>	<u>162,508</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	367,000	389,017	22,017
Transfers out	<u>(4,000)</u>	<u>(2,764)</u>	<u>1,236</u>
Total other financing sources and uses	<u>363,000</u>	<u>386,253</u>	<u>23,253</u>
Net change in fund balance	<u>\$ (8,000)</u>	177,761	<u>\$ 185,761</u>
Fund balance - beginning, as restated		<u>2,596,239</u>	
Fund balance - ending		<u>\$ 2,774,000</u>	

OTHER ENTERPRISE FUNDS

BOROUGH OF CHAMBERSBURG

Other Enterprise Funds

Year Ended December 31, 2013

Sanitation Fund – This fund is used to account for the Borough’s trash and garbage removal for its residents and commercial establishments throughout the Borough.

Parking, Traffic and Street Lights Fund – This fund is used to account for financial resources to be used for the regulation and control of vehicle parking, traffic, and street lights throughout the Borough.

BOROUGH OF CHAMBERSBURG
Combining Statement of Net Position - Other Enterprise Funds
December 31, 2013

	Sanitation Fund	Parking, Traffic and Street Lights Fund	Total Other Enterprise Funds
ASSETS			
Current assets			
Cash and equity in pooled cash and investments	\$ 1,006,740	\$ 1,418,288	\$ 2,425,028
Accounts receivable, net	149,367	26,793	176,160
Other receivables	168	237	405
Prepaid expenses	16,351	-	16,351
Total current assets	<u>1,172,626</u>	<u>1,445,318</u>	<u>2,617,944</u>
Noncurrent assets			
Capital assets not being depreciated:			
Land	-	111,153	111,153
Construction in progress	27,907	190	28,097
Capital assets being depreciated:			
Buildings and system	75,529	-	75,529
Improvements other than buildings	11,356	441,572	452,928
Machinery and equipment	485,550	3,036,911	3,522,461
Less accumulated depreciation	<u>(501,552)</u>	<u>(1,537,397)</u>	<u>(2,038,949)</u>
Total capital assets	<u>98,790</u>	<u>2,052,429</u>	<u>2,151,219</u>
Total noncurrent assets	<u>98,790</u>	<u>2,052,429</u>	<u>2,151,219</u>
Total assets	<u>\$ 1,271,416</u>	<u>\$ 3,497,747</u>	<u>\$ 4,769,163</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 33,268	\$ 33,645	\$ 66,913
Accrued wages payable	17,380	1,972	19,352
Compensated absences - current	27,897	11,256	39,153
Total current liabilities	<u>78,545</u>	<u>46,873</u>	<u>125,418</u>
Noncurrent liabilities			
Compensated absences	21,620	18,455	40,075
Net OPEB obligation	17,997	3,185	21,182
Total non-current liabilities	<u>39,617</u>	<u>21,640</u>	<u>61,257</u>
Total liabilities	<u>118,162</u>	<u>68,513</u>	<u>186,675</u>
NET POSITION			
Net investment in capital assets	98,790	2,052,429	2,151,219
Unrestricted	<u>1,054,464</u>	<u>1,376,805</u>	<u>2,431,269</u>
Total net position	<u>1,153,254</u>	<u>3,429,234</u>	<u>4,582,488</u>
Total liabilities and net position	<u>\$ 1,271,416</u>	<u>\$ 3,497,747</u>	<u>\$ 4,769,163</u>

BOROUGH OF CHAMBERSBURG
Combining Statement of Revenues, Expenses and Changes in Fund Net Position - Other
Enterprise Funds
Year Ended December 31, 2013

	Sanitation Fund	Parking, Traffic and Street Lights Fund	Total Other Enterprise Funds
REVENUES			
Charges for services	\$ 2,381,839	\$ 97,771	\$ 2,479,610
Miscellaneous	77,567	41,458	119,025
Total operating revenues	<u>2,459,406</u>	<u>139,229</u>	<u>2,598,635</u>
OPERATING EXPENSES			
Operation and maintenance	-	587,615	587,615
Collection and disposal	2,115,351	-	2,115,351
Customer accounting and administrative	249,662	24,661	274,323
Depreciation	13,159	110,198	123,357
Total operating expenses	<u>2,378,172</u>	<u>722,474</u>	<u>3,100,646</u>
Operating income (loss)	<u>81,234</u>	<u>(583,245)</u>	<u>(502,011)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest and investment revenue	1,636	1,262	2,898
Gain (loss) on sale of assets	7,573	10	7,583
Intergovernmental revenues	24,569	3,534	28,103
Total nonoperating revenue (expenses)	<u>33,778</u>	<u>4,806</u>	<u>38,584</u>
Income (loss) before transfers	<u>115,012</u>	<u>(578,439)</u>	<u>(463,427)</u>
Transfers in	<u>-</u>	<u>1,079,000</u>	<u>1,079,000</u>
Change in net position	<u>115,012</u>	<u>500,561</u>	<u>615,573</u>
Total net position - beginning	<u>1,038,242</u>	<u>2,928,673</u>	<u>3,966,915</u>
Total net position - ending	<u>\$ 1,153,254</u>	<u>\$ 3,429,234</u>	<u>\$ 4,582,488</u>

BOROUGH OF CHAMBERSBURG
Combining Statement of Cash Flows - Other Enterprise Funds
Year Ended December 31, 2013

	Sanitation Fund	Parking, Traffic and Street Lights Fund	Total Other Enterprise Funds
Cash flows from operating activities:			
Receipts from customers	\$ 2,472,113	\$ 161,849	\$ 2,633,962
Payments to suppliers	(1,378,508)	(451,366)	(1,829,874)
Payments to and on behalf of employees	(971,524)	(172,844)	(1,144,368)
Net cash provided (used) by operating activities	<u>122,081</u>	<u>(462,361)</u>	<u>(340,280)</u>
Cash flows from capital and related financing activities:			
Purchase of capital assets	(72,197)	(51,980)	(124,177)
Proceeds from sale of assets	7,573	-	7,573
Net cash provided (used) by capital and related financing activities	<u>(64,624)</u>	<u>(51,980)</u>	<u>(116,604)</u>
Cash flows from non-capital financing activities:			
Transfers from other funds	-	1,079,000	1,079,000
Grants received	24,569	3,534	28,103
Net cash provided (used) by non-capital financing activities	<u>24,569</u>	<u>1,082,534</u>	<u>1,107,103</u>
Cash flows from investing activities:			
Interest and dividends received	2,062	1,573	3,635
Net cash provided (used) by investing activities	<u>2,062</u>	<u>1,573</u>	<u>3,635</u>
Net increase (decrease) in cash and cash equivalents	<u>84,088</u>	<u>569,766</u>	<u>653,854</u>
Cash and cash equivalents - beginning of the year	<u>922,652</u>	<u>848,522</u>	<u>1,771,174</u>
Cash and cash equivalents - end of the year	<u>\$ 1,006,740</u>	<u>\$ 1,418,288</u>	<u>\$ 2,425,028</u>
Reconciliation of income (loss) from operations to net cash provided (used) by operating activities			
Operating income (loss)	\$ 81,234	\$ (583,245)	\$ (502,011)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization expense	13,159	110,198	123,357
(Increase) decrease in:			
Accounts receivable	12,707	22,620	35,327
Prepaid expenses	(3,053)	-	(3,053)
Increase (decrease) in:			
Accounts payable	18,034	(11,934)	6,100
Net cash provided (used) by operating activities	<u>\$ 122,081</u>	<u>\$ (462,361)</u>	<u>\$ (340,280)</u>

BOROUGH OF CHAMBERSBURG

Internal Service Funds

Year Ended December 31, 2013

Stores Fund – The Stores Department is responsible for the purchase, storage, and disbursal of inventory which is used to support the construction and maintenance functions of the Borough utilities.

Administrative Services Fund – Administrative Services is synonymous with the Finance Department which is responsible for the complete financial, and utility meter reading, as well as the operation and maintenance of Borough Hall.

Motor Equipment Fund – This fund supports the activities of the Motor Equipment Department which manages a rolling stock of more than 120 vehicles.

Self-Insurance Fund – This fund is used for the purpose of funding risk which the Borough does not transfer to commercial insurance carriers or insurance pools.

Engineering Fund – This fund supports the activities of the Engineering Department which is responsible for furnishing engineering, surveying, drafting, and utility location information to other departments. The department also designs and inspects public works projects.

Worker's Compensation – This fund underwrites the risks to the Borough resulting from job-related injury or illness to its employees.

BOROUGH OF CHAMBERSBURG
Combining Statement of Net Position - Internal Service Funds
December 31, 2013

	Stores Fund	Motor Equipment Fund	Self Insurance Fund
ASSETS			
Current assets			
Cash and equity in pooled cash and investments	\$ 301,113	\$ 6,148,271	\$ 5,654,675
Accounts receivable, net	-	1,385	-
Other receivables	50	1,026	962
Due from other funds	-	-	109,233
Receivables from other governments	-	133,340	-
Inventories	1,275,289	95,801	-
Prepaid expenses	1,236	5,910	-
Total current assets	<u>1,577,688</u>	<u>6,385,733</u>	<u>5,764,870</u>
Noncurrent assets			
Capital Assets			
Land	-	13,984	-
Buildings and system	5,823	178,084	-
Machinery and equipment	5,287	7,934,420	-
Less accumulated depreciation	<u>(8,709)</u>	<u>(5,147,540)</u>	<u>-</u>
Total capital assets	<u>2,401</u>	<u>2,978,948</u>	<u>-</u>
Total assets	<u>\$ 1,580,089</u>	<u>\$ 9,364,681</u>	<u>\$ 5,764,870</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 2,334	\$ 12,169	\$ 1,883
Salaries payable	1,841	4,387	-
Due to other funds	-	-	-
Compensated absences - current	5,535	14,380	-
Liability for self insured losses - current	<u>-</u>	<u>-</u>	<u>62,221</u>
Total current liabilities	<u>9,710</u>	<u>30,936</u>	<u>64,104</u>
Noncurrent liabilities			
Compensated absences	4,005	15,506	-
Liability for self insured losses	-	-	86,896
Net OPEB obligation	<u>3,578</u>	<u>6,914</u>	<u>-</u>
Total noncurrent liabilities	<u>7,583</u>	<u>22,420</u>	<u>86,896</u>
Total liabilities	<u>17,293</u>	<u>53,356</u>	<u>151,000</u>
NET POSITION			
Net investment in capital assets	2,401	2,978,948	-
Unrestricted	<u>1,560,395</u>	<u>6,332,377</u>	<u>5,613,870</u>
Total net position	<u>1,562,796</u>	<u>9,311,325</u>	<u>5,613,870</u>
Total liabilities and net position	<u>\$ 1,580,089</u>	<u>\$ 9,364,681</u>	<u>\$ 5,764,870</u>

Engineering Fund	Worker's Compensation Fund	Administrative Services Fund	Total Internal Service Funds
\$ 177,028	\$ -	\$ -	\$ 12,281,087
-	-	-	1,385
30	-	-	2,068
-	-	-	109,233
-	-	-	133,340
-	-	-	1,371,090
-	-	-	7,146
<u>177,058</u>	<u>-</u>	<u>-</u>	<u>13,905,349</u>
-	-	-	13,984
-	-	-	183,907
43,639	-	-	7,983,346
(41,764)	-	-	(5,198,013)
<u>1,875</u>	<u>-</u>	<u>-</u>	<u>2,983,224</u>
<u>\$ 178,933</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,888,573</u>
\$ 1,410	\$ 6,909	\$ 65,753	\$ 90,458
3,714	243	43,798	53,983
-	109,233	-	109,233
19,165	-	144,163	183,243
-	397,903	-	460,124
<u>24,289</u>	<u>514,288</u>	<u>253,714</u>	<u>897,041</u>
13,777	-	134,063	167,351
-	555,696	-	642,592
4,486	-	46,960	61,938
<u>18,263</u>	<u>555,696</u>	<u>181,023</u>	<u>871,881</u>
<u>42,552</u>	<u>1,069,984</u>	<u>434,737</u>	<u>1,768,922</u>
1,875	-	-	2,983,224
134,506	(1,069,984)	(434,737)	12,136,427
<u>136,381</u>	<u>(1,069,984)</u>	<u>(434,737)</u>	<u>15,119,651</u>
<u>\$ 178,933</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,888,573</u>

BOROUGH OF CHAMBERSBURG
Combining Statement of Revenues, Expenses and Changes in Fund Net Position - Internal
Service Funds
Year Ended December 31, 2013

	Stores Fund	Motor Equipment Fund	Self Insurance Fund
OPERATING REVENUES			
Charges for services	\$ 166,329	\$ 2,270,752	\$ 119,736
Miscellaneous	1	-	-
Total operating revenues	<u>166,330</u>	<u>2,270,752</u>	<u>119,736</u>
OPERATING EXPENSES			
Operation and maintenance	100,785	851,106	-
General and administrative	66,559	249,119	916
Claim payments and special services	-	-	379,482
Increase (decrease) in expected unpaid losses	-	-	27,253
Depreciation and amortization	146	471,417	-
Total operating expenses	<u>167,490</u>	<u>1,571,642</u>	<u>407,651</u>
Operating income (loss)	<u>(1,160)</u>	<u>699,110</u>	<u>(287,915)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest and investment revenue	341	6,487	6,078
Gain (loss) on sale of assets	-	11,200	-
Other nonoperating revenues	494	5,444	-
Reimbursement of prior year expense	-	-	354,811
Intergovernmental revenue	3,513	7,569	-
Total non-operating revenue (expenses)	<u>4,348</u>	<u>30,700</u>	<u>360,889</u>
Income (loss) before transfers	3,188	729,810	72,974
Capital contributions and grants	-	133,340	-
Transfers in	-	48,000	18,625
Transfers out	-	(69,917)	-
Change in net position	3,188	841,233	91,599
Total net position - beginning	<u>1,559,608</u>	<u>8,470,092</u>	<u>5,522,271</u>
Total net position - ending	<u>\$ 1,562,796</u>	<u>\$ 9,311,325</u>	<u>\$ 5,613,870</u>

Engineering Fund	Worker's Compensation Fund	Administrative Services Fund	Total Internal Service Funds
\$ 322,620	\$ -	\$ 3,835,653	\$ 6,715,090
4,056	-	5,682	9,739
<u>326,676</u>	<u>-</u>	<u>3,841,335</u>	<u>6,724,829</u>
36,883	-	3,843,909	4,832,683
230,266	67,551	-	614,411
-	353,215	-	732,697
-	(5,015)	-	22,238
1,250	-	-	472,813
<u>268,399</u>	<u>415,751</u>	<u>3,843,909</u>	<u>6,674,842</u>
<u>58,277</u>	<u>(415,751)</u>	<u>(2,574)</u>	<u>49,987</u>
178	97	-	13,181
-	-	-	11,200
-	-	-	5,938
-	-	-	354,811
9,828	-	75,151	96,061
<u>10,006</u>	<u>97</u>	<u>75,151</u>	<u>481,191</u>
68,283	(415,654)	72,577	531,178
-	-	-	133,340
-	326,500	110	393,235
<u>(25,000)</u>	<u>-</u>	<u>(47,210)</u>	<u>(142,127)</u>
43,283	(89,154)	25,477	915,626
<u>93,098</u>	<u>(980,830)</u>	<u>(460,214)</u>	<u>14,204,025</u>
<u>\$ 136,381</u>	<u>\$ (1,069,984)</u>	<u>\$ (434,737)</u>	<u>\$ 15,119,651</u>

BOROUGH OF CHAMBERSBURG
Combining Statement of Cash Flows - Internal Service Funds
Year Ended December 31, 2013

	Stores Fund	Motor Equipment Fund	Self Insurance Fund
Cash flows from operating activities:			
Interfund services provided	\$ 166,824	\$ 2,299,214	\$ 119,736
Payments to suppliers	(54,868)	(812,703)	(481,701)
Payments to and on behalf of employees	(118,228)	(300,675)	-
Net cash provided (used) by operating activities	<u>(6,272)</u>	<u>1,185,836</u>	<u>(361,965)</u>
Cash flows from capital and related financing activities:			
Purchase of capital assets	-	(931,983)	-
Proceeds from sale of capital assets	-	11,200	-
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(920,783)</u>	<u>-</u>
Cash flows from non-capital financing activities:			
Transfer from other funds	-	48,000	18,625
Transfer to other funds	-	(69,917)	-
Refund received for health insurance	-	-	354,811
Grants received	3,513	7,569	-
Net cash provided (used) by non-capital financing activities	<u>3,513</u>	<u>(14,348)</u>	<u>373,436</u>
Cash flows from investing activities:			
Interest and dividends received	486	9,252	8,747
Net cash provided (used) by investing activities	<u>486</u>	<u>9,252</u>	<u>8,747</u>
Net increase (decrease) in cash and cash equivalents	<u>(2,273)</u>	<u>259,957</u>	<u>20,218</u>
Cash and cash equivalents - beginning of the year	<u>303,386</u>	<u>5,888,314</u>	<u>5,634,457</u>
Cash and cash equivalents - end of the year	<u>\$ 301,113</u>	<u>\$ 6,148,271</u>	<u>\$ 5,654,675</u>
Reconciliation of income from operations to net cash provided (used) by operating activities			
Operating income (loss)	\$ (1,160)	\$ 699,110	\$ (287,915)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization expense	146	471,417	-
Miscellaneous nonoperating income	494	5,444	-
(Increase) decrease in:			
Accounts receivable	-	23,018	-
Due from other funds	-	-	(102,568)
Inventories	18,730	(11,821)	-
Prepaid expenses	(32)	1,434	-
Increase (decrease) in:			
Accounts payable and accrued expenses	(24,450)	(2,766)	28,518
Due to other funds	-	-	-
Net cash provided (used) by operating activities	<u>\$ (6,272)</u>	<u>\$ 1,185,836</u>	<u>\$ (361,965)</u>

Engineering Fund	Worker's Compensation Fund	Administrative Services Fund	Total
\$ 326,676	\$ -	\$ 3,841,335	\$ 6,753,785
(58,211)	(318,739)	(1,077,834)	(2,804,056)
(208,241)	(7,858)	(2,791,552)	(3,426,554)
<u>60,224</u>	<u>(326,597)</u>	<u>(28,051)</u>	<u>523,175</u>
-	-	-	(931,983)
-	-	-	11,200
-	-	-	<u>(920,783)</u>
-	326,500	110	393,235
(25,000)	-	(47,210)	(142,127)
-	-	-	354,811
9,828	-	75,151	96,061
<u>(15,172)</u>	<u>326,500</u>	<u>28,051</u>	<u>701,980</u>
233	97	-	18,815
<u>233</u>	<u>97</u>	-	<u>18,815</u>
45,285	-	-	323,187
<u>131,743</u>	-	-	<u>11,957,900</u>
<u>\$ 177,028</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,281,087</u>
\$ 58,277	\$ (415,751)	\$ (2,574)	\$ 49,987
1,250	-	-	472,813
-	-	-	5,938
-	-	-	23,018
-	-	-	(102,568)
-	-	-	6,909
-	-	-	1,402
697	(13,414)	(25,477)	(36,892)
-	102,568	-	102,568
<u>\$ 60,224</u>	<u>\$ (326,597)</u>	<u>\$ (28,051)</u>	<u>\$ 523,175</u>

BOROUGH OF CHAMBERSBURG

Trust and Agency Funds

Year Ended December 31, 2013

Trust Funds are used to account for assets held by the Borough in a trustee capacity. Agency Funds are used to account for assets held by the Borough as an agent for individuals, private organizations, other governments and/or other funds.

Police Pension Fund – This fund is used to account for the accumulation of resources for pension benefit payments to qualified public safety (police) employees.

Bargaining and Administrative Employees Pension Fund – This fund is used to account for the accumulation of resources for pension benefit payments to qualified employees of the Borough other than police or fire department employees.

Firemen’s Pension Fund – This fund is used to account for the accumulation of resources for pension benefit payments to qualified Fire Department employees.

Citizen’s Reward Fund – Trust fund used to hold contributions from private citizens for the purpose of rewarding police informants for their assistance in solving crime.

Sister City Fund – Trust fund used to hold money that accumulates for the specific purpose of “sister city” activities. Our sister city is Gotemba, Japan.

Project HEAT Fund – Trust fund to hold contributions from citizens for the purpose of assisting others pay their utility bills.

Payroll Clearing Fund – An account to temporarily hold every dollar expended through the payroll system. This includes net payroll, all taxes withheld, miscellaneous deductions and employers’ share of Social Security/Medicare expense. Theoretically, every dollar contained within the account will eventually be paid out in net pay, taxes or other deductions.

Consumer Deposits Fund – Agency fund used to hold deposits on behalf of utility customers. Interest is earned and “tracked” for individual customers at the Borough’s composite interest rate. These funds can be used to settle an outstanding account or returned to the customer whenever a “good credit history” record is attained. These funds are also returned to the customer whenever they move outside the Borough. Occasionally, some deposits and or down payments from other individuals and organizations for other purposes are deposited in this account and held until final resolution has occurred.

BOROUGH OF CHAMBERSBURG
Combining Statement of Fiduciary Net Position - Pension Trust Funds
December 31, 2013

	Firemen's Pension Fund	Police Pension Fund	Bargaining and Administrative Employees Pension Fund	Total Pension Trust Funds
ASSETS				
Cash and cash equivalents	\$ 330,862	\$ 541,933	\$ 827,582	\$ 1,700,377
Mutual funds - U.S. Government and Agency Securities	786,300	1,808,730	3,192,308	5,787,338
Mutual funds - Corporate bonds	564,072	1,288,512	2,143,002	3,995,586
Mutual funds - Stocks	2,992,753	7,037,759	11,877,675	21,908,187
Mutual funds - Real estate securities	119,788	303,710	518,071	941,569
Total assets	<u>\$ 4,793,775</u>	<u>\$ 10,980,644</u>	<u>\$ 18,558,638</u>	<u>\$ 34,333,057</u>
NET POSITION				
Held in trust for benefits and other purposes	<u>\$ 4,793,775</u>	<u>\$ 10,980,644</u>	<u>\$ 18,558,638</u>	<u>\$ 34,333,057</u>

BOROUGH OF CHAMBERSBURG
Combining Statement of Changes in Fiduciary Net Position - Pension Trust Funds
Year Ended December 31, 2013

	Firemen's Pension Fund	Police Pension Fund	Bargaining and Administrative Employees Pension Fund	Total Pension Trust Funds
ADDITIONS				
Contributions				
Employer	\$ 244,149	\$ 420,753	\$ 789,962	\$ 1,454,864
Plan member	72,783	42,336	76,848	191,967
Total contributions	<u>316,932</u>	<u>463,089</u>	<u>866,810</u>	<u>1,646,831</u>
Investment income:				
Net appreciation (depreciation) in fair value of investments and gains (loss) on sale of investments	660,483	1,580,658	2,653,002	4,894,143
Interest, dividends and other	77,751	181,920	308,567	568,238
Total net investment earnings	<u>738,234</u>	<u>1,762,578</u>	<u>2,961,569</u>	<u>5,462,381</u>
Total additions	<u>1,055,166</u>	<u>2,225,667</u>	<u>3,828,379</u>	<u>7,109,212</u>
DEDUCTIONS				
Benefits	269,836	510,758	1,422,145	2,202,739
Administrative expenses	1,285	2,102	5,835	9,222
Total deductions	<u>271,121</u>	<u>512,860</u>	<u>1,427,980</u>	<u>2,211,961</u>
Change in net position	784,045	1,712,807	2,400,399	4,897,251
Net position - beginning	4,009,730	9,267,837	16,158,239	29,435,806
Net position - ending	<u>\$ 4,793,775</u>	<u>\$ 10,980,644</u>	<u>\$ 18,558,638</u>	<u>\$ 34,333,057</u>

BOROUGH OF CHAMBERSBURG
Combining Statement of Fiduciary Net Position - Private Purpose Trust Funds
December 31, 2013

	Citizen's Reward Fund	Sister City Fund	Project Heat Fund	Total Private Purpose Trust Funds
ASSETS				
Cash and equity in pooled cash and investments	\$ 10,251	\$ 28,849	\$ 11,755	\$ 50,855
Other receivables	<u>2</u>	<u>-</u>	<u>-</u>	<u>2</u>
Total assets	<u>\$ 10,253</u>	<u>\$ 28,849</u>	<u>\$ 11,755</u>	<u>\$ 50,857</u>
NET POSITION				
Held in trust for other purposes	<u>\$ 10,253</u>	<u>\$ 28,849</u>	<u>\$ 11,755</u>	<u>\$ 50,857</u>

BOROUGH OF CHAMBERSBURG
Combining Statement of Changes in Fiduciary Net Position -
Private Purpose Trust Funds
Year Ended December 31, 2013

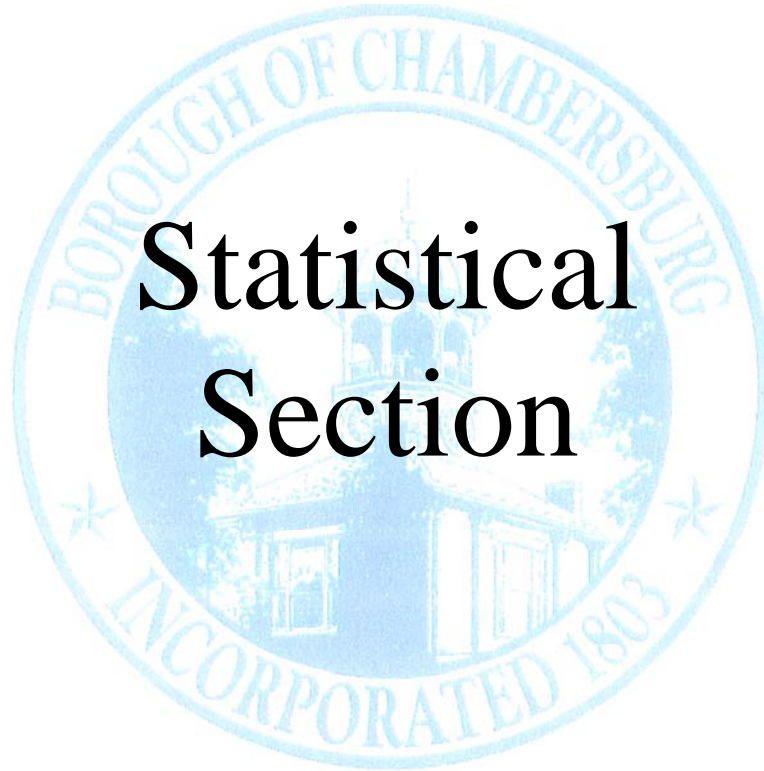
	Citizen's Reward Fund	Sister City Fund	Project Heat Fund	Total Private Purpose Trust Funds
ADDITIONS				
Interest earnings	\$ 12	\$ 5	\$ 3	\$ 20
Contributions - public	<u>50</u>	<u>8,283</u>	<u>19,875</u>	<u>28,208</u>
Total additions	<u>62</u>	<u>8,288</u>	<u>19,878</u>	<u>28,228</u>
DEDUCTIONS				
Administrative expense	-	-	10,000	10,000
Miscellaneous expense	<u>200</u>	<u>-</u>	<u>-</u>	<u>200</u>
Total deductions	<u>200</u>	<u>-</u>	<u>10,000</u>	<u>10,200</u>
Change in net position	(138)	8,288	9,878	18,028
Net position, beginning	<u>10,391</u>	<u>20,561</u>	<u>1,877</u>	<u>32,829</u>
Net position, ending	<u>\$ 10,253</u>	<u>\$ 28,849</u>	<u>\$ 11,755</u>	<u>\$ 50,857</u>

BOROUGH OF CHAMBERSBURG
Combining Statement of Changes in Assets and Liabilities - All Agency Funds
Year Ended December 31, 2013

	Balance 1/1/13	Additions	Deductions	Balance 12/31/13
PAYROLL CLEARING FUND				
Assets				
Cash and cash equivalents	\$ -	\$ 11,966,247	\$ 11,966,247	\$ -
Total assets	<u>\$ -</u>	<u>\$ 11,966,247</u>	<u>\$ 11,966,247</u>	<u>\$ -</u>
Liabilities				
Withholdings	\$ -	\$ 3,888,033	\$ 3,888,033	\$ -
Total liabilities	<u>\$ -</u>	<u>\$ 3,888,033</u>	<u>\$ 3,888,033</u>	<u>\$ -</u>
CONSUMER DEPOSIT FUND				
Assets				
Cash and cash equivalents	\$ 852,026	\$ 265,215	\$ 251,142	\$ 866,099
Other receivables	548	962	1,365	145
Total assets	<u>\$ 852,574</u>	<u>\$ 266,177</u>	<u>\$ 252,507</u>	<u>\$ 866,244</u>
Liabilities				
Consumer deposits	\$ 852,574	\$ 264,813	\$ 251,143	\$ 866,244
Total liabilities	<u>\$ 852,574</u>	<u>\$ 264,813</u>	<u>\$ 251,143</u>	<u>\$ 866,244</u>
TOTAL - ALL AGENCY FUNDS				
Assets				
Cash and cash equivalents	\$ 852,026	\$ 12,231,462	\$ 12,217,389	\$ 866,099
Other receivables	548	962	1,365	145
Total assets	<u>\$ 852,574</u>	<u>\$ 12,232,424</u>	<u>\$ 12,218,754</u>	<u>\$ 866,244</u>
Liabilities				
Withholdings	\$ -	\$ 3,888,033	\$ 3,888,033	\$ -
Consumer deposits	852,574	264,813	251,143	866,244
Total liabilities	<u>\$ 852,574</u>	<u>\$ 4,152,846</u>	<u>\$ 4,139,176</u>	<u>\$ 866,244</u>

BOROUGH OF CHAMBERSBURG
Schedule of Real Estate Taxes Receivable - General Fund
Year Ended December 31, 2013

	General Purpose
Assessed valuation of real property	\$ 194,240,200
Add: Additions	1,866,600
Less: Reductions and exonerations	<u>300</u>
Adjusted assessment	196,106,500
Tax rate	<u>20</u> mills
Total tax levied	3,922,130
Add: Penalties	9,452
Less: Discounts	(66,052)
Collections	<u>(3,581,960)</u>
2013 taxes receivable - December 31, 2013	283,570
Prior years' taxes	<u>110,580</u>
Total taxes receivable - December 31, 2013	<u><u>\$ 394,150</u></u>



Statistical Section

STATISTICAL SECTION UNAUDITED

This section of the Borough of Chambersburg's comprehensive annual financial report presents detailed information as a context for the understanding what the information in the financial statements, not disclosures, and required supplementary information says about the municipality's overall financial health.

Contents	Page(s)
Financial Trends These schedules contain trend information to help the reader understand how the municipality's financial performance and well-being have changed over time.	85 - 91
Revenue Capacity These schedules contain information to help the reader assess the municipality's most significant local revenue sources, the property tax, and the earned income tax.	92 - 97
Debt Capacity These schedules present information to help the reader assess the affordability of the municipality's current levels of outstanding debt and the municipality's ability to issue additional debt in the future.	98 - 102
Demographic and Economic Information These schedules offer economic and demographic indicators to help the reader understand the environment within which the municipality's financial activities take place.	103 - 104
Operating Information These schedules contain service information and infrastructure data to help the reader understand how the information in the municipality's financial report relates to the services the municipality provides and the activities it performs.	105 - 107

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

FINANCIAL TRENDS

These schedules contain trend information to help the reader understand how the Borough's financial performance and well-being have changed over time. These schedules include:

Net Position by Component	Schedule 1
Changes in Net Position	Schedule 2
Fund Balances - Governmental Funds	Schedule 3
Changes in Fund Balances - Governmental Funds	Schedule 4
Program Revenues by Function	Schedule 5
Tax Revenues by Source - Governmental Funds	Schedule 6

Schedule 1
Borough of Chambersburg, PA
Net Position By Component
Last Ten Years
(accrual basis of accounting)

	<u>2013</u>	<u>2012 (a)</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Governmental activities										
Net investment in capital assets	\$ 22,561,919	\$ 22,217,709	\$ 25,275,852	\$ 25,907,241	\$ 24,030,856	\$ 22,103,501	\$ 20,030,556	\$ 16,422,498	\$ 13,745,073	\$ 9,509,524
Restricted	3,975,045	3,852,332	3,769,761	1,193,916	1,452,889	1,168,346	786,100	392,808	613,697	690,381
Unrestricted	5,173,101	3,952,283	4,633,198	7,463,807	9,876,322	10,751,978	10,030,131	9,157,620	8,434,228	7,735,631
Total governmental activities net position	<u>31,710,065</u>	<u>30,022,324</u>	<u>33,678,811</u>	<u>34,564,964</u>	<u>35,360,067</u>	<u>34,023,825</u>	<u>30,846,787</u>	<u>25,972,926</u>	<u>22,792,998</u>	<u>17,935,536</u>
Business-type activities										
Net investment in capital assets	85,933,597	81,864,727	76,493,701	75,126,828	74,790,451	71,707,129	69,516,503	67,563,288	63,674,212	58,883,260
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	35,756,088	30,945,382	30,885,875	33,192,820	27,013,942	30,437,794	31,862,509	23,049,503	23,219,395	20,207,662
Total business-type activities net position	<u>121,689,685</u>	<u>112,810,109</u>	<u>107,379,576</u>	<u>108,319,648</u>	<u>101,804,393</u>	<u>102,144,923</u>	<u>101,379,012</u>	<u>90,612,791</u>	<u>86,893,607</u>	<u>79,090,922</u>
Primary government										
Net investment in capital assets	108,495,516	104,082,436	101,769,553	101,034,069	98,821,307	93,810,630	89,547,059	83,985,786	77,419,285	68,392,784
Restricted	3,975,045	3,852,332	3,769,761	1,193,916	1,452,889	1,168,346	786,100	392,808	613,697	690,381
Unrestricted	40,929,189	34,897,665	35,519,073	40,656,627	36,890,264	41,189,772	41,892,640	32,207,123	31,653,623	27,943,293
Total primary government net position	<u>\$ 153,399,750</u>	<u>\$ 142,832,433</u>	<u>\$ 141,058,387</u>	<u>\$ 142,884,612</u>	<u>\$ 137,164,460</u>	<u>\$ 136,168,748</u>	<u>\$ 132,225,799</u>	<u>\$ 116,585,717</u>	<u>\$ 109,686,605</u>	<u>\$ 97,026,458</u>

(a) During 2012, the Borough implemented items previously reported as assets and liabilities provisions of GASB 65 which changed how bond issue costs were recorded. Prior year amounts have not been restated and are shown based on the reporting requirements prior to the implementation of GASB 65.

Schedule 2
Borough of Chambersburg, PA
Changes in Net Position
Last Ten Years
(accrual basis of accounting)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Expenses										
Governmental activities										
General government	\$ 1,632,713	\$ 1,696,708	\$ 1,460,984	\$ 1,143,438	\$ 1,380,277	\$ 1,041,494	\$ 1,466,517	\$ 1,043,354	\$ 935,002	\$ 927,800
Public safety	7,882,241	7,697,570	8,274,656	8,186,805	7,372,746	7,335,996	7,032,498	6,349,063	5,848,946	5,392,779
Public works	1,814,913	1,655,579	2,315,450	2,113,662	1,963,186	1,117,850	542,993	1,852,946	876,150	1,472,316
Culture and recreation	1,378,850	1,353,831	1,442,428	1,931,419	1,453,670	1,469,475	1,237,341	1,019,986	1,019,864	951,250
Community development	655,614	539,858	776,979	313,210	475,765	661,485	579,662	467,084	142,451	374,668
Total governmental activities expenses	<u>13,364,331</u>	<u>12,943,546</u>	<u>14,270,497</u>	<u>13,688,534</u>	<u>12,645,644</u>	<u>11,626,300</u>	<u>10,859,011</u>	<u>10,732,433</u>	<u>8,822,413</u>	<u>9,118,813</u>
Business-type activities										
Electric	25,296,812	32,925,694	33,550,331	30,413,576	33,623,997	26,899,617	17,036,148	18,523,367	13,715,436	16,542,623
Gas	7,079,332	6,531,657	7,136,724	7,311,796	8,694,454	10,858,357	9,804,046	10,084,205	10,454,000	8,774,060
Water	3,123,219	2,950,841	2,898,515	2,617,711	2,831,476	2,674,069	2,775,409	2,495,541	2,440,826	2,346,858
Sewer	5,185,515	5,260,073	5,283,679	5,630,067	5,152,404	5,372,469	4,435,959	4,165,673	4,002,632	3,910,354
Sanitation	2,322,274	2,205,691	2,274,672	2,070,085	2,092,023	2,045,442	1,900,908	1,875,660	1,791,125	1,745,817
Parking, traffic and street lights	761,190	760,007	173,881	166,447	164,223	145,482	146,970	164,675	180,746	160,206
Total business-type activities expenses	<u>43,768,342</u>	<u>50,633,963</u>	<u>51,317,802</u>	<u>48,209,682</u>	<u>52,558,577</u>	<u>47,995,436</u>	<u>36,099,440</u>	<u>37,309,121</u>	<u>32,584,765</u>	<u>33,479,918</u>
Total primary government expenses	<u>\$ 57,132,673</u>	<u>\$ 63,577,509</u>	<u>\$ 65,588,299</u>	<u>\$ 61,898,216</u>	<u>\$ 65,204,221</u>	<u>\$ 59,621,736</u>	<u>\$ 46,958,451</u>	<u>\$ 48,041,554</u>	<u>\$ 41,407,178</u>	<u>\$ 42,598,731</u>
Program revenues										
Governmental activities										
Charges for services										
General government	\$ 455,531	\$ 334,574	\$ 404,010	\$ 544,572	\$ 455,042	\$ 474,050	\$ 445,288	\$ 491,696	\$ 350,807	\$ 354,012
Public safety	1,717,115	1,692,575	1,394,915	1,414,129	1,274,477	1,234,849	1,270,041	1,119,281	947,182	881,110
Public works	1,845	806	2,391	2,880	3,366	4,314	10,406	32,156	26,408	35,720
Culture and recreation	402,534	438,791	412,401	413,090	418,973	398,106	388,699	366,255	347,757	312,298
Community development	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	2,746,623	2,089,208	2,189,108	1,874,440	1,414,482	1,775,741	1,488,749	1,200,413	1,403,640	778,856
Capital grants and contributions	1,325,376	171,505	511,286	1,118,987	2,901,458	2,026,960	2,994,098	2,921,896	4,844,308	693,018
Total governmental activities program revenues	<u>6,649,024</u>	<u>4,727,459</u>	<u>4,914,111</u>	<u>5,368,098</u>	<u>6,467,798</u>	<u>5,914,020</u>	<u>6,597,281</u>	<u>6,131,697</u>	<u>7,920,102</u>	<u>3,055,014</u>
Business-type activities										
Charges for services										
Electric	31,914,866	31,823,441	32,243,631	34,765,216	30,785,021	25,655,849	23,374,049	19,731,687	17,329,059	16,534,958
Gas	8,273,829	7,368,579	7,812,764	8,323,329	9,410,294	10,971,012	10,111,337	10,295,262	11,611,918	9,065,105
Water	3,101,815	3,460,555	3,075,317	3,196,140	3,375,869	3,469,626	3,879,178	3,472,734	3,107,143	2,752,040
Sewer	5,507,845	5,317,072	5,084,952	4,570,569	4,096,262	4,068,865	4,027,596	3,796,020	3,578,237	3,248,861
Sanitation	2,452,154	1,997,409	2,032,789	2,039,950	2,045,885	2,067,715	2,026,588	1,938,838	1,907,319	1,394,234
Parking, traffic and street lights	179,281	168,168	182,707	134,397	134,927	137,939	145,400	154,740	137,451	132,753
Operating grants and contributions	264,847	139,192	518,395	706,484	168,207	173,335	482,632	178,031	149,268	336,985
Capital grants and contributions	2,484,348	3,643,331	1,195,252	1,320,441	3,400,102	2,619,182	2,537,794	1,481,518	1,678,368	110,623
Total business-type activities program revenues	<u>54,178,985</u>	<u>53,917,747</u>	<u>52,145,807</u>	<u>55,056,526</u>	<u>53,416,567</u>	<u>49,163,523</u>	<u>46,584,574</u>	<u>41,048,830</u>	<u>39,498,763</u>	<u>33,575,559</u>
Total primary government program revenues	<u>\$ 60,828,009</u>	<u>\$ 58,645,206</u>	<u>\$ 57,059,918</u>	<u>\$ 60,424,624</u>	<u>\$ 59,884,365</u>	<u>\$ 55,077,543</u>	<u>\$ 53,181,855</u>	<u>\$ 47,180,527</u>	<u>\$ 47,418,865</u>	<u>\$ 36,630,573</u>

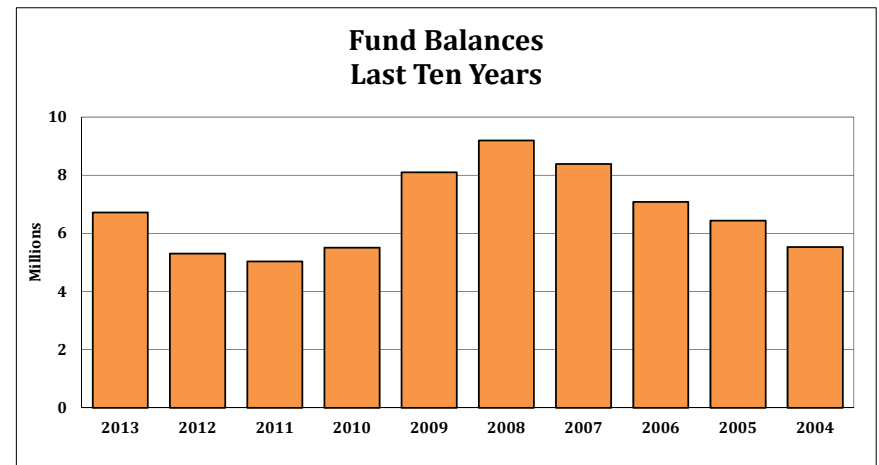
Schedule 2
Borough of Chambersburg, PA
Changes in Net Position (Continued)
Last Ten Years
(accrual basis of accounting)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Net (expense)/revenue										
Governmental activities	\$ (6,715,307)	\$ (8,216,087)	\$ (9,356,386)	\$ (8,320,436)	\$ (6,177,846)	\$ (5,712,280)	\$ (4,261,730)	\$ (4,600,736)	\$ (902,311)	\$ (6,063,799)
Business-type activities	10,410,643	3,283,784	828,005	6,846,844	857,990	1,168,087	10,485,134	3,739,709	6,913,998	95,641
Total primary government net expenses	<u>\$ 3,695,336</u>	<u>\$ (4,932,303)</u>	<u>\$ (8,528,381)</u>	<u>\$ (1,473,592)</u>	<u>\$ (5,319,856)</u>	<u>\$ (4,544,193)</u>	<u>\$ 6,223,404</u>	<u>\$ (861,027)</u>	<u>\$ 6,011,687</u>	<u>\$ (5,968,158)</u>
General revenues and other changes in net position										
Governmental activities										
Taxes										
Property taxes	\$ 3,871,122	\$ 3,860,019	\$ 3,797,204	\$ 3,732,778	\$ 3,710,125	\$ 3,627,868	\$ 3,486,845	\$ 2,810,388	\$ 2,731,777	\$ 2,656,031
Real estate transfer tax	261,049	296,618	265,172	240,954	272,005	540,465	816,051	674,435	718,074	535,193
Earned income tax	1,804,341	1,753,574	1,561,233	1,524,001	1,390,053	1,907,032	1,568,769	1,629,180	1,428,130	1,052,001
Local services tax	729,747	747,799	744,131	757,564	860,057	775,600	1,165,990	1,111,662	875,067	-
Occupation privilege tax	62,682	-	-	-	-	-	-	-	-	113,974
Other taxes	11,165	14,803	14,213	13,408	12,616	11,682	10,565	10,452	5,549	9,897
Gain on sale of assets	(13,184)	-	-	-	-	-	-	-	287	698,566
Unrestricted contributions and grants	-	-	-	-	-	22,816	3,926	26,935	99,584	8,903
Unrestricted investment earnings	-	19,745	40,144	60,048	181,223	404,894	518,979	437,046	245,268	112,490
Miscellaneous income	29,829	10,557	51,117	24,360	57,152	36,279	125,626	32,651	-	-
Transfers	1,646,297	(2,143,515)	1,997,019	1,172,220	1,705,586	1,562,682	1,117,180	1,047,915	(343,963)	1,326,605
Total governmental activities	<u>\$ 8,403,048</u>	<u>\$ 4,559,600</u>	<u>\$ 8,470,233</u>	<u>\$ 7,525,333</u>	<u>\$ 8,188,817</u>	<u>\$ 8,889,318</u>	<u>\$ 8,813,931</u>	<u>\$ 7,780,664</u>	<u>\$ 5,759,773</u>	<u>\$ 6,513,660</u>
Business-type activities										
Unrestricted investment earnings	\$ 41,143	\$ 60,705	\$ 125,701	\$ 187,285	\$ 358,101	\$ 969,639	\$ 1,180,310	\$ 951,240	\$ 544,724	\$ 300,121
Miscellaneous income	74,087	42,013	103,241	124,596	148,965	190,867	217,957	104,600	-	28,862
Transfers	(1,646,297)	2,143,515	(1,997,019)	(1,172,220)	(1,705,586)	(1,562,682)	(1,117,180)	(1,047,912)	343,963	(1,326,605)
Extraordinary items	-	-	-	-	-	-	-	(316,751)	-	-
Total business-type activities	<u>\$ (1,531,067)</u>	<u>\$ 2,246,233</u>	<u>\$ (1,768,077)</u>	<u>\$ (860,339)</u>	<u>\$ (1,198,520)</u>	<u>\$ (402,176)</u>	<u>\$ 281,087</u>	<u>\$ (308,823)</u>	<u>\$ 888,687</u>	<u>\$ (997,622)</u>
Total primary government	\$ 6,871,981	\$ 6,805,833	\$ 6,702,156	\$ 6,664,994	\$ 6,990,297	\$ 8,487,142	\$ 9,095,018	\$ 7,471,841	\$ 6,648,460	\$ 5,516,038
Change in net position										
Governmental activities	1,687,741	(3,656,487)	(886,153)	(795,103)	2,010,971	3,177,038	4,552,201	3,179,928	4,857,462	449,861
Business-type activities	8,879,576	5,530,017	(940,072)	5,986,505	(340,530)	765,911	10,766,221	3,430,886	7,802,685	(901,981)
Total primary government change in net position	<u>\$ 10,567,317</u>	<u>\$ 1,873,530</u>	<u>\$ (1,826,225)</u>	<u>\$ 5,191,402</u>	<u>\$ 1,670,441</u>	<u>\$ 3,942,949</u>	<u>\$ 15,318,422</u>	<u>\$ 6,610,814</u>	<u>\$ 12,660,147</u>	<u>\$ (452,120)</u>

Schedule 3
Borough of Chambersburg, PA
Fund Balances - Governmental Funds
Last Ten Years
(modified accrual basis of accounting)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General fund										
Unassigned	\$ 2,746,679	\$ 1,450,260	\$ 1,259,687	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reserved	-	-	-	-	-	-	-	-	51,625	-
Unreserved	-	-	-	1,375,034	2,139,230	3,022,011	3,132,235	3,002,526	2,444,085	1,780,615
Total general fund	2,746,679	1,450,260	1,259,687	1,375,034	2,139,230	3,022,011	3,132,235	3,002,526	2,495,710	1,780,615
All other governmental funds										
Reserved	-	-	-	583,627	506,093	439,688	482,736	334,814	438,199	3,534,247
Unreserved, reported in										
Special revenue fund	-	-	-	860,642	1,096,594	858,329	455,558	89,893	234,642	-
Capital reserve funds	-	-	-	2,688,148	4,359,108	4,871,296	4,309,406	3,647,518	3,271,894	-
Liquid fuels tax fund	-	-	-	-	-	-	-	-	-	211,065
Nonspendable for long term receivables	241,387	237,186	249,133	-	-	-	-	-	-	-
Restricted	3,733,658	3,615,146	3,520,628	-	-	-	-	-	-	-
Total all other governmental funds	3,975,045	3,852,332	3,769,761	4,132,417	5,961,795	6,169,313	5,247,700	4,072,225	3,944,735	3,745,312
Total governmental funds	\$ 6,721,724	\$ 5,302,592	\$ 5,029,448	\$ 5,507,451	\$ 8,101,025	\$ 9,191,324	\$ 8,379,935	\$ 7,074,751	\$ 6,440,445	\$ 5,525,927

Fund balance reporting as presented by GASB 54 was implemented during 2011. Prior year amounts have not been restated and are shown based on the fund balance classifications as presented by GASB Standards prior to the implementation of GASB 54.



Schedule 4
Borough of Chambersburg, PA
Changes in Fund Balances - Governmental Funds
Last Ten Years
(modified accrual basis of accounting)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
REVENUES				
Real estate taxes	\$ 3,991,164	\$ 3,783,960	\$ 3,754,875	\$ 3,732,778
Local enabling taxes	2,780,009	2,588,481	2,602,256	2,620,238
Licenses and permits	381,972	349,126	320,776	357,550
Fines and forfeits	169,126	147,438	122,283	130,940
Investment earnings	7,363	12,817	22,777	37,461
Intergovernmental	3,674,830	2,055,872	2,418,840	2,045,106
Program income	-	-	-	-
Charges for services	1,844,936	1,840,196	1,638,809	1,792,542
Miscellaneous	257,232	220,524	297,500	212,953
Contributions and donations	349,025	124,660	134,832	79,094
Total revenues	<u>13,455,657</u>	<u>11,123,074</u>	<u>11,312,948</u>	<u>11,008,662</u>
EXPENDITURES				
Current:				
General government	1,287,815	1,098,876	1,106,857	1,265,367
Public safety				
Police department	3,980,135	4,065,329	4,230,668	4,597,965
Emergency services	3,396,910	3,210,618	2,412,176	2,056,357
Fire code	-	-	-	-
Planning and zoning	474,599	329,461	537,731	455,054
General health and ambulance service	-	-	1,053,206	1,184,088
Public works				
Highways	2,396,425	1,442,803	1,447,497	2,107,854
Parking, traffic control, and transit system	-	-	476,187	990,662
Street lighting	-	-	-	-
Airport	-	-	-	-
Culture and recreation	1,220,489	1,164,260	1,555,752	1,803,470
Community development	681,306	521,509	568,877	487,577
Capital projects	-	-	-	-
Housing rehabilitation grants/loans	-	-	-	-
Debt service				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>13,437,679</u>	<u>11,832,856</u>	<u>13,388,951</u>	<u>14,948,394</u>
Excess (deficiency) of revenues over expenditures	<u>17,978</u>	<u>(709,782)</u>	<u>(2,076,003)</u>	<u>(3,939,732)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	-	-	-	-
Transfers in (out)	1,401,154	982,926	1,598,000	1,346,158
Total other financing sources and uses	<u>1,401,154</u>	<u>982,926</u>	<u>1,598,000</u>	<u>1,346,158</u>
Net change in fund balances	<u>\$ 1,419,132</u>	<u>\$ 273,144</u>	<u>\$ (478,003)</u>	<u>\$ (2,593,574)</u>
Debt service as a percentage of non-capital expenditures	00.0%	00.0%	00.0%	00.0%
Debt service as a percentage of total expenditures	0.000%	0.000%	0.000%	0.000%

Note: Certain amounts in the schedule were restated due to reclassifications made.

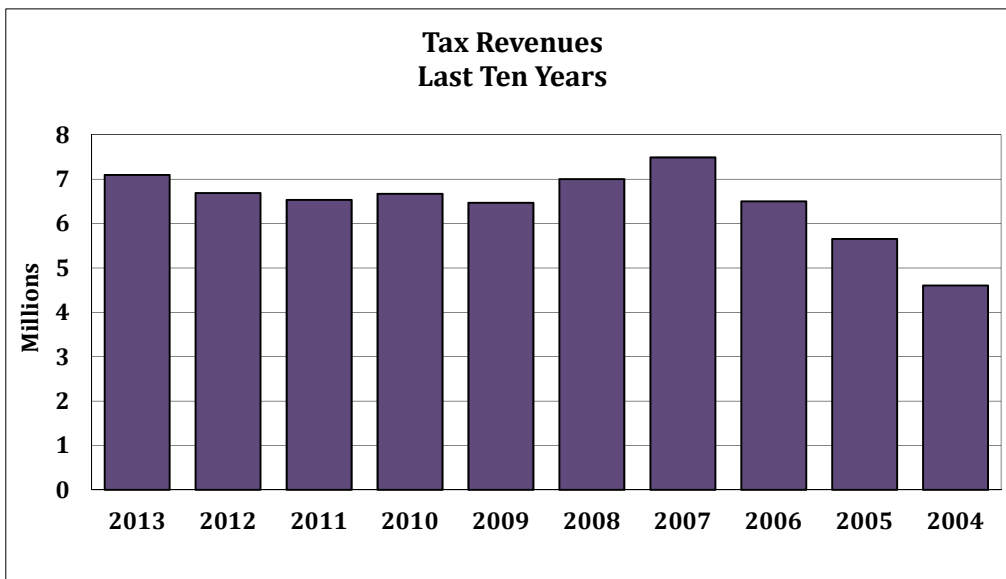
	2009	2008	2007	2006	2005	2004
\$	3,710,125	\$ 3,579,097	\$ 3,496,353	\$ 2,812,617	\$ 2,699,852	\$ 2,652,016
	2,438,571	3,115,435	3,795,794	3,378,559	2,990,956	1,924,194
	329,480	314,841	283,832	327,849	12,216	11,708
	127,416	147,943	134,912	124,607	104,554	105,994
	130,960	304,813	433,095	340,051	169,742	89,142
	1,854,862	2,203,624	4,128,114	2,963,293	5,390,700	1,441,099
	-	-	-	-	34,413	25,307
	1,551,711	1,533,643	1,609,239	1,429,528	1,257,871	1,149,657
	217,277	225,042	286,146	406,735	333,743	297,662
	392,826	767,176	-	-	99,584	8,903
	<u>10,753,228</u>	<u>12,191,614</u>	<u>14,167,485</u>	<u>11,783,239</u>	<u>13,093,631</u>	<u>7,705,682</u>
	1,039,126	995,568	1,524,590	1,221,598	1,047,575	100,968
	4,105,028	4,007,937	3,998,185	3,745,351	3,273,532	3,005,234
	1,790,115	1,768,874	1,804,011	1,703,609	1,369,481	1,250,482
	-	-	-	-	93,158	86,156
	371,105	424,173	454,234	359,499	295,959	318,144
	1,086,075	995,078	770,771	798,504	771,723	709,344
	2,168,345	1,330,447	962,915	2,553,405	2,845,568	918,701
	684,238	448,458	476,549	718,504	186,535	194,161
	-	-	-	-	189,927	146,879
	-	-	-	-	-	12,018
	1,394,860	1,493,780	1,189,479	1,058,650	1,668,362	1,050,717
	559,625	1,198,910	2,765,619	661,039	-	-
	-	-	-	-	-	-
	-	-	-	-	124,857	63,373
	-	-	-	-	-	-
	-	-	-	-	-	-
	<u>13,198,517</u>	<u>12,663,225</u>	<u>13,946,353</u>	<u>12,820,159</u>	<u>11,866,677</u>	<u>7,856,177</u>
	<u>(2,445,289)</u>	<u>(471,611)</u>	<u>221,132</u>	<u>(1,036,920)</u>	<u>1,226,954</u>	<u>(150,495)</u>
	-	-	-	-	-	790,084
	1,330,307	1,283,000	1,084,052	1,671,226	(312,436)	1,419,435
	<u>1,330,307</u>	<u>1,283,000</u>	<u>1,084,052</u>	<u>1,671,226</u>	<u>(312,436)</u>	<u>2,209,519</u>
\$	<u>(1,114,982)</u>	<u>\$ 811,389</u>	<u>\$ 1,305,184</u>	<u>\$ 634,306</u>	<u>\$ 914,518</u>	<u>\$ 2,059,024</u>
	00.0%	00.0%	00.0%	00.0%	00.0%	00.0%
	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%

Schedule 5
Borough of Chambersburg, PA
Program Revenues by Function
Last Ten Years
(accrual basis of accounting)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Function/Program										
Governmental activities										
General government	\$ 488,079	\$ 366,191	\$ 1,297,380	\$ 2,029,383	\$ 635,089	\$ 2,513,514	\$ 3,764,057	\$ 1,399,348	\$ 1,000,257	\$ 761,020
Public safety	3,204,865	2,639,445	2,095,069	2,190,353	1,937,743	2,016,269	1,364,935	1,655,801	995,819	954,758
Public works	1,763,380	564,311	4,860	261,626	2,870,251	532,278	1,015,251	2,180,286	4,740,355	343,978
Culture and recreation	501,333	550,572	675,646	413,090	425,909	539,959	422,506	393,682	347,757	312,298
Community development	691,367	606,940	841,156	473,646	598,806	312,000	30,532	502,580	835,914	682,960
Subtotal governmental activities	<u>6,649,024</u>	<u>4,727,459</u>	<u>4,914,111</u>	<u>5,368,098</u>	<u>6,467,798</u>	<u>5,914,020</u>	<u>6,597,281</u>	<u>6,131,697</u>	<u>7,920,102</u>	<u>3,055,014</u>
Business-type activities										
Electric	31,982,784	32,759,537	32,517,943	35,088,796	32,316,324	26,568,799	23,787,570	20,634,722	17,714,633	16,639,896
Gas	8,388,751	7,530,410	7,913,084	8,405,864	9,488,238	11,149,104	10,129,533	10,496,579	11,707,046	9,109,242
Water	3,222,033	3,481,859	3,174,372	4,022,392	4,420,697	4,273,076	4,407,194	3,759,890	3,903,315	2,870,600
Sewer	7,925,879	7,933,656	6,235,990	5,243,703	4,958,834	4,919,105	6,050,383	4,025,793	4,092,000	3,340,542
Sanitation	2,476,723	2,034,451	2,112,945	2,153,694	2,095,168	2,112,950	2,062,631	1,974,758	1,942,027	1,477,450
Parking, traffic and street lights	182,815	177,834	191,473	142,077	137,306	140,489	147,263	157,088	139,742	137,829
Subtotal business type activities	<u>54,178,985</u>	<u>53,917,747</u>	<u>52,145,807</u>	<u>55,056,526</u>	<u>53,416,567</u>	<u>49,163,523</u>	<u>46,584,574</u>	<u>41,048,830</u>	<u>39,498,763</u>	<u>33,575,559</u>
Total primary government	<u>\$ 60,828,009</u>	<u>\$ 58,645,206</u>	<u>\$ 57,059,918</u>	<u>\$ 60,424,624</u>	<u>\$ 59,884,365</u>	<u>\$ 55,077,543</u>	<u>\$ 53,181,855</u>	<u>\$ 47,180,527</u>	<u>\$ 47,418,865</u>	<u>\$ 36,630,573</u>

Schedule 6
Borough of Chambersburg, PA
Tax Revenues by Source - Governmental Funds
Last Ten Years
(modified accrual basis of accounting)

Fiscal Year	Real Estate	Real Estate Transfer	Earned Income	Occupational Privilege	Local Services Tax	Cable TV Franchise Fees	Payments in Lieu of Taxes	Total
2013	\$ 3,928,482	\$ 261,049	\$ 1,771,072	\$ -	\$ 747,888	\$ 324,337	\$ 62,682	\$ 7,095,510
2012	3,769,157	296,618	1,571,261	-	720,602	315,504	14,803	6,687,945
2011	3,740,662	265,172	1,499,019	-	702,064	313,867	14,213	6,534,997
2010	3,702,670	240,954	1,638,419	-	757,564	315,038	13,408	6,668,053
2009	3,690,751	272,005	1,313,267	-	860,057	319,990	12,616	6,468,686
2008	3,579,097	540,465	1,787,688	-	775,600	302,892	11,682	6,997,424
2007	3,496,353	816,051	1,728,188	-	1,165,990	269,553	10,565	7,486,700
2006	2,812,617	674,435	1,582,009	-	1,111,662	308,267	10,452	6,499,442
2005 (1)	2,699,853	718,074	1,148,766	-	875,067	209,203	5,549	5,656,512
2004	2,652,016	535,173	1,085,130	113,974	-	206,943	9,897	4,603,133



(1) Beginning in 2005, Occupational Privilege Tax (OPT) was eliminated and replaced with Emergency and Municipal Services Tax (EMST)/local services tax.

Source: Borough of Chambersburg Finance Department.

REVENUE CAPACITY

These schedules contain trend information to help the reader assess the Borough's most significant local revenue source, the property tax. These schedules include:

Property Tax Rates - Direct and Overlapping Governments	Schedule 7
Assessed Value and Actual Value of Taxable Property	Schedule 8
Principal Taxpayers	Schedule 9
Property Tax Levies and Collections	Schedule 10
Municipal Earned Income Tax Revenue Base and Collections	Schedule 11
Earned Income Tax Statistics	Schedule 12

Schedule 7
Borough of Chambersburg, PA
Property Tax Rates - Direct and Overlapping Governments
Last Ten Years

Tax Year	Direct Debt (Operating Mill Rate)	<-----Overlapping Debt----->		
	Borough of Chambersburg	Chambersburg Area Sch Dist	Franklin County	Franklin County Library
2013	20.00	93.69	25.65	1.05
2012	20.00	92.76	25.15	0.8
2011	20.00	92.76	25.15	0.8
2010	20.00	89.62	25.15	0.8
2009	20.00	84.98	24.65	0.8
2008	20.00	80.98	21.95	0.8
2007	20.00	76.91	21.75	0.6
2006	17.00	70.68	21.75	0.6
2005	17.00	67.00	20.75	0.6
2004	17.00	62.53	16.75	0.6

Sources: Borough of Chambersburg Comprehensive Annual Report
Chambersburg Area School District Annual Financial Report
Franklin County Tax Assessment Office

Note: Certain amounts in the schedule were restated due to errors and omissions in previous ye:

Schedule 8
Borough of Chambersburg, PA
Assessed Value and Actual Value of Taxable Property
Last Ten Years

Fiscal Year Ended December 31,	Agricultural Property	Residential Property	Commercial Property	Industrial Property	Vacant Property	Tax Exempt Property	Total Estimated Assessed Value	Total Taxable Assessed Value	Chambersburg Municipal Millage Rate
2013	\$ 261,890	\$ 98,871,380	\$ 83,431,360	\$ 9,021,630	\$ 2,654,140	\$ 51,986,140	\$ 246,226,540	\$ 194,240,400	20.00
2012	267,630	98,678,800	82,147,740	9,006,850	2,784,410	51,973,840	244,859,270	192,885,430	20.00
2011	267,630	98,098,920	80,602,420	9,296,000	2,802,080	51,726,140	242,793,190	191,067,050	20.00
2010	267,630	96,846,110	78,000,260	9,383,290	2,888,840	51,559,840	238,945,970	187,386,130	20.00
2009	267,630	95,560,690	78,327,490	9,709,350	2,782,180	51,027,070	237,674,410	186,647,340	20.00
2008	267,630	92,976,990	74,950,820	10,007,730	2,911,350	50,946,250	232,060,770	181,114,520	20.00
2007	321,620	90,319,950	68,040,640	9,698,490	2,977,070	50,832,230	222,190,000	171,357,770	20.00
2006	331,460	87,762,230	64,269,630	9,698,490	2,111,770	50,389,070	214,562,650	164,173,580	17.00
2005	319,440	85,328,290	63,225,610	9,698,490	2,025,380	50,528,540	211,125,750	160,597,210	17.00
2004	388,360	83,479,780	61,341,370	9,730,290	1,864,130	51,884,030	208,687,960	156,803,930	17.00

Sources: Franklin County, PA Tax Assessor's Office
Borough of Chambersburg Comprehensive Annual Financial Report

Schedule 9
Borough of Chambersburg, PA
Principal Taxpayers
12/31/2013 and 12/31/2004

December 31, 2013

Taxpayer	Estimated Actual Values of Real Property (1)	Rank	Percentage of Assessed Valuation
Chbg Health Srv/Chbg Hospital	\$ 12,568,160	1	6.47%
Menno-Haven, Inc	5,485,100	2	2.82%
Chambersburg Crossing LP	4,900,000	3	2.52%
American Real Estate	2,340,650	4	1.21%
Wilsey/Holsum-Ventura Food LLC	2,224,930	5	1.15%
ProLogis	1,780,100	6	0.92%
Wayne Avenue LLC	1,628,060	7	0.84%
Chambersburg Cold Storage	1,491,010	8	0.77%
Tanya K. Nitterhouse	1,343,990	9	0.69%
Chbg Area Development Corp	1,200,050	10	0.62%
Total	<u>\$ 34,962,050</u>		<u>18.00%</u>
Total Taxable Assessed Valuation	<u>\$ 194,240,400</u>		

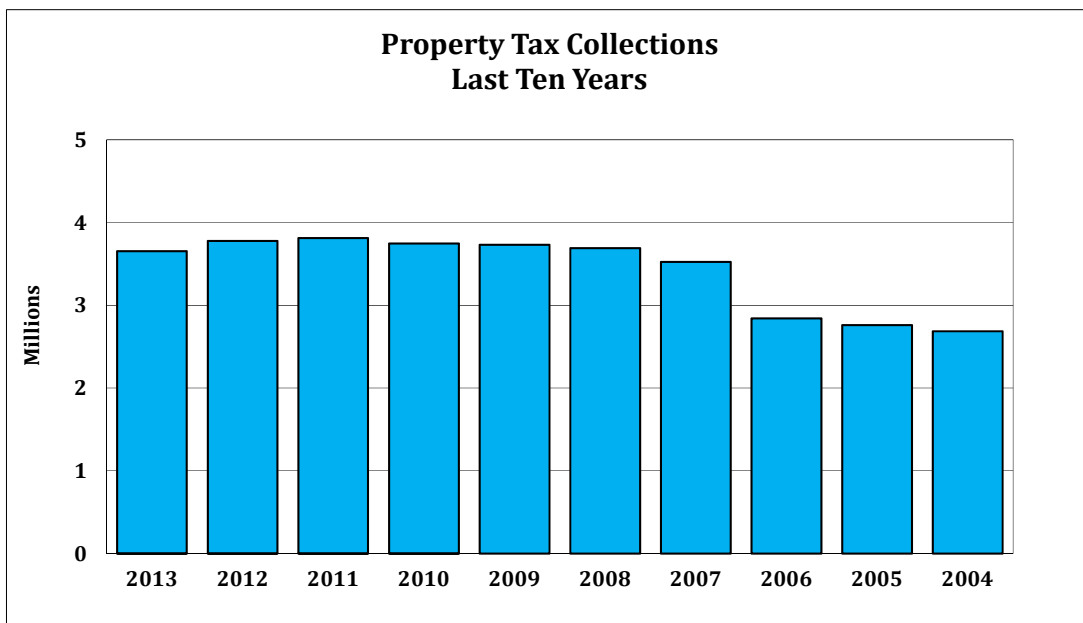
December 31, 2004

Taxpayer	Estimated Actual Values of Real Property (1)	Rank	Percentage of Assessed Valuation
Menno-Haven, Inc	\$ 3,890,440	1	2.48%
Chbg Health Srv/Chbg Hospital	3,638,650	2	2.32%
American Real Estate	2,340,650	3	1.49%
Wilsey/Holsum-Ventura Food LLC	2,127,500	4	1.36%
Dermody Owen LLC	1,770,950	5	1.13%
Tanya K. Nitterhouse	1,645,920	6	1.05%
WCN Properties	1,478,310	7	0.94%
Chbg Area Development Corp	1,385,950	8	0.88%
Franklin Properties Co	1,095,000	9	0.70%
First Allied Shopping Centers	867,810	10	0.55%
	<u>\$ 20,241,180</u>		<u>12.91%</u>
Total Taxable Assessed Valuation	<u>\$ 156,803,930</u>		

Sources: Borough of Chambersburg Comprehensive Annual Financial Report
Franklin County Assessor's Office

Schedule 10
Borough of Chambersburg, PA
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended Dec 31,	Taxes Levied for the Fiscal Year	Collections within the Fiscal Year of the Levy		Collections In Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2013	\$ 3,897,692	\$ 3,650,686	93.66%	\$ -	\$ 3,650,686	93.66%
2012	3,872,274	3,593,392	92.80%	182,179	3,775,571	97.50%
2011	3,821,341	3,523,898	92.22%	287,285	3,811,183	99.73%
2010	3,747,723	3,527,832	94.13%	218,552	3,746,384	99.96%
2009	3,732,947	3,521,879	94.35%	209,150	3,731,029	99.95%
2008	3,691,170	3,449,448	93.45%	241,491	3,690,939	99.99%
2007 (1)	3,524,433	3,327,598	94.42%	196,604	3,524,202	99.99%
2006	2,842,065	2,689,089	94.62%	152,976	2,842,065	100.00%
2005	2,760,042	2,611,898	94.63%	148,144	2,760,042	100.00%
2004	2,685,963	2,546,557	94.81%	139,406	2,685,963	100.00%



(1) The Borough's property tax mill rate increased from 17.0 to 20.0, an increase of 17.64%
Source: Borough of Chambersburg Finance Department

Schedule 11
Borough of Chambersburg, PA
Municipal Earned Income Tax Revenue Base and Collections
Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year	Tax Rate	Total Earned Income Tax Collected	Refunds	Net Earned Income Tax Collected
2013	1.00%	\$ 1,763,576	\$ 50,104	\$ 1,713,472
2012	1.00%	1,726,825	41,883	1,684,942
2011	1.00%	1,545,659	36,156	1,509,503
2010	1.00%	1,506,994	40,290	1,466,704
2009	1.00%	1,532,436	38,505	1,493,931
2008	1.00%	1,768,256	34,413	1,733,843
2007	1.00%	1,604,820	41,275	1,563,545
2006	1.00%	1,517,056	38,543	1,478,513
2005	1.00%	1,359,818	31,052	1,328,766
2004	1.00%	1,258,254	20,624	1,237,630

Source: Franklin County Area Tax Bureau

Schedule 12
Borough of Chambersburg, PA
Earned Income Tax Statistics
Last Ten Years

Number of tax filers										
Income Range	2013 (1)	2012	2011	2010	2009	2008	2007	2006	2005	2004
> \$1,000,000		1	0	0	0	0	1	0	0	0
\$500,000 - \$999,999		15	12	12	17	16	16	15	12	11
\$200,000 - \$499,000		45	64	65	45	44	43	34	32	34
\$100,000 - \$199,000		183	192	198	163	148	140	132	116	101
\$50,000 - \$99,000		1,365	1,453	1,442	1,216	1,148	1,099	1,008	924	853
<\$50,000		7,135	6,923	6,445	6,941	7,455	7,079	7,344	7,377	7,353
Total		8,744	8,644	8,162	8,382	8,811	8,378	8,533	8,461	8,352

% of total earned income taxes paid										
Income Range	2013 (1)	2012	2011	2010	2009	2008	2007	2006	2005	2004
> \$1,000,000		0.61%	0.00%	0.00%	0.00%	0.00%	0.41%	0.00%	0.00%	0.00%
\$500,000 - \$999,999		3.21%	2.76%	2.95%	3.76%	3.54%	3.51%	3.42%	3.11%	2.67%
\$200,000 - \$499,000		5.07%	6.85%	6.96%	4.98%	4.88%	5.05%	3.86%	3.91%	4.16%
\$100,000 - \$199,000		8.63%	8.64%	9.15%	7.80%	7.10%	6.87%	6.64%	6.06%	5.63%
\$50,000 - \$99,000		32.89%	32.50%	33.05%	29.12%	27.73%	27.18%	25.64%	24.76%	23.78%
<\$50,000		49.59%	49.25%	47.89%	54.34%	56.75%	56.98%	60.44%	62.16%	63.76%
Total		100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Total Personal Income		\$310,489,463	\$296,903,258	\$286,781,775	\$273,204,270	\$270,954,117	\$263,147,886	\$255,114,215	\$243,248,314	\$230,882,085
-----------------------	--	---------------	---------------	---------------	---------------	---------------	---------------	---------------	---------------	---------------

(1) Information for year ended 12/31/2013 not yet available
Source: Franklin County Area Tax Bureau

DEBT CAPACITY

These schedules contain trend information to help the reader assess the affordability of the Borough's current levels of outstanding debt and the Borough's ability to issue additional debt in the future.

These schedules include:

Ratios of Outstanding Debt by Type	Schedule 13
Ratios of General Bonded Debt Outstanding	Schedule 14
Legal Debt Margin Information	Schedule 15
Computation of Direct and Overlapping Debt	Schedule 16
Debt Capacity Information - Pledged - Revenue Coverage	Schedule 17

Schedule 13
Borough of Chambersburg, PA
Ratios of Outstanding Debt by Type
Last Ten Years

Governmental Activities (1)		Business Type Activities (1)								
Fiscal Year	General Obligation Bonds	Electric Department General Obligation Bonds	Electric Department General Obligation Notes	Gas Department General Obligation Notes	Sewer Treatment Plant General Obligation Bonds	Sewer Treatment Plant General Obligation Notes	Water Plant Revenue Notes Payable (2)	Total Primary Government	Percentage of Personal Income	Per Capita
2013	0	\$ 12,220,000	\$ 1,508,357	\$ 38,417	\$ 1,315,000	\$ 58,667	\$ 2,463,360	\$ 17,603,801	4.186%	869
2012	0	13,217,900	27,467	38,417	1,847,100	58,667	2,649,126	17,838,677	4.242%	880
2011	0	14,095,208	-	-	2,364,792	-	2,640,542	19,100,542	4.542%	942
2010	0	15,033,600	-	-	2,866,400	-	2,845,376	20,745,376	5.309%	1,024
2009	0	15,941,300	-	-	3,353,700	-	2,370,233	21,665,233	6.257%	1,206
2008	0	16,355,000	-	-	3,955,000	-	2,338,177	22,648,177	6.541%	1,261
2007	0	17,240,000	-	-	4,340,000	-	2,556,619	24,136,619	6.971%	1,344
2006	0	17,550,000	-	-	4,715,000	-	2,732,990	24,997,990	7.220%	1,392
2005	0	18,355,000	-	-	4,720,000	-	4,200,000	27,275,000	7.877%	1,519
2004	0	19,140,000	-	-	5,440,000	-	4,371,675	28,951,675	8.361%	1,612

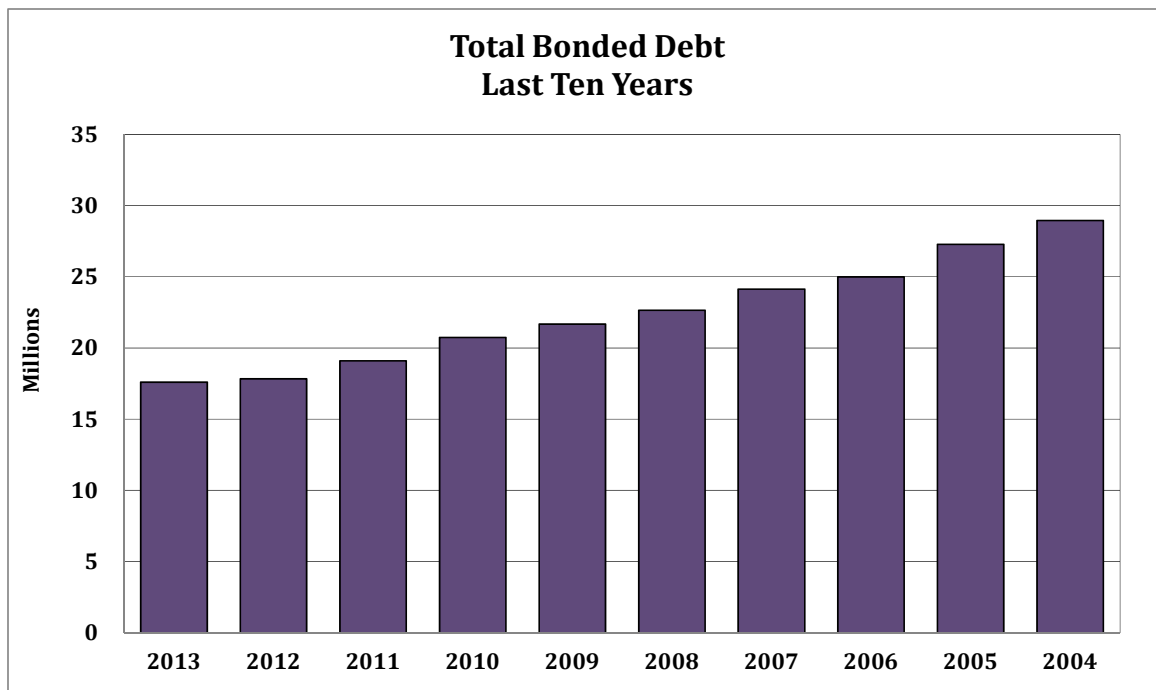
(1) Details regarding the Borough's outstanding debt can be found in the Note 5 in the current financial statements.

(2) Various water projects financed via the Commonwealth of Pennsylvania's Pennvest loan program.

Source: Borough of Chambersburg Finance Department

Schedule 14
Borough of Chambersburg, PA
Ratios of General Bonded Debt Outstanding
Last Ten Years

General Bonded Debt Outstanding					
	Net Non-electoral debt	Lease rental debt	Total Primary Government	% of Assessed Valuation	Debt per Capita
2013	\$ 17,603,801	\$ -	\$ 17,603,801	9.06%	\$ 869
2012	17,838,677	-	17,838,677	9.25%	880
2011	19,100,542	-	19,100,542	10.00%	942
2010	20,745,376	-	20,745,376	11.07%	1,024
2009	21,665,233	-	21,665,233	11.61%	1,206
2008	22,648,177	-	22,648,177	12.50%	1,261
2007	24,136,619	-	24,136,619	14.09%	1,344
2006	24,997,990	-	24,997,990	15.23%	1,392
2005	27,275,000	-	27,275,000	16.98%	1,519
2004	28,951,675	-	28,951,675	18.46%	1,612



Note: Certain amounts in the schedule were restated due to errors and omissions in previous years.
Source: Borough of Chambersburg Finance Department.

Schedule 15
Borough of Chambersburg, PA
Legal Debt Margin Information
Last Ten Years

General Bonded Debt Outstanding

Fiscal Year	Three year average revenue borrowing base	Legal debt limit	Total Debt Applicable to limit	Legal Debt margin (1)	Legal Debt margin %
2013	\$ 64,949,167	\$ 162,372,917	\$ 17,603,801	\$ 144,769,116	89.16%
2012	65,007,250	162,518,125	17,838,677	144,679,448	89.02%
2011	64,107,572	160,268,931	19,100,542	141,168,389	88.08%
2010	62,787,531	156,968,828	20,745,376	136,223,452	86.78%
2009	60,298,760	150,746,900	21,665,233	129,081,667	85.63%
2008	57,735,693	144,339,233	22,648,177	121,691,056	84.31%
2007	54,371,026	135,927,564	24,136,619	111,790,945	82.24%
2006	49,400,865	123,502,163	24,997,990	98,504,173	79.76%
2005	44,163,564	110,408,911	27,275,000	83,133,911	75.30%
2004	40,676,773	101,691,932	28,951,675	72,740,257	71.53%

(1) Legal Debt Margin: (12/31/2013)

a	Average revenues past 3 yrs	64,949,167	(\$194,847,501 / 3)
b	Legal debt limit (2.5 time average rev)	162,372,917	
c	Debt outstanding @ 12/31/2013	(17,603,801)	
	Legal Debt Margin (b-c)	\$ 144,769,116	

Source: Borough of Chambersburg Finance Department

Schedule 16
Borough of Chambersburg, PA
Computation of Direct and Overlapping Debt
December 31, 2013

Jurisdiction	Total Debt Outstanding	Estimated Percentage Applicable (a)	Amount Applicable To Borough of Chbg
Direct			
Borough of Chambersburg (Governmental Activities)	\$ -		\$ -
Overlapping			
Chambersburg School Dist	141,550,450	28.7485%	40,693,664
County of Franklin	29,413,000	13.9210%	4,094,594
Total Overlapping Debt	170,963,450		44,788,258
Total	<u>\$ 170,963,450</u>		<u>\$ 44,788,258</u>

(a) The percentage of overlapping debt applicable is estimated using taxable property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable value that is within the borough's boundaries and dividing it by each unit's total taxable value.

Souces: Borough of Chambersburg Comprehensive Annual Financial Report
Franklin County Fiscal Department
Chambersburg Area School District

Notes: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the borough. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the borough. This process recognizes that, when considering the borough's ability to issue and repay long-term debt, the entire burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

Schedule 17
Borough of Chambersburg, PA
Debt Capacity Information - Pledged-Revenue Coverage
Last Ten Years

Water Revenue Loan Payable (1)

Fiscal Year	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2013	\$ 3,080,915	\$ 3,109,390	\$ (28,475)	\$ 185,766	\$ 84,924	-0.11
2012	3,440,721	2,833,995	606,726	211,416	85,112	2.05
2011	3,054,195	2,800,078	254,117	204,834	91,121	0.86
2010	3,169,299	2,580,434	588,865	213,664	84,117	1.98
2009	3,375,869	2,831,476	544,393	223,025	60,540	1.92
2008	3,469,626	2,674,069	795,557	218,753	61,061	2.84
2007	3,879,178	2,673,401	1,205,777	213,118	66,696	4.31
2006	3,472,734	2,495,541	977,193	218,998	60,816	3.49
2005	3,107,143	2,440,826	666,317	213,595	66,220	2.38
2004	2,752,040	2,346,858	405,182	42,531	109,955	2.66

(1) Water improvement project loan from the Pennsylvania Infrastructure Investment Authority (Pennvest).

Source: Borough of Chambersburg Finance Department

Note: Details regarding the Borough's outstanding debt can be found in the Note 5 in the current financial statements.

DEMOGRAPHIC AND ECONOMIC INFORMATION

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Borough's financial activities take place. These schedules include:

Demographic and Economic Statistics Schedule 18

Principal Employers Schedule 19

**Schedule 18
Borough of Chambersburg, PA
Demographic and Economic Statistics
Last Ten Years**

Fiscal Year	Population (1)	Per Capita Personal Income (1)	Per Capita Household Income (1)	Median Household Income (1)	Median Age (1)	Educational Attainment Bachelor's Degree or Higher (1)	School Enrollment (1)	Unemployment Rate (1)	Median Value of Residential Property (1)	Total Assessed Property Value (2)	Total Personal Income (3)
2013	20,508	\$ 20,342	\$ 48,383	\$ 39,491	36.1	19.90%	4,738	8.50%	\$ 156,500	\$ 194,240,400	(4)
2012	20,425	20,750	48,325	36,586	36.5	19.80%	4,469	7.50%	157,700	192,885,430	\$ 310,489,463
2011	20,268	20,750	48,348	38,246	37.1	21.00%	4,713	8.60%	161,000	191,067,050	296,903,258
2010	20,268	20,750	48,348	38,246	37.1	21.00%	4,713	8.60%	161,000	187,386,130	286,781,775
2009	17,862	19,278	41,641	32,336	40	17.90%	3,635	3.90%	86,500	186,647,340	273,204,270
2008	17,862	19,278	41,641	32,336	40	17.90%	3,635	3.90%	86,500	181,114,520	270,954,117
2007	17,862	19,278	41,641	32,336	40	17.90%	3,635	3.90%	86,500	171,357,770	263,147,886
2006	17,862	19,278	41,641	32,336	40	17.90%	3,635	3.90%	86,500	164,173,580	255,114,215
2005	17,862	19,278	41,641	32,336	40	17.90%	3,635	3.90%	86,500	160,597,210	243,248,314
2004	17,862	19,278	41,641	32,336	40	17.90%	3,635	3.90%	86,500	156,803,930	230,882,085

(1) American Fact Finder (5-year estimate)

(2) Franklin County Assessor's Office

(3) Franklin County Area Tax Bureau

(4) Information for year ended 12/31/2013 not yet available

Schedule 19
Borough of Chambersburg, PA
Principal Employers
Current Year and Nine Years Ago

Employer	2013			2004		
	Employees	Rank	Percentage of Total Borough Employment	Employees	Rank	Percentage of Total Borough Employment
Summit Health Services	2,959	1	11.32%	1,533	1	6.53%
Chambersburg School District	1,575	2	6.02%	993	2	4.23%
County of Franklin	1,120	3	4.28%	873	3	3.72%
Menno Haven, Inc	621	4	2.38%	493	4	2.10%
Ventura Foods	444	5	1.70%	315	6	1.34%
T.B. Woods, Inc	310	6	1.19%	340	5	1.45%
Staples Direct	307	7	1.17%	----		----
Farmers & Merchants Trust Co.	285	8	1.09%	219	7	0.93%
K-Mart Regional Specialty Center	220	9	0.84%	----		----
Borough of Chambersburg	197	10	0.75%	185	8	0.79%
Knouse Foods	167		0.64%	181	9	0.77%
Patriot Federal Credit Union	149		0.57%	129	10	0.55%
Total	8,354		31.95%	5,261		22.42%
Total Employees	26,145	(1)		23,462		

(1) Estimated by Franklin County Area Tax Bureau W-2 Forms Filed
Source: Franklin County Area Development Corp.
Franklin County Area Tax Bureau

OPERATING INFORMATION

These schedules contain service information and infrastructure data to help the reader understand how the information in the municipality's financial report relates to the services the municipality provides and the activities it performs. These schedules include:

Full-time Equivalent Municipal Employees by Function/Program	Schedule 20
Operating Indicators by Function/Program	Schedule 21
Capital Asset Statistics by Function/Program	Schedule 22

Schedule 20
Borough of Chambersburg, PA
Full-Time Equivalent Municipal Employees by Function/Program
Last Ten Years

Function/Program	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General government:										
Administration	2	2	2	2	3	2	2	2	2	2
Clerical	11	10	11	11	11	11	11	11	11	11
Code Enforcement	2	2	2	4	4	4	4	4	4	4
Community Development	1	1	1	1	1	1	1	0	0	0
Engineering	4	4	4	4	4	4	3	3	3	4
Finance	19	20	20	22	20	20	18	18	18	18
Information Technology	5	5	5	5	5	5	5	5	5	4
Personnel	2	2	2	2	2	2	2	2	2	2
Planning/Zoning	1	1	1	1	1	1	1	1	1	1
Public Information	0	0	0	0	0	0	0	0	0	0
Public works:										
Administration	3	2	2	2	2	2	2	2	2	2
Central Garage	3	3	4	4	4	4	4	4	4	5
Labor/Maintenance	5	6	6	6	6	6	6	7	7	6
Sanitation	11	11	11	11	11	11	11	9	9	7
Recreation:										
Administration	2	2	2	2	2	2	2	2	2	2
Labor/Maintenance	3	3	3	4	4	4	4	4	4	4
Pool	0	0	0	0	0	0	0	0	0	0
Seasonal	0	0	0	0	0	0	0	0	0	0
Tennis	0	0	0	0	0	0	0	0	0	0
Public safety:										
Fire Administration	2	2	2	2	2	2	2	2	2	2
Fire Personnel	21	21	21	21	21	22	21	21	18	18
Police Administration	1	1	1	1	1	1	1	1	1	1
Police Personnel	33	31	31	33	33	33	33	30	30	30
911	0	0	0	0	0	0	0	0	0	0
Utilities:										
Administration	6	6	6	6	6	6	6	6	6	6
Electric Distribution	9	9	9	9	9	9	9	9	9	9
Electric Generation	11	11	9	9	9	8	8	8	8	8
Electric System Maintenance	1	1	1	0	0	0	0	0	0	0
Gas Distribution	8	8	8	8	8	8	8	8	8	8
Stores/Warehouse/Call Center	6	6	6	6	6	6	6	6	6	6
Water Distribution	3	3	3	4	3	3	3	3	3	3
Water Treatment Plant	6	6	7	7	8	8	8	6	6	5
Sewer Collection/Conveyance	5	4	4	4	4	4	4	4	4	4
Sewer Treatment Plant	10	10	10	10	10	13	13	13	13	13
Traffic Signal/Street Lights	1	0	0	0	0	0	0	0	0	0
Totals	197	193	194	201	200	202	198	191	188	185

Source: Borough of Chambersburg Human Resources Department

Schedule 21
Borough of Chambersburg, PA
Operating Indicators by Function/Program
Last Ten Years

Function/Program	2013	2012	2011	2010
General government:				
Lien letter & tax certification requests	70	90	91	87
Community development:				
Building permits issued	444	384	351	342
Estimated value of construction	\$ 6,108,000	\$ 40,002,841	\$ 14,890,487	\$ 75,907,998
Occupancy permits issued	59	73	54	70
Number of planning commission Agenda items	8	11	14	15
Public works:				
Roads resurfaced (linear feet)	5,053	1,402	9,605	2,725
Roads reconstructed (linear feet)	149	5,237	0	6,700
Tons of snow melting salt used	775	482	595	675
Recreation:				
Pool attendance	21,500	32,035	34,111	28,783
Number of utilization events (2)	1,791	1,773	1,977	2,199
Number of consumers served	104,100	97,131	75,265	76,426
Number of seasonal programs	231	240	151	153
Police:				
Calls for service	14,639	13,743	13,847	13,235
Total arrests	1,520	1,520	1,567	1,614
Part I offenses reported (major offenses)	1,171	1,176	1,102	1,158
Part I offenses cleared (percentage)	39.0%	38.0%	35.0%	39.0%
Part II offenses reported (major offenses)	1,904	1,829	2,079	1,898
Part II offenses cleared (percentage)	40.0%	40.0%	35.0%	36.0%
DUI arrests	145	153	141	136
Fire:				
Total number of responses	626	861	925	892
Responses involving loss	6	0	5	3
Structure fires	46	20	32	29
Volunteer hours	83,731	81,597	85,009	86,180
False alarms/false calls	99	132	118	147
Total calls for assistance	3,772	3,503	3,529	3,680
Utilities:				
Electric department				
Units billed (kwh)	310,888,474	295,123,824	299,890,758	297,488,630
Billed revenue	\$ 30,869,982	\$ 31,174,432	\$ 31,751,606	\$ 34,534,887
Gas department				
Units billed (100 cu. ft.)	10,144,132	8,995,037	9,933,703	9,490,142
Billed revenue	\$ 7,996,195	\$ 7,260,743	\$ 8,034,808	\$ 8,355,397
Water department				
Units billed (10 cu. ft.)	13,680,994	13,796,641	13,706,080	14,755,234
Billed revenue	\$ 2,850,251	\$ 2,862,527	\$ 2,842,906	\$ 2,903,732
Sewer treatment plant				
Units billed (10 cu. ft.)	25,504,521	25,712,303	24,620,125	23,970,170
Billed revenue	\$ 5,392,759	\$ 4,968,169	\$ 4,917,654	\$ 4,386,674
Sanitation department				
Units billed (cu. yds.)	142,169	141,130	146,364	149,709
Billed revenue	\$ 2,378,282	\$ 1,946,578	\$ 1,975,707	\$ 1,989,396

	2009	2008	2007	2006	2005	2004
	73	55	42	41	45	49
	337	398	463	338	277	101
\$	19,856,490	\$ 3,798,670	\$ 60,752,500	\$ 55,624,200	\$ 32,147,498	\$ 17,768,938
	91	133	68	44	53	17
	34	33	52	59	62	39
	4,500	11,904	14,500	28,200	8,900	4,800
	2,550	0	0	2,200	0	5,870
	336	420	546	150	100	250
	30,700	32,714	33,224	34,491	37,513	31,854
	1,714	1,859	1,130	2,068	1,936	1,905
	69,813	74,431	73,002	79,783	80,030	77,227
	91	82	77	92	86	95
	13,439	14,584	14,698	14,564	14,298	13,762
	1,587	780	1,000	978	1,031	1,392
	1,260	1,356	1,337	1,187	1,020	1,096
	40.0%	35.0%	32.2%	27.5%	36.7%	28.6%
	1,826	2,053	2,042	2,129	1,837	2,045
	36.0%	23.0%	38.5%	36.1%	39.3%	32.1%
	112	145	153	151	146	119
	947	1,068	1,216	1,219	1,246	1,037
	7	5	3	0	2	5
	30	20	31	(1)	19	16
	87,190	88,195	86,342	112,414	87,807	81,905
	148	171	144	205	225	324
	3,626	4,461	4,769	4,543	4,856	(1)
	283,303,708	301,419,493	298,904,180	280,162,497	270,674,464	263,990,940
\$	29,658,637	\$ 25,122,123	\$ 22,832,498	\$ 19,350,942	\$ 16,909,558	\$ 16,419,739
	9,331,406	9,548,283	9,263,225	8,764,951	9,408,519	9,778,613
\$	9,546,728	\$ 10,804,867	\$ 9,931,409	\$ 11,161,166	\$ 10,926,767	\$ 8,814,262
	14,573,232	14,601,233	14,666,433	14,922,136	14,738,824	13,881,565
\$	2,855,138	\$ 2,856,052	\$ 2,824,616	\$ 2,805,748	\$ 2,590,999	\$ 2,382,552
	23,577,112	24,492,922	22,945,608	21,063,582	25,142,782	24,349,957
\$	3,805,662	\$ 3,699,207	\$ 3,579,563	\$ 3,289,890	\$ 3,375,059	\$ 3,061,013
	150,805	157,123	154,436	143,248	139,650	140,090
\$	1,994,205	\$ 2,015,815	\$ 1,974,698	\$ 1,891,367	\$ 1,856,212	\$ 1,347,760

(1) Information not available

(2) Recreation center usage only

Source: Borough of Chambersburg Designated Departments

Schedule 22
Borough of Chambersburg, PA
Capital Asset Statistics by Function/Program
Last Ten Years

Function/Program	2013	2012	2011	2010
General government:				
Square footage occupied	45,912	45,912	45,912	45,912
Inspection vehicles	1	1	1	2
Other departmental vehicles	6	6	5	5
Public works:				
Number of traffic signals	45	45	45	45
Street lights	2,166	2,166	2,163	2,162
Vehicles	12	12	12	11
Recreation:				
Number of parks	16	16	16	16
Acerage of park lands	88	88	88	88
Recreation centers	1	1	1	1
Recreation center square footage	19,975	19,975	19,975	19,975
Tennis courts	5	5	5	5
Ball fields	4	4	4	4
Skate parks	2	2	2	2
Vehicles	3	3	3	3
Public safety:				
Square footage of emergency services dept	18,947	18,947	18,947	18,947
Square footage of police department	15,048	15,048	15,048	15,048
Fire vehicles/ambulances	12	11	12	11
Police vehicles	14	14	15	15
Utilities:				
Electric Department				
Value of plant in service	\$ 73,507,952	\$ 69,699,796	\$ 69,529,818	\$ 68,795,448
Vehicles	11	11	9	9
Gas Department				
Value of plant in service	\$ 13,627,925	\$ 12,489,239	\$ 12,395,373	\$ 12,039,244
Vehicles	9	9	9	10
Water Department				
Value of plant in service	\$ 32,266,422	\$ 28,401,148	\$ 28,410,834	\$ 28,341,731
Vehicles	7	7	7	7
Sewer Treatment Plant				
Value of plant in service	\$ 43,816,263	\$ 42,412,493	\$ 42,407,403	\$ 42,040,874
Vehicles	6	6	6	6
Sanitation Department				
Value of plant in service	\$ 572,435	\$ 528,551	\$ 528,449	\$ 520,425
Vehicles	11	11	10	8

2009	2008	2007	2006	2005	2004
16,571	16,571	16,571	16,571	16,571	16,571
2	2	2	2	2	2
5	5	5	5	5	6
45	40	40	35	35	35
2,161	1,500	1,500	1,500	1,500	1,500
11	11	11	11	11	13
16	16	16	16	14	13
88	81	81	81	78	71
1	1	1	1	1	1
20,154	20,154	20,154	20,154	20,154	20,154
5	9	10	10	12	12
4	4	4	4	5	5
2	2				
3	3	3	3	3	2
9,526	9,526	9,526	9,526	9,526	9,526
10,726	10,726	10,726	10,726	10,726	10,726
9	9	9	9	10	12
13	12	13	13	13	14
\$ 60,896,827	\$ 63,374,252	\$ 60,902,232	\$ 57,912,422	\$ 61,554,987	\$ 38,721,722
9	8	9	8	8	8
\$ 10,825,895	\$ 11,053,344	\$ 10,752,079	\$ 10,336,655	\$ 9,708,207	\$ 9,145,687
10	9	9	9	7	7
\$ 25,690,405	\$ 26,612,637	\$ 26,063,089	\$ 25,506,678	\$ 26,361,379	\$ 20,567,285
7	7	7	7	7	7
\$ 38,313,773	\$ 39,038,610	\$ 38,578,161	\$ 36,284,115	\$ 36,574,119	\$ 36,087,251
6	6	6	6	6	6
\$ 555,737	\$ 502,148	\$ 498,893	\$ 465,795	\$ 473,423	\$ 475,825
8	8	7	7	8	6

Source: Borough of Chambersburg Designated Departments
General Government and Public Safety square footage updated through re-evaluation



Single Audit Section



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Mayor and Borough Council
Borough of Chambersburg
Chambersburg, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Chambersburg, as of and for the year ended December 31, 2013, and the related notes to the financial statements which collectively comprise the Borough's basic financial statements, and have issued our report thereon dated June 16, 2014.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Borough of Chambersburg's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Borough of Chambersburg's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough of Chambersburg's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as finding 2013-001 to be a material weakness.



To the Mayor and Borough Council
Borough of Chambersburg
Chambersburg, Pennsylvania

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Borough of Chambersburg's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

BOROUGH OF CHAMBERSBURG'S RESPONSE TO FINDINGS

Borough of Chambersburg's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Borough of Chambersburg's response was not subjected to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Smith Elliott Kearns & Company, LLC

Chambersburg, Pennsylvania
June 16, 2014



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Mayor and Borough Council
Borough of Chambersburg
Chambersburg, Pennsylvania

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the Borough of Chambersburg's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Borough of Chambersburg's major federal programs for the year ended December 31, 2013. The Borough of Chambersburg's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Borough of Chambersburg's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Borough of Chambersburg's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with each major federal program. However, our audit does not provide a legal determination of the Borough of Chambersburg's compliance.

Opinion on Each Major Federal Program

In our opinion, the Borough of Chambersburg complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.



To the Mayor and Borough Council
Borough of Chambersburg

REPORT INTERNAL CONTROL OVER COMPLIANCE

Management of the Borough of Chambersburg is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Borough of Chambersburg's internal control over compliance with the requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Borough of Chambersburg's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Smith Elliott Kearns & Company, LLC

Chambersburg, Pennsylvania
June 16, 2014

BOROUGH OF CHAMBERSBURG
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2013

Grantor Program Title	Federal CFDA Number	Pass Through Grantor's Number	Program or Award Amount	Cash Receipts	Modified Accrual Basis Expenditures
U.S. Department of Housing and Urban Development Program:					
<u>Passed-through the PA. Dept. of Community and Economic Development</u>					
Community Development Block Grant	14.228	C000046101	\$ 258,038	\$ 8,256	\$ -
Community Development Block Grant	14.228	C000052219	228,469	71,373	19,545
Community Development Block Grant	14.228	C000053394	201,725	26,228	29,427
HOME Grant	14.239	C000046786	350,000	86,202	65,556
HOME Grant	14.239	C000050792	350,000	122,284	194,266
HOME Grant	14.239	C000050801	500,000	<u>313,246</u>	<u>349,341</u>
Total U.S. Department of HUD				<u>627,589</u>	<u>658,135</u>
U.S. Department of Agriculture					
Environmental Quality Incentive Program	10.912	69-3A75-12-208	336,000	<u>10,428</u>	<u>99,428</u>
Total U.S. Department of Agriculture				<u>10,428</u>	<u>99,428</u>
U.S. Department of Transportation					
<u>Passed-through the PA. Dept. of Transportation</u>					
Highway Planning and Construction	20.205	23-6002979	800,000	<u>800,000</u>	<u>800,000</u>
Total U.S. Department of Transportation				<u>800,000</u>	<u>800,000</u>
U.S. Department of Homeland Security					
Fire Prevention and Safety Grant	97.044	EMW-2011-FP-00312	65,430	65,430	36,793
SAFER - Hiring Grant	97.044	EMW-2011-FH-00453	1,614,807	<u>862,652</u>	<u>780,830</u>
Total U.S. Department of Homeland Security				<u>928,082</u>	<u>817,623</u>
Total Expenditures of Federal Awards				<u>\$ 2,366,099</u>	<u>\$ 2,375,186</u>

BOROUGH OF CHAMBERSBURG
Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2013

Note 1 General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of the Federal awards program of the Borough of Chambersburg, Pennsylvania. The reporting entity is defined in Note 1 of the Borough's financial statements.

Note 2 Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the Borough's financial statements.

Note 3 Relationship to Financial Statements

Expenditures of Federal Awards are reported in the Borough's General Fund and Special Revenue Fund financial statements.

Note 4 Federal Awards by CFDA Number

	CFDA No.	Expenditures	Percent
SAFER - Hiring Grant	97.044	\$ 817,623	34.4%
Highway Planning and Construction	20.205	800,000	33.7%
HOME Grant	14.239	609,163	25.6%
Environmental Quality Incentive Program	10.912	99,428	4.2%
Community Development Block Grant	14.228	48,972	2.1%
		<u>\$ 2,375,186</u>	<u>100.0%</u>

BOROUGH OF CHAMBERSBURG
Schedule of Findings and Questioned Costs
December 31, 2013

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness identified: Yes No
- Significant deficiencies identified that are not considered to be material weakness(es)? Yes None Reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major program:

- Material weakness identified? Yes No
- Significant deficiencies identified that are not considered to be a material weakness(es)? Yes None Reported

Type of auditor's report issued on compliance for the major program: Unmodified

- Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of Circular A-133? Yes No

Identification of the major programs:

CFDA Number(s)	Name of Federal Program
97.044	SAFER and Safety Grant
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between type A and type B programs \$ 300,000

Auditee qualified as low-risk auditee? Yes No

Section II - Financial Statement Findings

A. Material Weakness in Internal Control

Finding Reference: 2013-001 - Federal Grant Classification

Condition: During 2013, there was an audit adjustment necessary for federal grants that were not properly identified and recorded as a federal grant.

Criteria: All federal revenues should be identified and reported to ensure proper reporting on the Schedule of Expenditures of Federal Awards.

Cause: Due to management oversight and not having adequate internal control related to identifying federal revenues, the revenue was incorrectly recorded in the donated capital revenue account, rather than being properly recorded as federal revenue.

Effect: The Schedule of Expenditures of Federal Awards would have been materially misstated and a major federal program would not have been tested properly under the Single Audit.

Recommendation: We recommend that all grants received by the Borough be reviewed by the Finance Department to ensure proper reporting of the federal grants on the Schedule of Expenditures of Federal Awards.

Response: The proper accounting for the receipt of federal funds will be verified for accuracy by the Assistant Director of Finance, prior to posting to the general ledger accounts, to ensure that the source of revenue corresponds with the stated purpose of the designated revenue account.

B. Compliance Findings

There were no compliance findings relating to the financial statement audit required to be reported.

Section III - Federal Award Findings and Questioned Costs

A. Significant Deficiencies in Internal Control

None noted

B. Compliance Findings

There were no findings relating to the major federal awards as required to be reported in accordance with Section .510(a) of OMB Circular A-133.

BOROUGH OF CHAMBERSBURG
Summary Schedule of Prior Audit Findings Related to Federal Awards
December 31, 2013

Findings related to federal awards:

None