

*Borough of Chambersburg
Pennsylvania*



*Comprehensive Annual
Financial Report
December 31, 2018*

Borough of Chambersburg
Pennsylvania

Comprehensive Annual
Financial Report

For the Year Ended
December 31, 2018

Prepared By the Department of Finance



Government Finance Officers Association

Certificate of
Achievement
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Reporting

Presented to

**Borough of Chambersburg
Pennsylvania**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2017

Christopher P. Morrill

Executive Director/CEO

CONTENTS

I. INTRODUCTORY SECTION (UNAUDITED)

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

II. FINANCIAL SECTION

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	4 - 17
---	--------

BASIC FINANCIAL STATEMENTS

Government-wide Financial Statements

Statement of net position	18
Statement of activities	19

Fund Financial Statements

Balance sheet – governmental funds	20
Reconciliation of governmental funds balance sheet to the statement of net position	21
Statement of revenues, expenditures, and changes in fund balance – governmental funds	22
Reconciliation of statement of revenues, expenditures, and changes in fund balance of governmental funds to the statement of activities	23
Statement of net position - proprietary funds	24
Statement of revenues, expenses, and changes in fund net position – proprietary funds	25
Statement of cash flows - proprietary funds	26
Statement of fiduciary net position	27
Statement of changes in fiduciary net position	28

Notes to Financial Statements	29 - 71
--------------------------------------	---------

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

Schedule of changes in the Borough's net pension liability and related ratios – pension trust funds	72
Schedule of Borough contributions – pension trust funds	73
Schedule of investment returns – pension trust funds	74
Schedule of changes in the Borough's total OPEB liability and related ratios	75
Budgetary comparison schedule – general fund	76
Budgetary comparison schedule – special revenue fund - grant programs	77

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

Other Governmental Funds	78
Combining balance sheet – other governmental funds	79
Combining statement of revenues, expenditures, and changes in fund balances – other governmental funds	80
Budgetary comparison schedule – special revenue fund – liquid fuels	81
Budgetary comparison schedule – special revenue fund – fire tax fund	82
Budgetary comparison schedule – special revenue fund – recreation tax fund	83
Budgetary comparison schedule – capital reserve fund	84

CONTENTS (CONTINUED)

Other Enterprise Funds	85
Combining statement of net position – other enterprise funds	86
Combining statement of revenues, expenses, and changes in net position – other enterprise funds	87
Combining statement of cash flows – other enterprise funds	88
Internal Service Funds	89
Combining statement of net position - internal service funds	90
Combining statement of revenues, expenses, and changes in fund net position - internal service funds	91
Combining statement of cash flows – internal service funds	92
Trust and Agency Funds	93
Combining statement of fiduciary net position – pension trust funds	94
Combining statement of changes in fiduciary net position – pension trust funds	95
Combining statement of fiduciary net position - private purpose trust funds	96
Combining statement of changes in fiduciary net position – private purpose trust funds	97
Combining statement of changes in assets and liabilities – all agency funds	98
Schedule of Taxes Receivable	99
III. STATISTICAL SECTION (UNAUDITED)	
Schedule 1 - Net position by component	100
Schedule 2 - Changes in net position	101 - 102
Schedule 3 - Fund balances – governmental funds	103
Schedule 4 - Changes in fund balances - governmental funds	104
Schedule 5 - Program revenues by function	105
Schedule 6 - Tax revenues by source – governmental funds	106
Schedule 7 - Property tax rates – direct and overlapping governments	107
Schedule 8 - Assessed value and actual value of taxable property	108
Schedule 9 - Principal taxpayers	109
Schedule 10 - Property tax levies and collections	110
Schedule 11 - Municipal earned income tax revenue base and collections	111
Schedule 12 - Earned income tax statistics	112
Schedule 13 - Ratios of outstanding debt by type	113
Schedule 14 - Ratios of general bonded debt outstanding	114
Schedule 15 - Legal debt margin information	115
Schedule 16 - Computation of direct and overlapping debt	116
Schedule 17 - Debt capacity information – pledged-revenue coverage	117
Schedule 18 - Demographic and economic statistics	118
Schedule 19 - Principal employers	119
Schedule 20 - Full-time equivalent municipal employees by function/program	120
Schedule 21 - Operating indicators by function/program	121
Schedule 22 - Capital asset statistics by function/program	122

CONTENTS (CONTINUED)

IV. SINGLE AUDIT SECTION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	123
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	124
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>	125-126
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE <i>UNIFORM GUIDANCE</i>	127-128
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	129-130
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	131



Introductory Section



Borough of Chambersburg

*A full service municipality in Franklin County
celebrating over 65 years of consumer owned natural gas service
over 100 years of community electric and a
regional wastewater, water, and municipal solid waste utility*

Letter of Transmittal for 2018 Comprehensive Annual Financial Report

September 27, 2019

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 2018, 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 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 Legislature 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 20,268 to 21,029, between 2010 and 2018; an increase of 3.75 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, storm sewer, 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-fourth 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 councilpersons are elected from each of the five wards, one councilperson 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. In the Borough of Chambersburg, the role of the Director of Finance and that of the Borough Treasurer – who is appointed by Town Council, are filled by the same individual, who exercises the powers 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 the 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 Highway 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 Police Department. This year’s report highlights our Highway Department.

Managed by David Finch (Assistant Borough Manager/Public Works Director), Elwood Sord (Assistant Public Works Director/Roadmaster) and Dennis Fleagle (Public Works Supervisor/Assistant Roadmaster), the Highway Department is primarily concerned with maintaining the streets of the Borough. This can involve plowing snow, fixing potholes, repairing street signs, clearing the streets of tree limbs after storms, or debris after accidents; or any other activity that can be imagined to keep the streets safe for motor vehicles.

Although the Department does not pave streets – that falls under the supervision of the Engineering Department – the Highway Department does maintain them and is always available to fix potholes within a short period of time, after they are made known to us. The department also patches streets for larger surface areas, where a section has completely failed.

What most people don’t realize is that the “Highway Department” could also be called the “Miscellaneous” Public Works Department, as it is frequently called upon to handle jobs that have nothing to do with highways but are still necessary. For instance, the department maintains lawns on Borough-owned properties (and on private property, should the property owner fail to maintain their land); lays concrete to assist the construction efforts of other departments; builds and maintains storm sewer facilities; manages hazardous fuel spills; annually collects discarded Christmas trees, provides labor for bulky items collection, and has even been called upon to chase bees out of parking lots, or to rescue ducks that get trapped in storm sewers. We don’t consider these tasks to be an interruption to our work routine but are instead the definition of it. And all of this is done with a work force of only five employees.

In 2019, the Department will begin a program of crack sealing Borough streets, in an effort to keep them from deteriorating earlier than they otherwise might. The longer we are able to responsibly postpone the full replacement of a street, the more taxpayer dollars we are able to save, and direct towards other projects.

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, quality 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 2018 were:

EMPLOYER	PRIMARY BUSINESS	AVERAGE NUMBER OF EMPLOYEES
Summit Health Services	Health Care	3,700
Chambersburg Area School District	Public Education	1,190
County of Franklin	Government	710
Menno Haven, Inc.	Retirement Community	650
Ventura Foods	Food Packaging	650
Staples	Retailing	350
F & M Trust Company	Financial Services	275
Knouse Foods	Food Packaging	246
T. B. Woods, Inc.	Power Transmission Equipment	225
Borough of Chambersburg	Municipal Government	224

The Borough of Chambersburg is considered the employment center for the region. Between 24,000 and 28,000 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.	3,000
Target Distribution Center	Distribution Warehousing	750
Martins Famous Pastry Shoppe, Inc.	Potato Bread and Rolls	560
Ulta Beauty	Distribution Center	450
Walmart	Retail	375
Ingram Book Company	Warehousing	285
New Enterprise Stone & Lime Co., Inc.	Manufacturing	250

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 each year 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 capital asset according to the Capital Asset Policy adopted by Town Council.
- A project that adds value or useful life to a capital 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 \$ 10,000.
- 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 \$ 10,000.

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 in 2018 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 2018. 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 were used by the auditors in conducting the engagement.

ACKNOWLEDGMENTS

The preparation of this CAFR would not have been possible without the consistently meticulous hard work of every member of the Finance Department. This effort requires a significant investment of time and resources on behalf of many, above and beyond their routine responsibilities. Appreciation is also due to the Department Heads, Assistant Department Heads, Departmental Secretaries, employees of the various departments of the Borough, and our auditors Smith Elliott Kearns & Company, LLC, for their dedicated efforts in assisting in the preparation of this report.

I would like to express our appreciation to our Borough Manager, Jeffrey Stonehill, who has shown continued confidence in, and consistent support of, the Finance Department. With the consistent implementation of additional new technologies and processes in the near future, it is encouraging that we have a Borough Manager/Director of Utilities at our helm, which is cognizant of both the need for, and value of, state-of-the-art technologies and industry best practices.

It is also important to recognize the individual and cumulative efforts put forth by the Borough's accounting team, which has continued to effectively facilitate the financial activities and the reporting requirements of the Borough, through a particularly trying 2018 and 2019. These individuals, as follow, are in many respects the people that are responsible for the accuracy and efficiency of our organization's business functions: Jena Bard – Staff Accountant, Gwen Sewell – Accounting Technician, Michelle Amsley – Fixed Asset Technician, Jennifer Rutan – Accounts Receivable Clerk, and Chris Roberts – Accounts Payable Clerk.

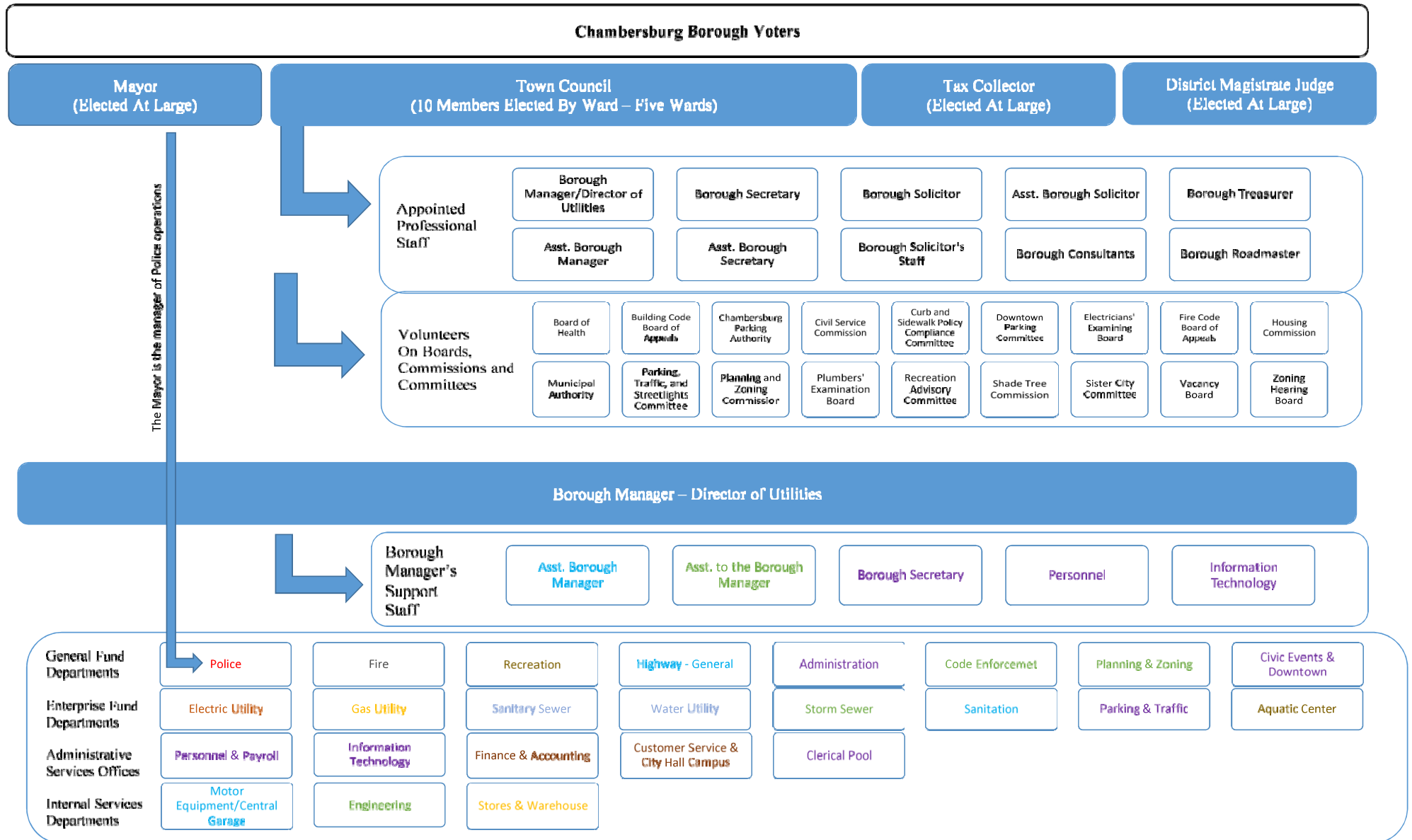
Finally, I wish to thank the Mayor and members of Town Council for their leadership and support, and particularly for their faith in the abilities and dedication of Borough staff to strive for, and to continue to meet, the high-performance standards that have come to be the norm in our organization.

Respectfully submitted,



Jason H. Cohen, MPA
Director of Finance

Chambersburg Organizational Chart 2018



**2018 ROSTER
MAYOR AND MEMBERS OF TOWN COUNCIL
OF THE BOROUGH OF CHAMBERSBURG, PENNSYLVANIA**

MAYOR

Walter C. Bietsch
530 East Liberty Street
Chambersburg, PA 17201
Mayors Office 261-3243
mayor@chambersburgpa.gov

COUNCIL MEMBERS

Alice C. Elia
1447 Wilson Avenue
First Ward - 2016-2019
aelia@chambersburgpa.gov

Allen B. Coffman
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First Ward – 2018-2021
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Samantha J. Bietsch
218 Limekiln Drive
Second Ward - 2016-2019
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Michael Herbert
209 South Coldbrook Avenue
Second Ward – 2018-2021
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Kathy J. Leedy
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Third Ward - 2016-2019
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Barbara Beattie
218 Lantern Lane
Third Ward – 2018-2021
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Sharon A. Bigler
359 High Street
Fourth Ward - 2016-2019
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Amer Chaudhry
97 Glen Street
Fourth Ward – 2018-2021
achaudhry@chambersburgpa.gov

Herbert R. Dolaway
1135 Brookwood Drive
Fifth Ward - 2016-2019
hdolaway@chambersburgpa.gov

Heath E. Talhelm
840 Brandon Drive
Fifth Ward - 2014-2017
htalhelm@chambersburgpa.gov

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

OFFICE ADDRESS: 100 SOUTH SECOND STREET, CHAMBERSBURG, PA 17201 * OFFICE PHONE: (717) 264-5151 EXT. 3201 OR 3254

BOROUGH OFFICERS AND OFFICIALS

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Borough Manager
Director of Utilities
(717) 261-3245

David C. Finch
Assistant Borough Manager
Public Works Director
(717) 660-2702

Phil Wolgemuth
Assistant to the Borough Manager/
Land Use and Development Director
(717) 261-3232

G. Bryan Salzmann
Borough Solicitor
(717) 263-2121

Welton J. Fischer
Assistant Borough Solicitor
(717) 264-8020

Jamia L. Wright
Borough Secretary
(717) 261-3254

Kristine M. Baker
Assistant Borough Secretary
(717) 261-3201

Ron Pezon
Electric Superintendent
(717) 261-3238

Jeff Heverley
Assistant Electric Superintendent
(717) 261-3236

John Leary
Gas Superintendent
(717) 261-3234

Jon Mason
Assistant Gas Superintendent
(717) 263-6385

Lance Anderson
Water and Sewer Superintendent
(717) 709-2285

Travis Amsley
Assistant to the Water and Sewer Superintendent
(717) 261-3237

A. Elwood Sord
Assistant Public Works Director
(717) 261-3233

Dustin Ulrich
Emergency Services Chief
(717) 261-3230

Ron Camacho
Police Chief
(717) 264-4131

Julie Redding
Recreation Superintendent
(717) 261-3275

William F. Dubbs, Jr.
Property Maintenance Code Officer
(717) 660-2701

Paul Cullinane
Economic Development Specialist
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Guy Shaul
Community and Economic Development Specialist
(717) 660-2703

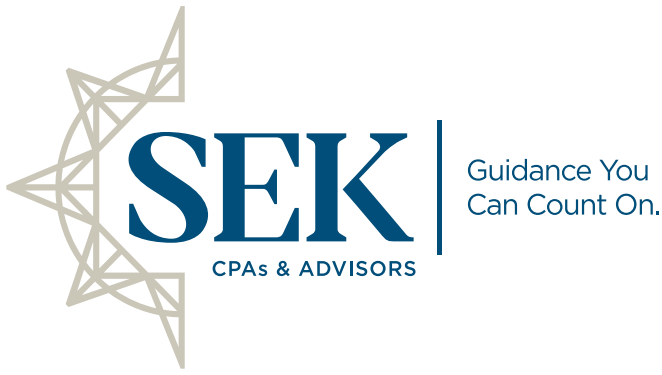
Jason H. Cohen
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Franklin County Area Tax Bureau
Wage Tax Collector
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Brenda Hill
Borough Tax Collector
(717) 263-6565



Financial Section



INDEPENDENT AUDITOR'S REPORT

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

REPORT ON 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, 2018, 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2018, 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.

Emphasis-of-Matters

As discussed in Notes 8 and 13 to the financial statements, the Borough adopted new accounting guidance, Government Accounting Standards Board (“GASB”) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, as of January 1, 2018. Also, as discussed in Note 1 to the financial statements, the Borough adopted new accounting guidance GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, as of January 1, 2018. Our opinion has not been modified with respect to these matters.

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 17, the schedule related to the pension and OPEB liabilities on pages 72 through 75, and budgetary comparison information on pages 76 through 77 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, 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, 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 September 27, 2019, on our consideration of the Borough of Chambersburg'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 solely 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 the effectiveness of the Borough of Chambersburg's 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 Borough of Chambersburg's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Smith & Wooten Adams & Company, LLC". The signature is written in a cursive, flowing style.

Chambersburg, Pennsylvania
September 27, 2019

BOROUGH OF CHAMBERSBURG, PENNSYLVANIA

Management's Discussion and Analysis - Unaudited

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, 2018. Readers should also review the basic financial statements and related footnotes on pages 18 – 71 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 2018?" 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 18) reports all assets and liabilities of the Borough as of December 31, 2018. The difference between total assets plus deferred outflow of resources and total liabilities plus deferred inflows of resources 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 19) 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, 2018. 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 29 - 43 in the Notes to the Financial Statements.

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, Sewer Fund, and Swimming Pool 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 18 and 19.

The Borough of Chambersburg maintains separate governmental funds. The governmental fund financial statements on pages 20 through 23 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, Sewer, and Swimming Pool Funds are all considered to be major funds and are displayed separately in the proprietary fund statements on pages 24 through 26. The Borough has three other proprietary funds, Sanitation, Storm Sewer, 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

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 27 - 28 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 pension information, OPEB required schedule of funding progress and budgetary schedules for the General Fund and grant programs fund. This data is on pages 72 through 77 of this report.

The Borough of Chambersburg as a Whole

The following table presents condensed information on net position as of December 31, 2018 and 2017.

	Net Position					
	December 31, 2018 and 2017					
	2018	2017	2018	2017	2018	2017
	Governmental	Governmental	Business-Type	Business-Type	2018	2017
	Activities	Activities	Activities	Activities	Total	Total
Assets						
Current and other assets	\$ 15,200,483	\$ 13,681,455	\$ 51,362,092	\$ 53,336,714	\$ 66,562,575	\$ 67,018,169
Capital assets	25,759,777	25,679,806	144,704,096	139,730,141	170,463,873	165,409,947
Total assets	40,960,260	39,361,261	196,066,188	193,066,855	237,026,448	232,428,116
Deferred Outflows of Resources						
Deferred outflows related to pension liability	3,198,292	891,228	2,737,996	1,112,081	5,936,288	2,003,309
Deferred outflows related to OPEB liability	79,473	-	42,986	-	122,459	-
Deferred charge on bond refunding	-	-	55,321	71,170	55,321	71,170
Total deferred outflows of resources	3,277,765	891,228	2,836,303	1,183,251	6,114,068	2,074,479
Liabilities						
Current liabilities	1,324,051	1,403,647	6,978,467	7,507,153	8,302,518	8,910,800
Other liabilities	15,044,476	10,854,162	35,637,772	29,614,171	50,682,248	40,468,333
Total liabilities	16,368,527	12,257,809	42,616,239	37,121,324	58,984,766	49,379,133
Deferred Inflows of Resources						
Deferred inflows related to pension liability	586,624	837,744	694,543	906,623	1,281,167	1,744,367
Deferred inflows related to OPEB liability	5,569	-	23,927	-	29,496	-
Total deferred inflows of resources	592,193	837,744	718,470	906,623	1,310,663	1,744,367
Net Position:						
Net investment in capital assets	22,793,000	22,392,162	115,309,653	119,251,728	138,102,653	141,643,890
Restricted	8,307,961	6,915,510	-	-	8,307,961	6,915,510
Unrestricted	(3,823,656)	(2,150,736)	40,258,129	36,970,431	36,434,473	34,819,695
Total net position	\$ 27,277,305	\$ 27,156,936	\$ 155,567,782	\$ 156,222,159	\$ 182,845,087	\$ 183,379,095

In total, combined net position equaled \$ 182.84 million as of December 31, 2018.

BOROUGH OF CHAMBERSBURG, PENNSYLVANIA
Management's Discussion and Analysis - Unaudited

The following tables present condensed information on the changes in net position for the years ended December 31, 2018, and 2017, respectively.

Changes in Net Position
For the Year Ended December 31, 2018

	Governmental Activities	Business-Type Activities	Total Activities
Revenues			
Program revenues:			
Charges for services	\$ 2,555,404	\$ 52,612,991	\$ 55,168,395
Operating grants and contributions	2,446,371	979,885	3,426,256
Capital grants and contributions	148,045	15,615	163,660
General revenues:			
Property taxes, levied for general purposes	4,874,490	-	4,874,490
Property taxes, levied for specific purposes	1,278,483	-	1,278,483
Real estate transfer tax	527,862	-	527,862
Earned income tax	2,179,319	-	2,179,319
Local services tax	879,616	-	879,616
Other taxes	91,285	-	91,285
Unrestricted investment earnings (loss)	214,420	753,807	968,227
Miscellaneous income	16,603	67,518	84,121
Total revenues	<u>\$ 15,211,898</u>	<u>\$ 54,429,816</u>	<u>\$ 69,641,714</u>
Expenses			
General government	\$ 2,310,568	\$ -	\$ 2,310,568
Public safety	10,833,457	-	10,833,457
Public works	1,834,124	-	1,834,124
Community development	836,338	-	836,338
Culture and recreation (also interest expense)	1,383,092	-	1,383,092
Electric	-	28,240,579	28,240,579
Gas	-	6,762,534	6,762,534
Water	-	3,639,107	3,639,107
Sewer	-	9,729,758	9,729,758
Swimming Pool	-	843,447	843,447
Other business-type activities	-	4,730,510	4,730,510
Total expenses	<u>17,197,579</u>	<u>53,945,935</u>	<u>71,143,514</u>
Excess before transfers	(1,985,681)	483,881	(1,501,800)
Transfers	<u>1,953,168</u>	<u>(1,953,168)</u>	<u>-</u>
Change in net position	(32,513)	(1,469,287)	(1,501,800)
Net position - beginning, as restated	27,309,818	157,037,069	184,346,887
Net position - ending	<u>\$ 27,277,305</u>	<u>\$ 155,567,782</u>	<u>\$ 182,845,087</u>

BOROUGH OF CHAMBERSBURG, PENNSYLVANIA
Management's Discussion and Analysis - Unaudited

Changes in Net Position
For the Year Ended December 31, 2017

	Governmental Activities	Business-Type Activities	Total Activities
Revenues			
Program revenues:			
Charges for services	\$ 2,735,386	\$ 49,162,814	\$ 51,898,200
Operating grants and contributions	1,781,090	328,881	2,109,971
Capital grants and contributions	42,044	2,179,904	2,221,948
General revenues:			
Property taxes, levied for general purposes	4,647,594	-	4,647,594
Property taxes, levied for specific purposes	504,460	-	504,460
Real estate transfer tax	467,067	-	467,067
Earned income tax	1,999,358	-	1,999,358
Local services tax	824,411	-	824,411
Other taxes	90,970	-	90,970
Unrestricted investment earnings (loss)	149,219	604,900	754,119
Miscellaneous income	36,190	60,323	96,513
Total revenues	<u>\$ 13,277,789</u>	<u>\$ 52,336,822</u>	<u>\$ 65,614,611</u>
Expenses			
General government	\$ 2,309,729	\$ -	\$ 2,309,729
Public safety	9,488,236	-	9,488,236
Public works	1,677,757	-	1,677,757
Community development	286,185	-	286,185
Culture and recreation (also interest expense)	1,475,495	-	1,475,495
Electric	-	25,729,659	25,729,659
Gas	-	5,564,198	5,564,198
Water	-	3,462,915	3,462,915
Sewer	-	7,981,669	7,981,669
Swimming Pool	-	-	-
Other business-type activities	-	4,245,514	4,245,514
Total expenses	<u>15,237,402</u>	<u>46,983,955</u>	<u>62,221,357</u>
Excess before transfers	(1,959,613)	5,352,867	3,393,254
Transfers	<u>1,907,594</u>	<u>(1,907,594)</u>	<u>-</u>
Change in net position	(52,019)	3,445,273	3,393,254
Net position - beginning, as restated	<u>27,208,955</u>	<u>152,776,886</u>	<u>179,985,841</u>
Net position - ending	<u>\$ 27,156,936</u>	<u>\$ 156,222,159</u>	<u>\$ 183,379,095</u>

BOROUGH OF CHAMBERSBURG, PENNSYLVANIA Management's Discussion and Analysis - Unaudited

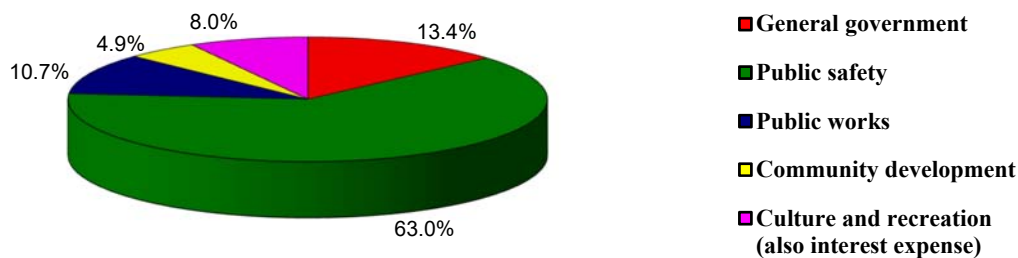
Net position decreased by \$ 1.50 million in 2018 for “total activities” compared to an increase of \$ 3.39 million in 2017. Generally, these “total activities” were the same, except that 2018 was the first year of operation of the Aquatic Center and included spending down of the bond proceeds for the same, in addition to the levying of an additional 5 mils of real estate taxes. This is a \$ 4.90 million decrease in overall performance for 2018 compared to 2017 and is the result of an increase in total revenues of \$ 4.03 million, and an increase in expenses of \$ 8.92 million. Although offset by smaller increases and/or decreases in other funds, in addition to a decrease of approximately \$ 1.91 million in payments from neighboring municipalities to the Sewer Fund, to fund the capital improvements to the Waste Water Treatment Plant, as a result of the project being substantially completed in 2017, the increase in total revenues is due primarily to an increase in consumption/sales of utility services and the levying of five (5) mil of real estate tax. The year-over-year increase in business-type activities expenses consists primarily of increased purchase and/or generation costs on behalf of the Electric and Gas departments in order to fulfill demand, and the Sewer Department’s increasing its transfer to Capital Reserve by \$ 572,000, as well as it’s recorded depreciation of \$ 4.32 million, resulting from placing the upgraded wastewater treatment plant into operation. The increase in governmental activities is largely attributable to an increase in personnel costs in the Fire Department, in an effort to staff a second ambulance crew with part-time employees.

In the Business-Type Activities transfers line item, there were \$ 1,953,168 of transfers to governmental activities. This represents net transfers from the business-type activities funds to the governmental activities funds, the majority of which (\$ 1,905,000) consists of operating transfers (Payments in Lieu of Gross Receipts Tax) from the Electric and Gas Departments to the General Fund.

The Borough’s largest governmental activities revenue source: real estate taxes, increased by \$ 1,000,919 or 19.43% in 2018. The significant increase in real estate tax revenues in 2018 was due to an increase in the property tax millage rate of five (5) mils, total: one (1) mil for general purposes, one half (0.5) mil for fire apparatus, one half (0.5) mil for ambulance service, and three (3) mils for the servicing of the general obligation debt incurred in order to construct the Aquatic Center. The Earned Income Tax receipts increased by \$ 179,961 or 9.00%, in 2018, while the real estate transfer tax increased by \$ 60,795 or 13.02% in 2018. The Local Services Tax yield increased by \$ 55,205, or 6.70%, in 2018. Both the Earned Income Tax and the Local Services Tax are inclined to ebb and flow, depending upon various economic conditions, as evidenced by the 10.48% decrease in 2017.

Expenses of governmental activities break down as follows:

Governmental Expenses by Program 2018



BOROUGH OF CHAMBERSBURG, PENNSYLVANIA
Management's Discussion and Analysis - Unaudited

Total governmental expenses for 2018 were \$ 17.19 million, up from \$ 15.23 million in 2017. Public safety, which consisted primarily of police, fire, and ambulance services, comprised 63.00% of the total governmental expenses. Public works expenses, which include streets overlaying and repairs, were 10.70%. Leisure time activities represented by the Culture and Recreation portion of expenses were 8.00% of the total. General government expenses were 13.40%. Community development comprised 4.90% 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.

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

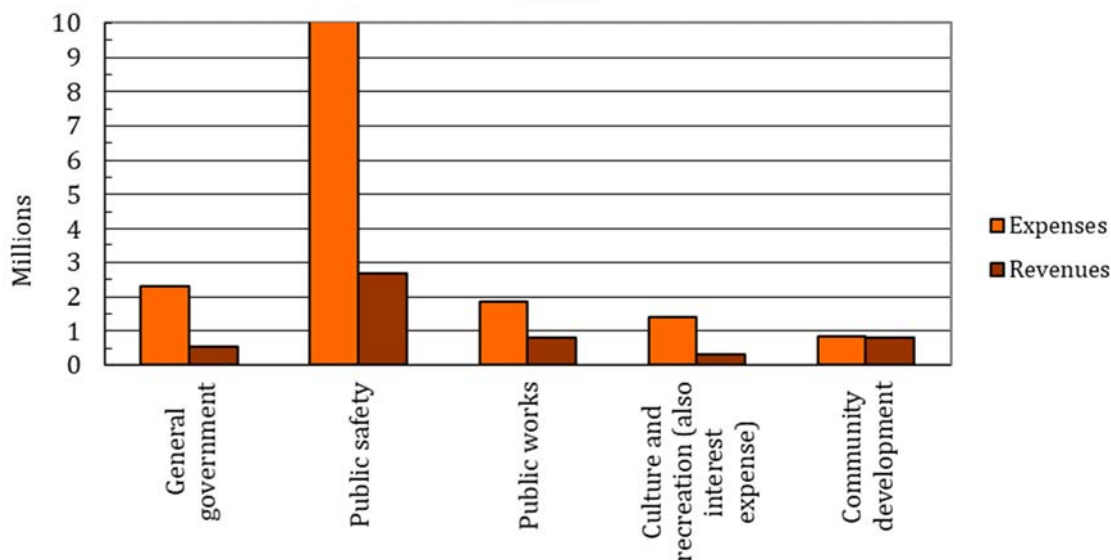
Expenses and Program Revenue - Governmental Activities
Year Ended December 31, 2018

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Governmental activities					
General government	\$ 2,310,568	\$ 505,679	\$ 46,623	\$ -	\$ (1,758,266)
Public safety	10,833,457	1,855,468	801,987	-	(8,176,002)
Public works	1,834,124	5,720	650,868	148,045	(1,029,491)
Culture and recreation (also interest expense)	1,383,092	188,537	140,051	-	(1,054,504)
Community development	836,338	-	806,842	-	(29,496)
Total Governmental Activities	<u>\$ 17,197,579</u>	<u>\$ 2,555,404</u>	<u>\$ 2,446,371</u>	<u>\$ 148,045</u>	<u>\$ (12,047,759)</u>

Expenses and Program Revenue - Governmental Activities
Year Ended December 31, 2017

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Governmental activities					
General government	\$ 2,309,729	\$ 572,926	\$ 38,702	\$ -	\$ (1,698,101)
Public safety	9,488,236	1,941,723	798,162	-	(6,748,351)
Public works	1,677,757	3,770	621,494	42,044	(1,010,449)
Culture and recreation (also interest expense)	1,475,495	216,967	90,458	-	(1,168,070)
Community development	286,185	-	232,274	-	(53,911)
Total Governmental Activities	<u>\$ 15,237,402</u>	<u>\$ 2,735,386</u>	<u>\$ 1,781,090</u>	<u>\$ 42,044</u>	<u>\$ (10,678,882)</u>

Expenses and Program Revenue - Governmental Activities
2018



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

Business-Type Activities

Business-type net position decreased by \$1.47 million in 2018. Electric Department revenues increased 4.68%, Gas Department revenues increased 13.66%, Water Department revenues increased 10.68%, Sewer Department revenues increased 0.15%, Sanitation Department revenues increased 0.27%, Parking, Traffic & Street Lights Department revenues increased 143.31%, Storm Sewer Department revenues increased by 1.50%, and the Swimming Pool revenues increased by 190.05%. The total increase in Charges for Services revenues was \$ 3,450,177 or 7.02%. The significant increase in Gas Department revenues was a result of an increase in sale price via the Purchased Gas Adjustment mechanism, and in the volume of sales, while the increase in Parking, Traffic & Street Lights Department revenues was a direct result of a 397% increase in revenue resulting from jobbing work, and the increase in Swimming Pool revenues was due to 2018 being the first year of operations in this Fund.

Electric Department expenses increased by 9.76% as a result of increases in electricity and fuel purchases, as well as facilities maintenance; Gas Department expenses increased by 21.54% due to increased gas supply purchasing and energy efficiency financing expenses, which will ultimately result in an increase in consumption; Water Department expenses increased by 5.09%; Sewer Department expenses increased by 21.90%, almost entirely as a result of the depreciation of the wastewater treatment plant upgrades completed in 2017, although transfers to Capital Reserves increased by \$ 572,000; Sanitation expenses increased by 8.73%; Parking, Traffic & Street Lights Department expenses increased by 24.20% because of increases in snow removal and jobbing costs, as well as an increase in outgoing transfers; Storm Sewer expenses decreased by 1.54%, and Swimming Pool expenses increased by 100%, as there were no expenses in 2017, as the pool was still under construction, and not yet in operation.

BOROUGH OF CHAMBERSBURG, PENNSYLVANIA
Management's Discussion and Analysis - Unaudited

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

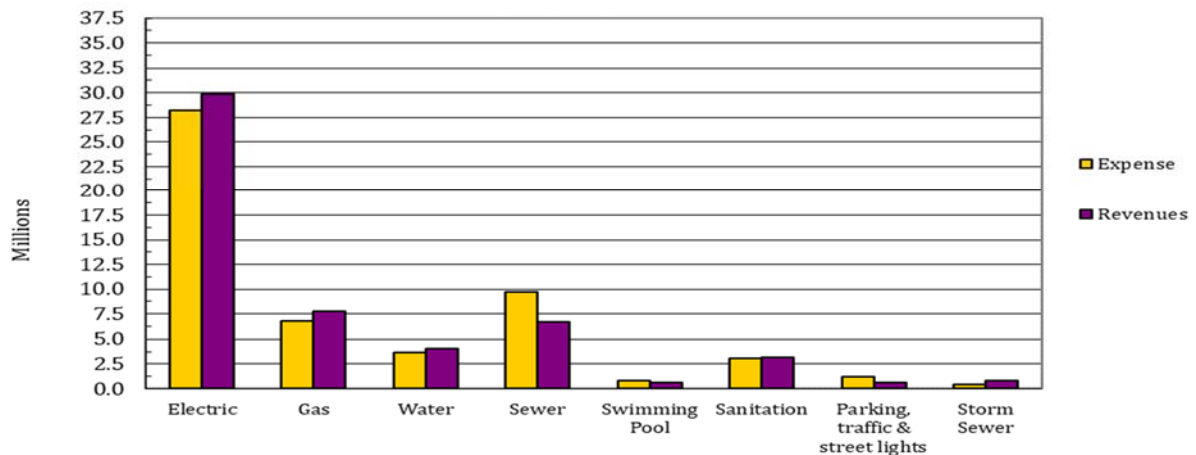
Expenses and Program Revenue - Business-Type Activities
For Year Ended December 31, 2018

	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Electric	\$ 28,240,579	\$ 29,785,076	\$ 67,800	\$ -	\$ 1,612,297
Gas	6,762,534	7,772,848	29,303	-	1,039,617
Water	3,639,107	4,026,888	38,612	-	426,393
Sewer	9,729,758	6,642,974	50,103	7,665	(3,029,016)
Swimming Pool	843,447	570,671	33,683	-	(239,093)
Sanitation	3,106,776	3,065,612	56,178	-	15,014
Parking, traffic & st. lights	1,240,160	345,217	311,399	7,950	(575,594)
Storm Sewer	383,574	403,705	392,807	-	412,938
Total business-type activities	\$ 53,945,935	\$ 52,612,991	\$ 979,885	\$ 15,615	\$ (337,444)

Expenses and Program Revenue - Business-Type Activities
For Year Ended December 31, 2017

	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Electric	\$ 25,729,659	\$ 28,452,711	\$ 64,311	\$ 3,000	\$ 2,790,363
Gas	5,564,198	6,838,981	27,795	37,000	1,339,578
Water	3,462,915	3,638,154	35,289	15,000	225,528
Sewer	7,981,669	6,633,050	116,932	1,818,519	586,832
Swimming Pool	-	2,987	97	-	3,084
Sanitation	2,857,397	3,057,311	71,581	-	271,495
Parking, traffic & st. lights	998,553	141,881	10,151	13,630	(832,891)
Storm Sewer	389,564	397,739	2,725	292,755	303,655
Total business-type activities	\$ 46,983,955	\$ 49,162,814	\$ 328,881	\$ 2,179,904	\$ 4,687,644

Expenses and Program Revenue - Business-Type Activities
2018



BOROUGH OF CHAMBERSBURG, PENNSYLVANIA
Management's Discussion and Analysis - Unaudited

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, 2018 were \$ 9.33 million, as compared to \$ 11.07 million as of December 31, 2017.

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 \$ 1,678,221 to \$ 1,827,338, even after the transfer of an un-budgeted sum – this year in the amount of \$670,000 – into the General Capital Reserve Fund (in 2015, 2016, and 2017 un-budgeted transfers of \$ 1.1 million, \$ 1.25 million, and \$1 million, respectively, were made in the same manner). Had these funds remained in the General Fund, the General Fund balance would have increased to \$ 2,497,338.

Budget Variations

Operations for the Borough's General Fund resulted in an overall favorable net budget variance of \$ 149,117 for the year ended December 31, 2018. That means that we had \$ 149,117 more in positive net change in fund balance than we budgeted. The budget was balanced, with revenues equaling expenditures, but finished the year with an actual net surplus of \$ 149,117. Total expenditures exceeded total revenues by \$ 1,809,784, and net inter-fund transfers from other Borough funds amounted to \$ 1,958,901, creating the overall positive results of \$ 149,117 for net receipts or "net change in fund balance". Had the Borough not made the responsible decision to again transfer an un-budgeted sum – this year in the amount of \$ 670,000 – into the General Capital Reserve Fund, the "net change in fund balance" would have been an even greater \$ 819,117.

While we had a favorable budget variance of \$ 1,092,803 or 7.38%, of total budgeted operating expenditures (\$ 14,803,200), we also had an unfavorable budget variance of (\$ 282,862) (negative) or 2.32% of total budgeted operating revenues (\$ 12,183,475). Additionally, there was an unfavorable net budget variance of (\$ 670,000) (negative), or 455%, of budgeted transfers out of the General Fund. Again, the variance of the budgeted transfers out of the General Fund is a result of a conscious decision, as approved by Borough Council, to transfer an additional \$ 670,000 into the General Capital Reserve Fund in a continued effort to ensure adequate reserves, as the General Fund was in a position to absorb such a transfer from its fund balance.

The unfavorable variance (\$ 282,862) (negative) in revenues can be tied to the lower-than-anticipated revenues for Tax Liens, PILOT's, and user fees for the Recreation, and Departments. On the expenditure side, the favorable variance (\$ 1,092,803) can be attributed to equipment and training cost savings within the Police Department; Recreation Department salary and benefits savings due to the Swimming Pool Fund absorbing members of the Recreation Department; and a decrease in outgoing transfers to the General Capital Reserve Fund, in the amount of \$ 330,000. Lesser-than-budgeted health insurance, legal, and miscellaneous costs also contributed to the variance.

Changes in Revenue and Expenditure Levels

In looking at the performance of the General Fund for 2018, we had an overall increase of \$ 554,458 in 2018, as compared to 2017, for the net change in fund balance (*ncfb*). In 2018, we finished the year with a positive *ncfb* of \$ 149,117, compared to a negative *ncfb* of \$ 405,341 for 2017. In 2018, Borough Council again made the decision to transfer an un-budgeted \$ 670,000 into the General Capital Reserve Fund (in 2015, 2016, and 2017 transfers of \$ 1.1 million, \$1.25 million, and \$ 1 million, respectively, were made in the same manner). Had these funds remained in the General Fund, the General Fund balance would have realized a greater positive *ncfb* of \$ 819,117, all else remaining the same. While the Borough could have chosen to forgo the transfer to the reserve fund, thereby ending the year with a substantial greater positive net change in fund balance, we continue to pro-actively set aside funds for anticipated future capital asset and infrastructure needs. Although the Borough insists on setting funds aside for such future needs, ultimately, as the funds in the Capital Reserve Fund are not restricted, they would be available for General Fund operations, if that were ever deemed necessary.

In the absence of transfers to and from other departments, we would have ended the year with a *ncfb* of (\$ 1,809,784) (negative) for 2018, in the General Fund. Compared to the same for 2017, of (\$ 1,320,479) (negative), 2018 is \$ 489,305 greater. In 2018 there was budgeted a net \$ 2,619,725 transfer into the general fund, whereas in 2017, budgeted net was \$ 2,015,038.

Changes in Fund Balance

The fund balance in the General Fund increased by \$ 149,117 in 2018. This was because total expenditures (\$ 13,710,397) exceeded total revenues (\$ 11,900,613) by \$ 1,809,784, while net transfers, (\$ 1,958,901) from other departments, helped close the deficiency, resulting in a net increase in fund balance for the General Fund of \$149,117. As previously discussed, this only modest increase in fund balance is the result of the Borough's continued commitment to adequately fund the future capital improvements of the Borough and its infrastructure.

The fund balance in the Special Revenue Fund – Grant Funds, decreased by \$ 25,177 in 2018. Revenues increased by \$ 550,724 to \$ 823,968 in 2018, while expenditures increased by \$ 551,660, to \$ 863,719. However, this net decrease in resources of \$ 39,751 was mitigated slightly by net transfers in, in the amount of \$ 14,574, resulting in a decrease of the fund balance in the amount of \$ 25,177, related directly to the spending down of grant funds that were received in prior years.

The net position in the enterprise funds decreased by \$ 2,425,226, or 1.69%, in 2018, compared to an increase of \$ 2,711,957, or 1.92%, in 2017. Operating revenues in the enterprise funds increased by \$ 3,513,767, or 7.29%. The increase in operating revenues for 2018 can be largely attributed to an increase in user fees from the Swimming Pool, as 2018 was its first year in operation; in Electric and Gas Department revenues, which was due to increased consumption and also resulted in higher expenses for the Electric and Gas Departments; and finally, an increase in Water Department revenue resulting from a minor increase in rates. Operating expenses increased by \$ 6,354,425, or 13.48%, which is largely comprised of a combination of increases in the operating expenses of the Electric Fund by 9.26%, as a result of increased energy purchases and transmission costs; increases in the operating expenses of the Gas Fund by 20.03%, by virtue of increased energy purchases; increases in the operating expenses of the Sewer Fund by 20.59%, attributable almost entirely to depreciation expense related to new facilities; increases in the operating expenses of the Swimming Pool Fund by 100%, as the Aquatic Center was not placed into operation until 2018; increases in the operating expenses of the Water Fund by 3.26%; and finally, cumulative increases in the operating expenses of the Other Enterprise Funds by 9.82%.

BOROUGH OF CHAMBERSBURG, PENNSYLVANIA

Management's Discussion and Analysis - Unaudited

The net position of the Sewer Department decreased by \$ 3,046,942, or 5.45%, in 2018, due largely to recording \$ 4,323,652 in depreciation expense. The net position of the Water Department increased by \$ 457,894, or 2.08%. Net position of the Gas Department increased by \$ 413,683, or 2.77%, and Electric decreased this year by \$ 676,557, or 1.63%. Additionally, the net position of the Swimming Pool realized an increase of \$113,594, or 98.85%, as a result of a lack of activity in 2017, while the Other Enterprise Funds (Sanitation, Parking, Traffic & Street Lights, and Storm Sewer) increased by \$ 313,102, or 3.32%.

Also, the net position in the internal service funds increased by \$ 1,191,765, or 6.76%, compared to an increase of \$ 1,351,080, or 8.49% in 2017. Operating revenues increased by \$ 701,723, or 8.02%, while operating expenses increased by \$ 1,029,631, or 11.90%. The increase in revenues continues to be due largely to the increased use of the Engineering Department assets on behalf of other departments; increased contributions to the Self Insurance Fund as a result of increases in employee contributions towards health insurance premiums; and an increasingly more accurate assessment of the costs of services to the respective departments making use of the Administrative Services Department, which also saw an increase in expenses, thereby resulting in increased revenue from the contributing departments. Increases in expenses are primarily the result of increased personnel costs within the Stores Department, building maintenance in the Motor Equipment Fund, and additional staff being added to the Administrative Services Fund, although the Worker's Compensation Fund did benefit from a large decrease in unexpected paid losses, thereby mitigating the increase in cumulative expenses across the funds.

Capital Asset and Debt Administration

Capital Asset Activity

In 2018, 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, and financing partnerships with state and federal agencies.

The Gas Department continued to undertake significant main extensions and service line improvements in order to further improve the safety of the system. Major pipe replacement projects were completed on Lincoln Way West, East Liberty Street, South Fifth Street and Conner Drive. Due to ever-increasing demands for service, new gas mains were also installed in order to expand service to Eisenhower Drive, Hamilton Drive, Lincoln Road, Roosevelt Arms Court, Stouffer Avenue, Bedington Boulevard, Blanchard Avenue and Garfield Street.

In 2018 there were various streets improved through the use of Liquid Fuels and General Capital Reserve funds and environmentally-sound recycling construction methods; including Full Depth Reclamation on Alexander Avenue and Park Avenue, Mill and Overlay on Bedington Boulevard, Hollywell Avenue, Mill Road and Phoenix Drive and Ultra-Thin Bonded Wearing Course on Orchard Drive, Sheffler Drive and Mill Road. Also, in 2018, work associated with the Chambersburg Hospital Multimodal Transportation Fund North Chambersburg Improvements Project (Fifth Avenue Extension) was completed along with the Elder Street Improvements Project, Phase 1.

In 2018 the Storm Sewer Utility completed the Rhodes Drive BMP Project that includes bio-retention area and porous paver walking path on Tower at Falling Spring property, second BMP project proposed through Chesapeake Bay Pollutant Plan. The Utility also completed new storm sewer system for Elder Street Improvements Project, Phase 1, Central Parking Lot Project to install new inlets, pipes and bio-swale and to repair existing inlet and pipes to address flooding as well as numerous small inlet and pipe maintenance projects.

BOROUGH OF CHAMBERSBURG, PENNSYLVANIA

Management's Discussion and Analysis - Unaudited

The Department extended new line sections and worked to convert the distribution line voltage on an existing electric feeder midway between its Mill Road sub-station in the southern western part of the Borough affording more load transfer capability to the Commerce Street Substation on the northwest corner of the Borough. The work completed in 2018 and into early 2019 nearly completes its long-term plan on the west side of Chambersburg to improve reliability through its "restore and repair" campaign. The "restore and repair" concept is simple: Using distribution feeders (overhead lines typically along the streets) and tie switches, the Electric Department can under some circumstances transfer all customers' electric supply from one feeder, to another minimize customer power outage times. This method uses the system operators and line crews to isolate the problem area down to a smaller number of customers being affected in the damaged area, while then working to transfer the majority of the remaining customers to the other "good" source of power ("restore"), until "repairs" can be made. Such infrastructure improvements ensure that the electric system can supply all of the Borough's planned industrial, institutional, commercial, and residential growth, as well as respond in emergencies using the available alternative supplies. The Borough presently enjoys feeder ties for these purposes from south to north, and east to west, with a few more reliability feeder development projects and ties on the way.

In 2018, the Water Department continued to plan for future water needs with the design of an additional 2.5 million gallon clearwell at the water treatment plant. The second clearwell will increase the borough's storage capacity and allow maintenance to take place on the existing 2 million gallon clearwell that was constructed in 1969. Construction on the new clearwell is expected to take place in 2020 and continue into 2021. Additionally, the Water Department continued to oversee the construction of the Utility Addition to Borough Hall. Construction of the addition commenced in 2017 and was completed in December of 2018. The project was financed by a \$ 9.75 million note through F&M Trust.

In 2018, the Borough Sewer Department completed the design for the replacement of a portion of the East Conococheague Interceptor. The replacement will increase flow capacity and support future growth and development within the Borough as well as the surrounding townships. The project scope includes the replacement of nearly 2,200 linear feet of 24" sewer and the abandonment of 1,100 feet of existing 24" sewer. The project was bid on August 13, 2018 and was awarded on October 8, 2018 to DOLI Construction. The cost for the upgrades is \$2,117,568 with 46% being the Borough's share and 54% being the Township Partners' share. Work began in April 2019 with a 180 day construction schedule. The Borough's portion of the costs associated with the project were funded by the Borough's 2012, \$8 million debt offering.

Moreover, the Water and Sewer Departments continued to undertake main and service line repairs in advance of street paving and reconstruction projects. In 2018, improvements were made within Alexander Avenue, Park Avenue, Hollywell Avenue, and Elder Street. Much of the water and sewer infrastructure throughout Chambersburg is 50 to 100 years old. These repairs and improvements will allow us to continue to efficiently serve our customers for decades to come.

In 2016, after an in-depth deliberation and public discussion process, Borough Council opted to issue a \$9.75 million General Obligation bond in order to undertake the first major renovation – a complete replacement in fact - of the municipal swimming pool (along with equipment improvements to the Borough's various parks and playgrounds), since its original opening in 1970. The municipal pool was closed during the 2017 season, to allow for construction of the new facility – dubbed the Chambersburg Aquatic Center – throughout 2017, and into 2018, with project completion in May 2018. The facility is anticipated to serve as a regional recreational asset, drawing visitors from the surrounding and outlying communities, due to its unique attributes, as compared to any other such facility in the region.

BOROUGH OF CHAMBERSBURG, PENNSYLVANIA
Management's Discussion and Analysis - Unaudited

Additional detail on the capital asset activity for the year ended December 31, 2018 is presented in the Notes to the Basic Financial Statements in Note 4.

Debt

A summary of outstanding debt at December 31, 2018 and 2017, respectively, is as follows:

	December 31, 2018	December 31, 2017
General Obligation Bonds/Notes		
Governmental activities	\$ 3,675,226	\$ 3,235,369
Business-type activities	<u>28,571,390</u>	<u>24,351,673</u>
Total outstanding debt	<u>\$ 32,246,616</u>	<u>\$ 27,587,042</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, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets			
Cash and equity in pooled cash and investments	\$ 12,041,173	\$ 43,368,215	\$ 55,409,388
Taxes receivable, net of allowance	547,425	-	547,425
Accounts receivable, net of allowance	258,449	5,771,117	6,029,566
Due from other governments	921,421	39,031	960,452
Internal balances	773,547	(773,547)	-
Other receivables	146,630	147,158	293,788
Inventories	356,342	2,747,823	3,104,165
Prepaid expenses	374	62,295	62,669
Total current assets	<u>15,045,361</u>	<u>51,362,092</u>	<u>66,407,453</u>
Noncurrent assets			
Noncurrent receivables	155,122	-	155,122
Capital assets not being depreciated:			
Land	401,848	1,865,670	2,267,518
Construction in progress	1,310,650	2,524,205	3,834,855
Capital assets net of accumulated depreciation:			
Utility plant in service	-	114,042,362	114,042,362
Land improvements	1,388,396	11,793,949	13,182,345
Buildings and improvements	909,655	501,890	1,411,545
Machinery, equipment and furniture	4,633,752	13,976,020	18,609,772
Infrastructure	17,115,476	-	17,115,476
Total noncurrent assets	<u>25,914,899</u>	<u>144,704,096</u>	<u>170,618,995</u>
Total assets	<u>40,960,260</u>	<u>196,066,188</u>	<u>237,026,448</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension liability	3,198,292	2,737,996	5,936,288
Deferred outflows related to OPEB liability	79,473	42,986	122,459
Deferred charge on bond refunding	-	55,321	55,321
Total deferred outflows of resources	<u>3,277,765</u>	<u>2,836,303</u>	<u>6,114,068</u>
Total assets and deferred outflows of resources	<u>\$ 44,238,025</u>	<u>\$ 198,902,491</u>	<u>\$ 243,140,516</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 332,505	\$ 3,532,505	\$ 3,865,010
Accrued wages and withholdings	279,719	363,587	643,306
Accrued interest expense	5,077	72,751	77,828
Unearned revenues	147,559	41,797	189,356
Long-term liabilities: Due within one year			
Bonds and notes payable	153,024	2,273,535	2,426,559
Compensated absences	379,366	614,993	994,359
Liability for self-insured losses	26,801	79,299	106,100
Total current liabilities	<u>1,324,051</u>	<u>6,978,467</u>	<u>8,302,518</u>
Noncurrent liabilities			
Long-term liabilities: Due in more than one year			
Bonds and notes payable	3,546,543	26,403,869	29,950,412
Compensated absences	515,305	437,499	952,804
Net pension liability	8,984,164	7,761,281	16,745,445
OPEB liability	1,911,146	776,766	2,687,912
Liability for self-insured losses	87,318	258,357	345,675
Total noncurrent liabilities	<u>15,044,476</u>	<u>35,637,772</u>	<u>50,682,248</u>
Total liabilities	<u>16,368,527</u>	<u>42,616,239</u>	<u>58,984,766</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension liability	586,624	694,543	1,281,167
Deferred inflows related to OPEB liability	5,569	23,927	29,496
Total deferred inflows of resources	<u>592,193</u>	<u>718,470</u>	<u>1,310,663</u>
NET POSITION			
Net investment in capital assets	22,901,661	115,631,163	138,532,824
Restricted			
Highway projects	638,647	-	638,647
Capital improvements	7,341,421	-	7,341,421
Grants	171,148	-	171,148
Fire expenses	17,895	-	17,895
Recreation expenses	30,189	-	30,189
Unrestricted	<u>(3,823,656)</u>	<u>39,936,619</u>	<u>36,112,963</u>
Total net position	<u>27,277,305</u>	<u>155,567,782</u>	<u>182,845,087</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 44,238,025</u>	<u>\$ 198,902,491</u>	<u>\$ 243,140,516</u>

BOROUGH OF CHAMBERSBURG
Statement of Activities
Year Ended December 31, 2018

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	\$ 2,310,568	\$ 505,679	\$ 46,623	\$ -	\$ (1,758,266)	\$ -	\$ (1,758,266)
Public safety	10,833,457	1,855,468	801,987	-	(8,176,002)	-	(8,176,002)
Public works	1,834,124	5,720	650,868	148,045	(1,029,491)	-	(1,029,491)
Culture and recreation	1,322,566	188,537	140,051	-	(993,978)	-	(993,978)
Community development	836,338	-	806,842	-	(29,496)	-	(29,496)
Interest expense and debt issuance costs	60,526	-	-	-	(60,526)	-	(60,526)
Total governmental activities	<u>17,197,579</u>	<u>2,555,404</u>	<u>2,446,371</u>	<u>148,045</u>	<u>(12,047,759)</u>	<u>-</u>	<u>(12,047,759)</u>
Business-type activities							
Electric	28,240,579	29,785,076	67,800	-	-	1,612,297	1,612,297
Gas	6,762,534	7,772,848	29,303	-	-	1,039,617	1,039,617
Water	3,639,107	4,026,888	38,612	-	-	426,393	426,393
Sewer	9,729,758	6,642,974	50,103	7,665	-	(3,029,016)	(3,029,016)
Swimming pool	843,447	570,671	33,683	-	-	(239,093)	(239,093)
Sanitation	3,106,776	3,065,612	56,178	-	-	15,014	15,014
Parking, traffic and street lights	1,240,160	345,217	311,399	7,950	-	(575,594)	(575,594)
Storm sewer	383,574	403,705	392,807	-	-	412,938	412,938
Total business-type activities	<u>53,945,935</u>	<u>52,612,991</u>	<u>979,885</u>	<u>15,615</u>	<u>-</u>	<u>(337,444)</u>	<u>(337,444)</u>
Total primary government	<u>\$ 71,143,514</u>	<u>\$ 55,168,395</u>	<u>\$ 3,426,256</u>	<u>\$ 163,660</u>	<u>\$ (12,047,759)</u>	<u>\$ (337,444)</u>	<u>\$ (12,385,203)</u>
General revenues and transfers:							
Taxes:							
Property taxes, levied for general purposes					\$ 4,874,490	\$ -	\$ 4,874,490
Property taxes, levied for specific purposes					1,278,483	-	1,278,483
Real estate transfer tax					527,862	-	527,862
Earned income tax					2,179,319	-	2,179,319
Local services tax					879,616	-	879,616
Payments in lieu of taxes					91,285	-	91,285
Unrestricted investment earnings					214,420	753,807	968,227
Miscellaneous income					16,603	67,518	84,121
Transfers					1,953,168	(1,953,168)	-
Total general revenues and transfers					<u>12,015,246</u>	<u>(1,131,843)</u>	<u>10,883,403</u>
Change in net position					(32,513)	(1,469,287)	(1,501,800)
Net position - beginning, as restated					<u>27,309,818</u>	<u>157,037,069</u>	<u>184,346,887</u>
Net position - ending					<u>\$ 27,277,305</u>	<u>\$ 155,567,782</u>	<u>\$ 182,845,087</u>

BOROUGH OF CHAMBERSBURG
Balance Sheet - Governmental Funds
December 31, 2018

	General Fund	Special Revenue Fund - Grant Programs	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and equity in pooled cash and investments	\$ 1,480,524	\$ 18,107	\$ 6,412,205	\$ 7,910,836
Taxes receivable, net	452,143	-	95,282	547,425
Due from other funds	-	70	773,547	773,617
Receivable from other governments	836,785	92,638	-	929,423
Other receivables, net	298,998	72,754	166,831	538,583
Total assets	<u>\$ 3,068,450</u>	<u>\$ 183,569</u>	<u>\$ 7,447,865</u>	<u>\$ 10,699,884</u>
LIABILITIES				
Accounts payable	\$ 120,669	\$ 2,242	\$ 40,757	\$ 163,668
Due to other funds	-	-	70	70
Due to other governments	-	1,481	-	1,481
Unearned revenue	90,120	8,698	-	98,818
Accrued wages, benefits and withholdings	240,592	-	-	240,592
Total liabilities	<u>451,381</u>	<u>12,421</u>	<u>40,827</u>	<u>504,629</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable tax revenue	789,731	-	77,423	867,154
Total deferred inflows of resources	<u>789,731</u>	<u>-</u>	<u>77,423</u>	<u>867,154</u>
FUND BALANCES				
Restricted	-	171,148	7,329,615	7,500,763
Unassigned	1,827,338	-	-	1,827,338
Total fund balances	<u>1,827,338</u>	<u>171,148</u>	<u>7,329,615</u>	<u>9,328,101</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,068,450</u>	<u>\$ 183,569</u>	<u>\$ 7,447,865</u>	<u>\$ 10,699,884</u>

BOROUGH OF CHAMBERSBURG
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2018

Total fund balance - governmental funds \$ 9,328,101

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

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

Cost of assets	39,217,953	
Accumulated depreciation	<u>(17,303,700)</u>	
		21,914,253

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 statement. 818,413

Long-term liabilities are not due and payable in the current period and are not included in the fund balance sheet, but are included in the governmental activities of the Statement of Net Position. Long-term liabilities and related deferred inflows and outflows of resources consist of:

Bonds payable, net of premium	(1,266,410)	
Accrued interest on bonds	(5,077)	
Compensated absences	(763,007)	
Net pension liability	(8,125,696)	
Deferred outflows related to pension liability	2,888,602	
Deferred inflows related to pension liability	(516,363)	
OPEB liability	(1,825,227)	
Deferred outflows related to OPEB liability	79,473	
Deferred inflows related to OPEB liability	<u>(2,923)</u>	
		(9,536,628)

Internal service funds are used by management to charge the costs of certain activities, such as insurance, motor equipment, engineering, administrative, and others, to individual funds. A portion of these assets, deferred outflows of resources, liabilities, and deferred inflows of resources 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. 4,753,166

Total net position - governmental activities \$ 27,277,305

BOROUGH OF CHAMBERSBURG
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Governmental Funds
Year Ended December 31, 2018

	General Fund	Special Revenue Fund - Grant Programs	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 8,354,394	\$ -	\$ 1,272,890	\$ 9,627,284
Licenses and permits	416,535	-	-	416,535
Fines and forfeits	163,076	-	-	163,076
Interest earnings and unrealized investment gains (losses)	49,066	964	104,437	154,467
Intergovernmental	928,604	813,896	694,041	2,436,541
Charges for services	1,839,269	-	-	1,839,269
Miscellaneous	149,669	9,108	152,080	310,857
Total revenues	<u>11,900,613</u>	<u>823,968</u>	<u>2,223,448</u>	<u>14,948,029</u>
EXPENDITURES				
General government	1,638,048	47,892	71,762	1,757,702
Public safety				
Police department	4,628,587	11,379	82,884	4,722,850
Emergency services	4,641,601	15,000	-	4,656,601
Planning and zoning	611,478	-	-	611,478
Public works				
Highways	1,118,537	771,102	1,504,327	3,393,966
Culture and recreation	1,072,146	2,454	784,822	1,859,422
Community development	-	15,892	159,166	175,058
Debt service	-	-	141,071	141,071
Total expenditures	<u>13,710,397</u>	<u>863,719</u>	<u>2,744,032</u>	<u>17,318,148</u>
Excess (deficiency) of revenues over expenditures	<u>(1,809,784)</u>	<u>(39,751)</u>	<u>(520,584)</u>	<u>(2,370,119)</u>
OTHER FINANCING SOURCES (USES)				
Bond reallocation	-	-	(1,177,163)	(1,177,163)
Transfers in	2,776,201	14,574	2,142,055	4,932,830
Transfers out	(817,300)	-	(2,313,549)	(3,130,849)
Total other financing sources and uses	<u>1,958,901</u>	<u>14,574</u>	<u>(1,348,657)</u>	<u>624,818</u>
Net change in fund balances	149,117	(25,177)	(1,869,241)	(1,745,301)
Fund balances - beginning	<u>1,678,221</u>	<u>196,325</u>	<u>9,198,856</u>	<u>11,073,402</u>
Fund balances - ending	<u>\$ 1,827,338</u>	<u>\$ 171,148</u>	<u>\$ 7,329,615</u>	<u>\$ 9,328,101</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, 2018

Net change in fund balances - total governmental funds: \$ (1,745,301)

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	(1,340,440)	
Capital outlays	<u>2,588,856</u>	1,248,416

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.

203,771

The repayment of principal of long term obligations consumes the current financial resources of governmental funds. Also, governmental funds report prepaid bond issuance, bond premiums, and other similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Repayment of long-term obligations	79,487	
Amortization of bond premium	<u>1,058</u>	80,545

The reallocation in the current year for the amount of outstanding debt between the governmental activities and the business-type activities is reported as a long-term liability in the Statement of Net Position.

1,177,163

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

OPEB liability and related deferred outflows and inflows	(284,848)	
Net pension liability and related deferred outflows and inflows	(729,556)	
Compensated absences	<u>(218,529)</u>	(1,232,933)

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.

235,826

Change in net position - governmental activities \$ (32,513)

BOROUGH OF CHAMBERSBURG
Statement of Net Position - Proprietary Funds
December 31, 2018

	Enterprise Funds						Total	Internal Service Funds
	Electric Fund	Gas Fund	Water Fund	Sewer Fund	Swimming Pool Fund	Other Enterprise Funds		
ASSETS								
Current assets								
Cash and equity in pooled cash and investments	\$ 7,961,270	\$ 3,930,328	\$ 8,866,301	\$ 6,573,926	\$ 901,164	\$ 2,914,269	\$ 31,147,258	\$ 16,351,294
Accounts receivable, net	2,897,682	1,259,254	289,806	979,587	1,848	342,940	5,771,117	-
Receivables from other governments	-	-	-	1,394	-	37,637	39,031	-
Other receivables	29,523	17,677	33,139	24,563	-	10,906	115,808	53,905
Inventories	1,066,616	471,008	68,024	87,820	-	-	1,693,468	1,410,697
Prepaid expenses	46,936	3,134	3,880	6,234	-	1,004	61,188	1,481
Total current assets	12,002,027	5,681,401	9,261,150	7,673,524	903,012	3,306,756	38,827,870	17,817,377
Noncurrent assets								
Capital assets not being depreciated:								
Land	464,369	37,716	384,488	24,299	-	944,346	1,855,218	13,984
Construction in progress	386,583	608,007	229,505	483,871	11,936	140,737	1,860,639	887,832
Capital assets being depreciated:								
Buildings and system	76,386,346	15,960,659	19,647,312	87,166,501	-	1,782,412	200,943,230	9,380,607
Improvements other than buildings	63,060	2,860	420,481	14,150	8,545,289	4,597,081	13,642,921	-
Machinery and equipment	812,681	328,238	406,798	588,346	-	5,134,225	7,270,288	10,535,795
Less accumulated depreciation	(38,715,242)	(5,549,865)	(6,823,553)	(36,590,622)	(163,744)	(4,403,421)	(92,246,447)	(5,594,447)
Total capital assets	39,397,797	11,387,615	14,265,031	51,686,545	8,393,481	8,195,380	133,325,849	15,223,771
Total noncurrent assets	39,397,797	11,387,615	14,265,031	51,686,545	8,393,481	8,195,380	133,325,849	15,223,771
Total assets	51,399,824	17,069,016	23,526,181	59,360,069	9,296,493	11,502,136	172,153,719	33,041,148
DEFERRED OUTFLOWS OF RESOURCES								
Deferred outflows related to pension liability	640,088	314,367	292,737	342,398	-	249,033	1,838,623	1,209,063
Deferred outflows related to OPEB liability	9,171	4,337	4,275	5,000	-	3,255	26,038	16,948
Deferred charge on bond refunding	55,321	-	-	-	-	-	55,321	-
Total deferred outflows of resources	704,580	318,704	297,012	347,398	-	252,288	1,919,982	1,226,011
Total assets and deferred outflows of resources	\$ 52,104,404	\$ 17,387,720	\$ 23,823,193	\$ 59,707,467	\$ 9,296,493	\$ 11,754,424	\$ 174,073,701	\$ 34,267,159
LIABILITIES								
Current liabilities								
Accounts payable	\$ 1,563,758	\$ 866,480	\$ 167,451	\$ 212,805	\$ 13,271	\$ 223,423	\$ 3,047,188	\$ 662,535
Accrued wages payable	80,772	33,360	45,987	49,899	2,233	34,643	246,894	154,897
Accrued interest payable	58,182	-	-	-	14,569	-	72,751	-
Unearned revenue	18,448	23,349	-	-	-	-	41,797	-
Due to other funds	-	-	-	-	773,547	-	773,547	-
Compensated absences - current	154,614	57,934	66,259	74,964	822	45,167	399,760	287,976
Liability for self insured losses - current	-	-	-	-	-	-	-	106,100
Bonds, notes and loans payable - current	1,490,504	-	-	259,666	237,300	75,404	2,062,874	281,858
Total current liabilities	3,366,278	981,123	279,697	597,334	1,041,742	378,637	6,644,811	1,493,366
Noncurrent liabilities								
Compensated absences	117,457	32,451	47,822	46,345	34	19,051	263,160	233,260
Liability for self insured losses	-	-	-	-	-	-	-	345,675
Net pension liability	1,838,958	869,725	857,287	1,002,719	-	652,532	5,221,221	3,398,528
OPEB liability	184,048	87,044	85,797	100,354	-	65,307	522,550	340,134
Bonds, notes and loans payable	5,616,694	-	-	4,998,565	8,026,216	773,756	19,415,231	9,350,599
Total noncurrent liabilities	7,757,157	989,220	990,906	6,147,983	8,026,250	1,510,646	25,422,162	13,668,196
Total liabilities	11,123,435	1,970,343	1,270,603	6,745,317	9,067,992	1,889,283	32,066,973	15,161,562
DEFERRED INFLOWS OF RESOURCES								
Deferred inflows related to pension liability	142,148	67,227	78,409	89,098	-	109,769	486,651	278,153
Deferred inflows related to OPEB liability	5,669	2,681	2,643	3,092	-	2,012	16,097	10,476
Total deferred inflows of resources	147,817	69,908	81,052	92,190	-	111,781	502,748	288,629
NET POSITION								
Net investment in capital assets	32,288,091	11,325,515	14,176,989	46,376,191	118,029	7,250,205	111,535,020	5,480,523
Unrestricted (deficit)	8,545,061	4,021,954	8,294,549	6,493,769	110,472	2,503,155	29,968,960	13,336,445
Total net position	40,833,152	15,347,469	22,471,538	52,869,960	228,501	9,753,360	141,503,980	18,816,968
Total liabilities, deferred inflows of resources, and net position	\$ 52,104,404	\$ 17,387,720	\$ 23,823,193	\$ 59,707,467	\$ 9,296,493	\$ 11,754,424	\$ 174,073,701	\$ 34,267,159

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.

Net position of business-type activities \$ 155,567,782

BOROUGH OF CHAMBERSBURG
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds
Year Ended December 31, 2018

	Enterprise Funds					Swimming Pool Fund	Other Enterprise Funds	Total	Internal Service Funds
	Electric Fund	Gas Fund	Water Fund	Sewer Fund					
OPERATING REVENUES									
Charges for services	\$ 28,965,546	\$ 7,739,855	\$ 3,012,448	\$ 6,458,158	\$ 570,210	\$ 3,513,727	\$ 50,259,944	\$ 9,442,854	
Miscellaneous	813,799	32,588	112,294	53,310	8,928	417,166	1,438,085	6,463	
Total operating revenues	<u>29,779,345</u>	<u>7,772,443</u>	<u>3,124,742</u>	<u>6,511,468</u>	<u>579,138</u>	<u>3,930,893</u>	<u>51,698,029</u>	<u>9,449,317</u>	
OPERATING EXPENSES									
Production, gathering, treatment and transmission	3,781,167	738,716	2,076,162	2,850,542	-	-	9,446,587	-	
Operation and maintenance	-	-	-	-	504,204	901,543	1,405,747	6,917,412	
Collection and disposal	-	-	-	1,008,663	-	2,754,594	3,763,257	-	
Purchase of energy for sale	19,142,270	4,276,687	-	-	-	-	23,418,957	-	
Customer accounting and administrative	3,096,582	1,402,777	1,104,430	1,425,009	-	670,387	7,699,185	1,113,110	
Claim payments and special services	-	-	-	-	-	-	-	845,336	
Increase (decrease) in expected unpaid losses	-	-	-	-	-	-	-	(89,953)	
Depreciation and amortization	2,070,161	344,959	468,086	4,323,652	163,744	386,912	7,757,514	893,424	
Total operating expenses	<u>28,090,180</u>	<u>6,763,139</u>	<u>3,648,678</u>	<u>9,607,866</u>	<u>667,948</u>	<u>4,713,436</u>	<u>53,491,247</u>	<u>9,679,329</u>	
Operating income (loss)	<u>1,689,165</u>	<u>1,009,304</u>	<u>(523,936)</u>	<u>(3,096,398)</u>	<u>(88,810)</u>	<u>(782,543)</u>	<u>(1,793,218)</u>	<u>(230,012)</u>	
NONOPERATING REVENUES (EXPENSES)									
Connection fees	-	-	867,560	131,453	-	-	999,013	-	
Interest earnings and unrealized investment gains (losses)	137,112	76,660	143,813	108,864	58,103	51,863	576,415	237,345	
Gain (loss) on sale of assets	(752)	(47)	(158)	-	-	9,142	8,185	(127,612)	
Reimbursement of prior year expense	-	-	-	-	-	-	-	463,679	
Other nonoperating revenues	30,241	3,173	52,713	8,925	3,959	2,077	101,088	576	
Intergovernmental revenues	67,800	29,303	38,612	50,103	33,683	633,190	852,691	164,818	
Interest expense and debt issuance costs	(167,724)	-	-	(134,544)	(175,543)	(28,531)	(506,342)	(173,721)	
Total nonoperating revenues (expenses)	<u>66,677</u>	<u>109,089</u>	<u>1,102,540</u>	<u>164,801</u>	<u>(79,798)</u>	<u>667,741</u>	<u>2,031,050</u>	<u>565,085</u>	
Income (loss) before contributions and transfers	1,755,842	1,118,393	578,604	(2,931,597)	(168,608)	(114,802)	237,832	335,073	
Capital contributions and grants	-	-	-	7,665	-	7,950	15,615	-	
Transfers in	-	-	-	-	409,128	904,314	1,313,442	1,891,921	
Transfers out	(2,432,399)	(704,710)	(120,710)	(123,010)	(126,926)	(484,360)	(3,992,115)	(1,035,229)	
Change in net position	(676,557)	413,683	457,894	(3,046,942)	113,594	313,102	(2,425,226)	1,191,765	
Total net position - beginning, as restated	<u>41,509,709</u>	<u>14,933,786</u>	<u>22,013,644</u>	<u>55,916,902</u>	<u>114,907</u>	<u>9,440,258</u>	<u>143,929,206</u>	<u>17,625,203</u>	
Total net position - ending	<u>\$ 40,833,152</u>	<u>\$ 15,347,469</u>	<u>\$ 22,471,538</u>	<u>\$ 52,869,960</u>	<u>\$ 228,501</u>	<u>\$ 9,753,360</u>	<u>\$ 141,503,980</u>	<u>\$ 18,816,968</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

955,939

Change in net position of business-type activities

\$ (1,469,287)

BOROUGH OF CHAMBERSBURG
Statement of Cash Flows - Proprietary Funds
Year Ended December 31, 2018

	Enterprise Funds					Other Enterprise Funds	Total	Internal Service Funds
	Electric Fund	Gas Fund	Water Fund	Sewer Fund	Swimming Pool Fund			
Cash flows from operating activities:								
Receipts from customers/interfund services provided	\$ 29,904,153	\$ 7,922,735	\$ 3,162,276	\$ 7,287,509	\$ 581,757	\$ 3,866,477	\$ 52,724,907	\$ 9,453,007
Payments to suppliers	(23,982,126)	(5,519,969)	(1,884,621)	(4,546,876)	(190,396)	(3,024,383)	(39,148,371)	(4,107,662)
Payments to and on behalf of employees	(2,198,889)	(748,948)	(1,176,417)	(1,330,600)	(310,730)	(1,232,592)	(6,998,176)	(4,361,738)
Net cash provided (used) by operating activities	<u>3,723,138</u>	<u>1,653,818</u>	<u>101,238</u>	<u>1,410,033</u>	<u>80,631</u>	<u>(390,498)</u>	<u>6,578,360</u>	<u>983,607</u>
Cash flows from capital and related financing activities:								
Grants and reimbursements received	-	-	-	696	-	22,935	23,631	-
Proceeds from capital debt	-	-	-	-	1,177,163	-	1,177,163	6,875,378
Purchase of capital assets	(681,374)	(911,811)	(155,545)	(175,553)	(5,838,471)	(1,145,078)	(8,907,832)	(6,160,709)
Proceeds from sale of assets	-	-	-	-	-	9,142	9,142	23,652
Proceeds from tap fees	-	-	867,560	131,453	-	-	999,013	-
Principal paid on capital debt	(1,455,334)	-	-	(259,666)	(230,516)	(73,260)	(2,018,776)	(117,543)
Interest and fiscal charges paid on capital debt	(175,919)	-	-	(134,544)	(178,612)	(28,531)	(517,606)	(173,721)
Net cash provided (used) by capital and related financing activities	<u>(2,312,627)</u>	<u>(911,811)</u>	<u>712,015</u>	<u>(437,614)</u>	<u>(5,070,436)</u>	<u>(1,214,792)</u>	<u>(9,235,265)</u>	<u>447,057</u>
Cash flows from non-capital financing activities:								
Transfer from other funds	-	-	-	-	409,128	904,314	1,313,442	1,891,921
Transfer to other funds	(2,432,399)	(704,710)	(120,710)	(123,010)	(126,926)	(484,360)	(3,992,115)	(1,035,229)
Refund received for health insurance	-	-	-	-	-	-	-	463,679
Grants received	67,800	29,303	38,612	50,103	33,683	468,876	688,377	164,818
Net cash provided (used) by non-capital financing activities	<u>(2,364,599)</u>	<u>(675,407)</u>	<u>(82,098)</u>	<u>(72,907)</u>	<u>315,885</u>	<u>888,830</u>	<u>(1,990,296)</u>	<u>1,485,189</u>
Cash flows from investing activities:								
Interest and dividends received	126,838	66,108	118,795	90,661	57,220	50,835	510,457	198,204
Net cash provided (used) by investing activities	<u>126,838</u>	<u>66,108</u>	<u>118,795</u>	<u>90,661</u>	<u>57,220</u>	<u>50,835</u>	<u>510,457</u>	<u>198,204</u>
Net increase (decrease) in cash and cash equivalents	(827,250)	132,708	849,950	990,173	(4,616,700)	(665,625)	(4,136,744)	3,114,057
Market appreciation (depreciation) (*)	8,803	5,088	17,644	11,596	883	1,674	45,688	27,787
Total increase (decrease) in cash and cash equivalents	<u>(818,447)</u>	<u>137,796</u>	<u>867,594</u>	<u>1,001,769</u>	<u>(4,615,817)</u>	<u>(663,951)</u>	<u>(4,091,056)</u>	<u>3,141,844</u>
Cash and equity in pooled cash and investments - beginning of the year	<u>8,779,717</u>	<u>3,792,532</u>	<u>7,998,707</u>	<u>5,572,157</u>	<u>5,516,981</u>	<u>3,578,220</u>	<u>35,238,314</u>	<u>13,209,450</u>
Cash and equity in pooled cash and investments - end of the year	<u>\$ 7,961,270</u>	<u>\$ 3,930,328</u>	<u>\$ 8,866,301</u>	<u>\$ 6,573,926</u>	<u>\$ 901,164</u>	<u>\$ 2,914,269</u>	<u>\$ 31,147,258</u>	<u>\$ 16,351,294</u>
Reconciliation of income (loss) from operations to net cash provided (used) by operating activities:								
Operating income (loss)	\$ 1,689,165	\$ 1,009,304	\$ (523,936)	\$ (3,096,398)	\$ (88,810)	\$ (782,543)	\$ (1,793,218)	\$ (230,012)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:								
Depreciation and amortization expense	2,070,161	344,959	468,086	4,323,652	163,744	386,912	7,757,514	893,423
Miscellaneous nonoperating income	30,240	3,173	52,713	8,925	3,959	2,077	101,087	577
(Increase) decrease in:								
Accounts receivable	88,716	148,710	937	(8,524)	(1,340)	(66,493)	162,006	3,114
Inventories	(189,955)	(157,585)	(16,116)	2,363	-	-	(361,293)	(104,616)
Prepaid expenses	(5,905)	112	(183)	(789)	-	89	(6,676)	60
Increase (decrease) in:								
Accounts payable and accrued expenses	(203,561)	193,917	15,853	58,645	3,078	(3,644)	64,288	(5,036)
Net pension liability and related deferred outflows and inflows	181,502	88,752	80,162	94,412	-	55,048	499,876	338,093
Net OPEB liability and related deferred outflows and inflows	50,887	24,067	23,722	27,747	-	18,056	144,479	94,041
Unearned revenue	5,851	(1,591)	-	-	-	-	4,260	-
Due to other funds	6,037	-	-	-	-	-	6,037	(6,037)
Net cash provided (used) by operating activities	<u>\$ 3,723,138</u>	<u>\$ 1,653,818</u>	<u>\$ 101,238</u>	<u>\$ 1,410,033</u>	<u>\$ 80,631</u>	<u>\$ (390,498)</u>	<u>\$ 6,578,360</u>	<u>\$ 983,607</u>
Non-cash investing, capital and non-capital financing activities								
Donated assets from developers	\$ -	\$ -	\$ -	\$ 8,362	\$ -	\$ 7,950	\$ 16,312	\$ -
Market appreciation (depreciation) (*)	8,803	5,088	17,644	11,596	883	1,674	45,688	27,787

(*) Cash and equity in pooled cash and investments includes various investments held by the Borough. The market appreciation (depreciation) represents the unrealized gain (loss) on these investments.

BOROUGH OF CHAMBERSBURG
Statement of Fiduciary Net Position
December 31, 2018

	Pension Trust Funds	Private Purpose Trust Funds	Agency Funds
ASSETS			
Cash and equity in pooled cash and investments	\$ -	\$ 39,495	\$ 1,753,893
Mutual funds - U.S. Securities	2,209,679	-	-
Mutual funds - Corporate bonds	12,551,095	-	-
Mutual funds - Stocks	22,131,446	-	-
Mutual funds - Real estate securities	1,196,042	-	-
Employee contribution receivable	29,916	-	-
Other receivables	-	40	6,588
Total assets	<u>\$ 38,118,178</u>	<u>\$ 39,535</u>	<u>\$ 1,760,481</u>
LIABILITIES			
Accounts payable	\$ 26,983	\$ 133	\$ -
Consumer deposits	-	-	1,760,481
Total liabilities	<u>26,983</u>	<u>133</u>	<u>1,760,481</u>
NET POSITION			
Net position restricted for pensions	38,091,195	-	-
Held in trust for other purposes	-	39,402	-
Total net position	<u>38,091,195</u>	<u>39,402</u>	<u>-</u>
Total liabilities and net position	<u>\$ 38,118,178</u>	<u>\$ 39,535</u>	<u>\$ 1,760,481</u>

BOROUGH OF CHAMBERSBURG
Statement of Changes in Fiduciary Net Position
Year Ended December 31, 2018

	Pension Trust Funds	Private Purpose Trust Funds
ADDITIONS		
Contributions		
Employer	\$ 1,399,281	\$ -
Plan member	760,458	-
Public contributions and other revenue	-	5,040
Transfer in	-	20,000
Total contributions	<u>2,159,739</u>	<u>25,040</u>
Investment income		
Net appreciation (depreciation) in fair value of investments and gain (loss) on sale of investments	(3,505,860)	-
Interest, dividends, and other	958,687	852
Total net investment earnings	<u>(2,547,173)</u>	<u>852</u>
 Total additions	 <u>(387,434)</u>	 <u>25,892</u>
DEDUCTIONS		
Benefits	2,771,718	-
Administrative expenses	123,324	2,586
Pledge payments to customers/other	-	52,112
Total deductions	<u>2,895,042</u>	<u>54,698</u>
Change in net position	(3,282,476)	(28,806)
Net position - beginning	<u>41,373,671</u>	<u>68,208</u>
Net position - ending	<u>\$ 38,091,195</u>	<u>\$ 39,402</u>

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 if 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:

The Municipal Authority of the Borough of Chambersburg (the "Authority") is governed by a Board appointed by Borough Council. The Authority exists to provide services entirely to benefit the Borough. The Authority had minimal financial activity during 2018. See Note 11 for additional information.

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, deferred outflows of resources, liabilities, deferred inflows of resources, 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 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 four 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.

Fire Tax Fund is used to account for real estate tax revenue used primarily for fire department support.

Recreation Tax Fund is used to account for real estate tax revenue used primarily for recreational purposes.

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).

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.

Swimming Pool Department – Provides aquatic recreational services for the residents of Chambersburg and the surrounding areas.

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.

Storm Sewer Department – Provides stormwater removal for the Borough of Chambersburg, its residents and commercial establishments throughout the Borough.

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 responsible for the complete financial reporting and utility meter reading, as well as the operation and maintenance of Borough Hall. This fund also includes the Finance Department.

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 and 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 and other sources 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

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, deferred outflows of resources and deferred inflows of resources 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, deferred outflows of resources, liabilities, and deferred inflows of resources 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.

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) is 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 reserve, grant program tax funds, 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.

The Special Revenue Fund – Grant Programs was over expended in comparison to the budget for 2018; however, there are not ramifications related to the overspending.

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, liabilities, deferred inflows of resources, deferred outflows of resources 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.

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 capital assets are recorded at their acquisition value as of the date received. The Borough maintains a capitalization threshold of \$ 10,000. 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. With the adoption of GASB 89, interest costs related to construction are expensed as incurred, effective January 1, 2018. The statement is prospective, and interest capitalized prior to January 1, 2018 will remain capitalized.

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

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 has several items that qualify for reporting in this category, including the deferred charge on bond refunding and various amounts related to the pension and OPEB liabilities. These amounts will be amortized in future periods. 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 several items that qualify for reporting in this category, including unavailable tax revenue that is reported as deferred inflows of resources in the governmental funds balance sheet and various amounts related to the pension and OPEB liabilities on the statement of net position. These amounts will be amortized in future periods.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund Transactions (Continued)

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.

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 shorter of the life of the refunded or refunding 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

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, 2018:

Government-Wide Activity

	Governmental Activities	Business-Type Activities
Capital assets	\$ 25,759,777	\$ 144,704,096
Bonds and notes payable	(3,699,567)	(28,677,404)
Deferred charge on bond refunding	-	55,321
Accounts and retainage payable related to capital assets	(40,757)	(772,360)
Unspent bond proceeds	882,208	321,510
Net investment in capital assets	<u>\$ 22,901,661</u>	<u>\$ 115,631,163</u>

Proprietary Funds

	Electric Fund	Gas Fund	Water Fund	Sewer Fund	Swimming Pool Fund	Sanitation Fund	Parking, Traffic, and Street Lights Fund	Storm Sewer Fund
Capital assets	\$ 39,397,797	\$ 11,387,615	\$ 14,265,031	\$ 51,686,545	\$ 8,393,481	\$ 1,041,696	\$ 3,319,800	\$ 3,833,884
Bonds and notes payable	(7,107,198)	-	-	(5,258,231)	(8,263,516)	(849,160)	-	-
Deferred charge on bond refunding	55,321	-	-	-	-	-	-	-
Accounts and retainage payable related to capital assets	(57,829)	(62,100)	(88,042)	(52,123)	(11,936)	(30,990)	(60,180)	(4,845)
Net investment in capital assets	<u>\$ 32,288,091</u>	<u>\$ 11,325,515</u>	<u>\$ 14,176,989</u>	<u>\$ 46,376,191</u>	<u>\$ 118,029</u>	<u>\$ 161,546</u>	<u>\$ 3,259,620</u>	<u>\$ 3,829,039</u>

Internal Service Funds

	Stores Fund	Motor Equipment Fund	Engineering Fund	Administrative Services Fund
Capital assets	\$ 1,673	\$ 5,165,331	\$ 35,825	\$ 10,020,942
Bonds and notes payable	-	-	-	(9,632,457)
Accounts and retainage payable related to capital assets	-	-	-	(540,962)
Unspent bond proceeds	-	-	-	430,171
Net investment in capital assets	<u>\$ 1,673</u>	<u>\$ 5,165,331</u>	<u>\$ 35,825</u>	<u>\$ 277,694</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 governmental activities restricted net position:

Restricted for capital improvements	\$ 7,341,421
Restricted for grant expenses	171,148
Restricted for fire expenses	17,895
Restricted for recreation expenses	30,189
Restricted for highway improvements/projects	<u>638,647</u>
	<u>\$ 8,199,300</u>

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.

Deficit Net Position

The Administrative Services Fund and Worker's Compensation Fund (internal service funds) have deficit net position balances of \$ 1,002,835 and \$ 191,416 respectively, at December 31, 2018.

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 capital improvements	\$ 6,642,884
Restricted for grant expenditures	171,148
Restricted for fire expenditures	17,895
Restricted for recreation expenditures	30,189
Restricted for highway improvements/projects	<u>638,647</u>
	<u>\$ 7,500,763</u>

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance – Governmental Funds (Continued)

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

Assigned: This classification includes spendable amounts that are reported in governmental funds *other than in the General Fund*, that are neither restricted nor committed, and amounts in the General Fund that are intended to be used for a specific purpose. The intent of an assigned fund balance should be expressed by 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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. Upon retirement from the Borough, employees with a certain number of years of continuous service are reimbursed as follows for their accumulated sick leave:

➤ **Bargaining, Non-Bargaining and Police** - 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 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 at least 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).

➤ **Fire** - 15% to 27.5% of accumulated sick leave based on years of service.

Sick leave accumulated by bargaining and non-bargaining employees as of January 1, 2016, shall be converted to Catastrophic Sick Leave and credited to their Catastrophic Sick Leave bank. Employees may accumulate a maximum of 1,200 hours of Catastrophic Sick Leave (the "Catastrophic Sick Leave Cap"). At the end of each calendar year, employees with less than 1,200 hours of Catastrophic Sick Leave may roll any unused Regular Sick Leave into their Catastrophic Sick Leave bank, up to the Catastrophic Sick Leave Cap. Regular part-time employees shall be entitled to one-half of this benefit (600 hours catastrophic sick leave). Any accumulated sick leave under this benefit will be paid in accordance with the provisions noted above.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Postemployment Benefits Other Than Pension

GASB establishes standards for the measurement, recognition, and display of other postemployment benefit expenditures and related liabilities, note disclosures, and if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. The Borough's other postemployment benefits are accounted for in accordance with these standards.

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.

NOTE 2 CASH AND CASH EQUIVALENTS

The Borough is authorized to invest in the following under Borough code and Act 10 of 2016:

- U.S. Treasury Bills.
- Short-term obligations of the U.S. Government and federal agencies.
- Deposits in savings accounts or time deposits or share accounts of institutions insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund to the extent that such accounts are so insured, and, for any amounts above the insured maximum, provided that approved collateral as provided by law therefore shall be pledged by the depository.
- Obligations of the United States of America or any of its agencies or instrumentalities backed by the full faith and credit of the respective governmental entity.
- Shares of an investment company restricted under the Investment Company Act of 1940.
- Obligations, participations or other instruments of any Federal agency, instrumentality, or United States government-sponsored enterprise if the debt obligations are rated at least "A" or its equivalent.
- Commercial paper issued by corporations or other business entities organized in accordance with federal or state law, with a maturity not to exceed 270 days.
- Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers' acceptances, if the bankers' acceptances do not exceed 180 days maturity.
- Negotiable certificates of deposit or other evidences of deposit, with a remaining maturity of three years or less.

NOTE 2 CASH AND CASH EQUIVALENTS (CONTINUED)

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, 2018, the Borough has a bank balance of \$ 7,772,177. Of this balance, \$ 656,393 is covered by FDIC insurance and the remaining balance of \$ 7,115,783 is collateralized by securities held by the pledging financial institution, not in the Borough's name.

Pennsylvania Act 72 of 1971, as amended, is an act standardizing the procedures for pledges of assets to secure deposits of public funds with banking institutions pursuant to other laws; establishing a standard rule for the types, amounts and valuations of assets eligible to be used as collateral for deposits of public funds; permitting assets to be pledged against deposits on a pooled basis and authorizing the appointment of custodians to act as the pledger of the assets. Based on the standards outlined in Act 72, the various banks utilized by the Borough have pledged collateral on a pooled basis on behalf of the Borough and all other governmental depositors in the respective financial institutions.

Investments

As of December 31, 2018, the Borough's investments were as follows:

Investment Type	Fair Value	Credit Quality Rating
PLGIT/PLGIT ARM	\$ 1,588,101	AAAm
PLGIT/PLGIT Class	476,493	AAAm
PLGIT/PLGIT Prime	525,772	AAAm
Sterling Advisors - Agency Bonds	41,706,063	AA+
Sterling Advisors - Negotiable CD's	5,135,118	Not Rated

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 in the financial statements are pooled investments in the Pennsylvania Local Government Investment Trust (PLGIT) – ARM, PLGIT - Class, and PLGIT - Prime. PLGIT is an external investment pool. These funds operate similarly to mutual funds and consist of short-term money market instruments and seek to maintain a constant net asset value of \$ 1 per share.

NOTE 2 CASH AND CASH EQUIVALENTS (CONTINUED)

Investments (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
Sterling Advisors - Agency Bonds	\$ 41,706,064	\$ 11,423,164	\$ 30,282,900
Sterling Advisors - Negotiable CD's	5,135,118	2,547,754	2,587,364

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.

Concentrations of Credit Risk – Investments

At December 31, 2018, the following investments were in excess of 5% of the Borough's investments: Federal Farm Credit Banks (31.46%), Federal National Mortgage Association (23.90%), Federal Home Loan Bank (14.12%), and Federal Home Loan Mortgage Corporation (13.58%).

Policies Followed at PLGIT

Regulatory Oversight

The operation of PLGIT is governed by an eleven-member Board of Trustees. The Trustees must be employees or elected officials of a local government or school district and are elected at the annual meeting of investors. The Trustees have exclusive and absolute control over the affairs of the Trust and its' assets, subject to rights of the Investors, as provided in the Declaration of Trust.

PLGIT is not registered with the Securities and Exchange Commission (SEC); however, PLGIT follows investment procedures similar to those followed by SEC registered money market funds.

Valuation of Investments

Portfolios are valued using the net asset value per share. The net asset value per share is computed by dividing the total value of the securities and other assets of the portfolio less liabilities, by the outstanding shares of the portfolio.

The Borough has no limitations or restrictions on withdrawals on accounts held at PLGIT.

NOTE 2 CASH AND CASH EQUIVALENTS (CONTINUED)

Investments (Continued)

Municipal Pension Plans

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

	Total Fair Value	Investment Maturities
U.S. Government and Agency Securities Mutual Funds	\$ 2,209,680	Less Than 1 Year
Corporate Bond Mutual Funds	12,551,095	Less Than 1 Year
Open End Mutual Funds	<u>23,327,487</u>	N/A
Total	<u>\$ 38,088,262</u>	

Credit Risk - Pension Plans

The Borough does not have a formal policy pertaining to credit risk. The U.S. government and agency securities and corporate bond mutual funds credit rating is detailed below:

Description	Credit Quality
GNMA Fund Admiral Shares	AAA
Short-Term Investment – Grade Admiral	A
Intermediate Term Bond Index	AAA
Short-Term Government Portfolio	AAA

Foreign Securities and Currencies Risk - Pension Plans

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 \$ 23,327,487 of Open-End Mutual Funds shown above are International Mutual Funds with a fair value of \$ 4,391,186. The International Mutual Funds may be subject to foreign securities and currencies risk.

Investments – Fair Value Measurements

Generally accepted accounting principles define fair value, describe a framework for measuring fair value, and require disclosure about fair value measurements. Recurring fair value measurements are those that GASB Statements require or permit in the statement of net position at the end of each reporting period. The established framework includes a three-level hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the assets or liabilities fall within different levels of the hierarchy, the classification is based on the lowest level input that is significant to the fair value measurement of the asset or liability. Classification of assets and liabilities within the hierarchy considers the markets in which the assets and liabilities are traded and reliability and transparency of the assumptions used to determine fair value. The hierarchy requires the use of observable market data when available. The levels of the hierarchy and those investments included in each are as follows:

Level 1 – Represented by quoted prices available in an active market. Level 1 securities include highly liquid government bonds, treasury securities, mortgage products and exchange traded equities and mutual funds.

NOTE 2 CASH AND CASH EQUIVALENTS (CONTINUED)

Investments (Continued)

Investments – Fair Value Measurements (Continued)

Level 2 – Represented by assets and liabilities similar to Level 1 where quoted prices are not available, but are observable, either directly or indirectly through corroboration with observable market data, such as quoted prices for similar securities and quoted prices in inactive markets and estimated using pricing models or discounted cash flows. Level 2 securities would include U.S. agency securities, mortgage-backed agency securities, obligations of states, and political subdivisions and certain corporate, asset backed securities, swap agreements, and life insurance contracts.

Level 3 – Represented by financial instruments where there is limited activity or unobservable market prices and pricing models significant to determining the fair value measurement include the reporting entity's own assumptions about the market risk. Level 3 securities would include hedge funds, private equity securities, and those with internally developed values.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The following is a description of the valuation methodologies used for instruments measured at fair value on the statement of net position, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Negotiable Certificates of Deposit

The fair value of negotiable certificates of deposit are estimated using a discounted cash flow calculation that applies to interest rates currently being offered for deposits of similar remaining maturities to a schedule of aggregated expected maturities of such deposits. Such investments are generally classified within Level 2 of the valuation hierarchy.

Agency Bonds

Agency Bonds consisting of Federal Farm Credit Banks, Federal Home Loan Mortgage Corp, Federal Home Loan Bank, Federal Home Loan Mortgage Co., Federal National Mortgage Association and Fannie Mae are generally valued at the most recent price of the equivalent quotes yield for such securities, or those of comparable maturity, quality, and type. Such investments are generally classified within Level 2 of the valuation hierarchy.

Mutual Funds

Mutual funds listed on a national market or exchange are valued at the last sales price, or if there is no sale and the market is still considered active, at the mean of the last bid and ask prices on such exchange. The Borough's interests in mutual funds are categorized by type as equity, fixed income, or alternative investments. Such securities are classified within Level 1 of the valuation hierarchy.

BOROUGH OF CHAMBERSBURG
Notes to Financial Statements

NOTE 2 CASH AND CASH EQUIVALENTS (CONTINUED)

Investments (Continued)

Investments – Fair Value Measurements (Continued)

The following table sets forth, by level within the fair value hierarchy, the financial assets that were accounted for at fair value on a recurring basis as of December 31, 2018:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Negotiable certificates of deposit	\$ 5,135,118	\$ -	\$ 5,135,118	\$ -
Agency Bonds:				
Federal Farm Credit Banks	15,549,958	-	15,549,958	-
Federal Home Loan Mortgage Corp	6,711,068	-	6,711,068	-
Federal Home Loan Bank	6,980,943	-	6,980,943	-
Federal Home Loan Mortgage Co.	152,734	-	152,734	-
Federal National Mortgage Association	11,816,586	-	11,816,586	-
Fannie Mae	494,775	-	494,775	-
Total Agency Bonds	<u>41,706,064</u>	<u>-</u>	<u>41,706,064</u>	<u>-</u>
Mutual funds by type:				
U.S. Government and Agency Securities	2,209,680	2,209,680	-	-
Corporate Bond	12,551,095	12,551,095	-	-
Open End	23,327,487	23,327,487	-	-
Total mutual funds	<u>38,088,262</u>	<u>38,088,262</u>	<u>-</u>	<u>-</u>
Total investments by fair value category	<u>\$ 84,929,444</u>	<u>\$ 38,088,262</u>	<u>\$ 46,841,182</u>	<u>\$ -</u>

BOROUGH OF CHAMBERSBURG
Notes to Financial Statements

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, 2018 for the Borough's governmental activities, including the applicable allowances for uncollectible accounts, are as follows:

Real estate	\$	547,425
Earned income tax		753,399
Real estate transfer tax		49,087
Ambulance billings		490,621
Loans receivable		202,373
Grants receivable		84,636
Other		234,998
Allowance for uncollectible accounts		<u>(333,492)</u>
Receivables - full accrual basis		2,029,047
Allocation of internal service funds receivables not recorded in the governmental fund financial statements		<u>(13,616)</u>
Receivables - modified accrual basis	\$	<u>2,015,431</u>

BOROUGH OF CHAMBERSBURG
Notes to Financial Statements

NOTE 4 CAPITAL ASSETS

Capital asset activity for the Borough consists of the following for the year ended December 31, 2018:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Cost:				
Capital assets not being depreciated				
Land	\$ 401,848	\$ -	\$ -	\$ 401,848
Construction-in-progress	1,902,232	749,318	(1,340,900)	1,310,650
Capital assets				
Land improvements	2,812,131	176,144	-	2,988,275
Buildings	4,694,748	-	-	4,694,748
Machinery and equipment	5,041,075	2,761,646	(269,478)	7,533,243
Infrastructure - highways	18,137,060	1,666,220	-	19,803,280
Infrastructure - railroads	2,478,702	-	-	2,478,702
Infrastructure - other	5,192,939	72,950	-	5,265,889
Total cost	<u>40,660,735</u>	<u>5,426,278</u>	<u>(1,610,378)</u>	<u>44,476,635</u>
Less accumulated depreciation:				
Land improvements	(1,370,831)	(229,048)	-	(1,599,879)
Buildings	(3,716,954)	(68,139)	-	(3,785,093)
Machinery and equipment	(2,784,653)	(346,107)	231,269	(2,899,491)
Infrastructure - highways	(5,340,932)	(657,804)	-	(5,998,736)
Infrastructure - railroads	(2,032,534)	(99,148)	-	(2,131,682)
Infrastructure - other	(2,136,104)	(165,873)	-	(2,301,977)
Total accumulated depreciation	<u>(17,382,008)</u>	<u>(1,566,119)</u>	<u>231,269</u>	<u>(18,716,858)</u>
Capital assets, net	<u>\$ 23,278,727</u>	<u>\$ 3,860,159</u>	<u>\$ (1,379,109)</u>	<u>\$ 25,759,777</u>
Business-Type Activities:				
Cost:				
Capital assets not being depreciated				
Land	\$ 1,848,813	\$ 16,857	\$ -	\$ 1,865,670
Construction-in-progress	10,851,741	1,088,922	(9,416,458)	2,524,205
Capital assets				
Utility plant in service	197,849,916	2,286,366	(35,725)	200,100,557
Land improvements	4,555,326	9,086,181	-	13,641,507
Buildings	959,119	-	-	959,119
Machinery and equipment	14,778,375	8,060,409	(799,425)	22,039,359
Total cost	<u>230,843,290</u>	<u>20,538,735</u>	<u>(10,251,608)</u>	<u>241,130,417</u>
Less accumulated depreciation:				
Utility plant in service	(78,890,004)	(7,202,957)	34,766	(86,058,195)
Land improvements	(1,694,021)	(153,537)	-	(1,847,558)
Buildings	(434,119)	(23,110)	-	(457,229)
Machinery and equipment	(7,693,926)	(1,044,237)	674,824	(8,063,339)
Total accumulated depreciation	<u>(88,712,070)</u>	<u>(8,423,841)</u>	<u>709,590</u>	<u>(96,426,321)</u>
Capital assets, net	<u>\$ 142,131,220</u>	<u>\$ 12,114,894</u>	<u>\$ (9,542,018)</u>	<u>\$ 144,704,096</u>

BOROUGH OF CHAMBERSBURG
Notes to Financial Statements

NOTE 4 CAPITAL ASSETS (CONTINUED)

See Note 10 for project commitments.

Depreciation expense for the year ended December 31, 2018 was charged to expense functions, including the internal service fund allocations, as follows:

	Governmental Activities	Business-Type Activities
General government	\$ 528,472	\$ -
Public safety	145,010	-
Public services	697,443	-
Parks and recreation	195,194	-
Electric	-	2,328,450
Gas	-	442,877
Water	-	557,517
Sewer	-	4,438,561
Sanitation	-	188,023
Parking, traffic and street lights	-	193,579
Storm Sewer	-	110,645
Pool Fund	-	164,189
	<u>\$ 1,566,119</u>	<u>\$ 8,423,841</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 (25%) and the business-type activities (75%). These allocations changed in 2018 compared to 2017, 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

NOTE 5 LONG-TERM LIABILITIES

The changes in long-term liabilities during the year ended December 31, 2018 were as follows:

	Beginning Balance	Additions	Reductions	Transfers	Ending Balance	Unamortized Bond Premium and Discount	Current Portion
Governmental Activities:							
Bonds and notes payable							
(D) Capital Reserve 2016 GO Bond	\$ 2,498,718	\$ -	\$ (79,313)	\$ (1,177,163)	\$ 1,242,242	\$ 24,341	\$ 81,827
(E) Administrative Services 2017 GO Note	726,130	1,736,720	(29,866)	-	2,432,984	-	71,197
Subtotal - bonds and notes	3,224,848	1,736,720	(109,179)	(1,177,163)	3,675,226	24,341	153,024
Liability for self-insured losses	136,840	51,106	(73,828)	-	114,118	-	26,801
Compensated absences	658,537	699,537	(463,404)	-	894,670	-	379,366
Total long-term liabilities	\$ 4,020,225	\$ 2,487,363	\$ (646,411)	\$ (1,177,163)	\$ 4,684,014	\$ 24,341	\$ 559,191
Business-Type Activities							
Bonds and notes payable							
(B) Sewer 2012 GO Note	\$ 5,517,897	\$ -	\$ (259,666)	\$ -	\$ 5,258,231	\$ -	\$ 259,666
(A) Electric 2012 GO Bond	7,245,000	-	(1,395,000)	-	5,850,000	35,427	1,430,170
(B) Electric 2012 GO Note	1,282,103	-	(60,334)	-	1,221,769	-	60,334
(C) Sanitation 2014 GO Note	922,420	-	(73,260)	-	849,160	-	75,404
(D) Swimming Pool 2016 GO Bond	7,246,282	-	(229,998)	1,177,163	8,193,447	70,587	237,300
(E) Administrative Services 2017 GO Note	2,148,492	5,138,658	(88,367)	-	7,198,783	-	210,661
Subtotal - bonds and notes	24,362,194	5,138,658	(2,106,625)	1,177,163	28,571,390	106,014	2,273,535
Liability for self-insured losses	404,888	151,212	(218,443)	-	337,657	-	79,299
Compensated absences	920,458	534,650	(402,617)	-	1,052,491	-	614,993
Total long-term liabilities	\$ 25,687,540	\$ 5,824,520	\$ (2,727,685)	\$ 1,177,163	\$ 29,961,538	\$ 106,014	\$ 2,967,827

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 pension liability and a total OPEB liability. See Note 7 and Note 8 for additional details. The General Fund and the Internal Service Fund have been used in prior years to liquidate the net pension liability and total OPEB liability 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 compensated absences of internal service funds. This allocation is based on the applicable usage of each internal service fund by the governmental activities (25%) and the business-type activities (75%). These allocations changed in 2018 compared to 2017, 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.

- (A) **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.

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

- (B) **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 was through April 31, 2014. The funds will be utilized by the Sewer and Electric 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 interest rate was 2.46% at December 31, 2018. The maturity date of the principal is April 1, 2039.
- (C) **General Obligation Notes – Series of 2014** – On March 31, 2014, the Borough issued a General Obligation Note in the total amount of \$ 1,500,000 to be used for the purpose of financing the construction of a new green waste recycling facility. The funds will be utilized by the Sanitation Fund. 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 interest rate was 3.17% at December 31, 2018. The maturity date of the principal is September 1, 2028, based on the loan being fully drawn.
- (D) **General Obligation Bonds – Series of 2016** – On September 19, 2016, the Borough issued a General Obligation Bond in the total of \$ 9,750,000 to be used for the purpose of financing the construction of a new swimming pool, various recreational improvements including upgrades to playground equipment and to pay the costs of issuing the Bonds. The funds will be utilized by the Capital Reserve Fund and Swimming Pool Fund. Principal is due monthly beginning on December 1, 2017. Fixed interest rates vary from 1.50% to 4.00%. Interest is payable every June 1 and December 1. During 2018, the planned use of these bond proceeds was updated as the Aquatic Center project was finalized and final costs were determined. This resulted in a reallocation of the debt balance from governmental purposes to the swimming pool fund.
- (E) **General Obligation Notes – Series of 2017** – On February 17, 2017, the Borough issued a General Obligation Note in the total amount not to exceed \$ 9,750,000 to be used for the purpose of financing the design, construction and equipping of a municipal building annex. The funds will be utilized by the Administrative Services Fund, which is an Internal Service Fund; thus, the debt is allocated between the governmental activities and business-type activities. The Note is interest only for 18 months from the date of issuance, with principal and interest due monthly beginning on September 1, 2018. Interest rates for the note are 2.60% for the first 16 years and six months, followed by 66% of U.S. prime rate, with a ceiling of 4.85% until final maturity. The interest rate was 2.60% at December 31, 2018. The maturity date of the principal is August 1, 2043, based on the loan being fully drawn.

The general obligation bonds and general obligation notes are secured by the full faith, credit, and taxing power of the Borough.

BOROUGH OF CHAMBERSBURG
Notes to Financial Statements

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

Subsequent Event

On February 25, 2019, the Borough issued General Obligation Bonds, Series of 2019 in the amount of \$ 9,315,000 for the purpose of financing various projects, including improvements to electric generation and supply facilities. The Bond requires semiannual principal and interest payments on October 1 and April 1 of each year beginning October 1, 2019 until paid in full in October 2039. The Bonds have a fixed interest rate of 5% through 2023. Thereafter the interest rate is 4%.

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, 2018:

	Electric				Sewer	
	Series of 2012 Bonds		Series of 2012 Note		Series of 2012 Note	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 1,420,000	\$ 117,000	\$ 60,334	\$ 29,908	\$ 259,666	\$ 128,717
2020	1,450,000	88,600	60,334	28,576	259,666	122,986
2021	1,480,000	59,600	60,334	27,445	259,666	118,117
2022	1,500,000	30,000	60,334	25,909	259,666	111,508
2023	-	-	60,334	24,374	259,666	104,900
2024 - 2028	-	-	301,670	200,260	1,298,330	861,878
2029 - 2033	-	-	301,670	127,713	1,298,330	549,650
2034 - 2038	-	-	301,670	46,624	1,298,330	200,662
2039 - 2043	-	-	15,089	225	64,911	968
	<u>\$ 5,850,000</u>	<u>\$ 295,200</u>	<u>\$ 1,221,769</u>	<u>\$ 511,034</u>	<u>\$ 5,258,231</u>	<u>\$ 2,199,386</u>

	Sanitation		Swimming Pool		Internal Service	
	Series of 2014 Note		Series of 2016 Bond		Series of 2017 Note	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 75,404	\$ 26,386	\$ 272,262	\$ 202,284	\$ 281,858	\$ 251,196
2020	77,795	23,996	280,905	196,840	288,691	244,363
2021	80,401	21,389	285,227	191,220	297,081	235,973
2022	83,024	18,767	298,192	179,812	305,008	228,046
2023	85,732	16,058	302,514	173,848	313,146	219,908
2024 - 2028	446,804	36,547	1,590,357	789,464	1,694,445	970,824
2029 - 2033	-	-	1,771,866	608,810	1,918,438	767,015
2034 - 2038	-	-	2,005,233	374,144	2,088,627	879,401
2039 - 2043	-	-	1,386,891	81,678	2,444,473	299,530
	<u>\$ 849,160</u>	<u>\$ 143,143</u>	<u>\$ 8,193,447</u>	<u>\$ 2,798,100</u>	<u>\$ 9,631,767</u>	<u>\$ 4,096,256</u>

	Capital Reserve		Total
	Series of 2016 Bond		
	Principal	Interest	
2019	\$ 42,738	\$ 31,754	\$ 3,199,507
2020	44,095	30,898	3,197,745
2021	44,773	30,016	3,191,242
2022	46,808	28,226	3,175,300
2023	47,486	27,290	1,635,256
2024 - 2028	249,643	123,926	8,564,148
2029 - 2033	278,135	95,566	7,717,193
2034 - 2038	314,767	58,730	7,568,188
2039 - 2043	173,797	12,822	4,480,384
	<u>\$ 1,242,242</u>	<u>\$ 439,228</u>	<u>\$ 42,728,963</u>

Effective January 1, 2018, the Authority adopted GASB Statement No. 89, which requires interest expense incurred before the end of the construction period to be expensed. Previously, portions of this interest were capitalized. This statement is implemented prospectively.

BOROUGH OF CHAMBERSBURG
Notes to Financial Statements

NOTE 6 INTERFUND ACTIVITY

Interfund receivables and payables consist of the following at December 31, 2018:

	Due From	Due To
Major governmental funds:		
Special revenue grant programs	\$ 70	\$ -
Nonmajor governmental funds:		
Capital reserve	773,547	70
Major proprietary funds:		
Swimming pool	-	773,547
	<u>\$ 773,617</u>	<u>\$ 773,617</u>

The Swimming pool fund owes the Capital reserve fund for its portion of the General Obligation Bonds – Series of 2016 as the bond proceeds are maintained in the Swimming pool fund. The proceeds utilized by the Capital reserve fund will be used for the various recreational improvements. The remaining interfund receivables and payables are for invoices paid by a fund on behalf of another fund that is to be reimbursed.

Interfund transfers consisted of the following during 2018:

	Transfers In	Transfers Out
Major governmental funds:		
General fund	\$ 2,776,201	\$ 817,300
Special revenue grant programs	14,574	-
Nonmajor governmental funds:		
Special revenue liquid fuels	-	587,000
Special revenue fire tax	-	707,847
Recreation tax	-	409,128
Capital reserve	2,142,055	609,574
Major proprietary funds:		
Electric	-	2,432,399
Gas	-	704,710
Water	-	120,710
Sewer	-	123,010
Swimming Pool	409,128	126,926
Nonmajor proprietary funds:		
Sanitation	-	83,535
Parking, traffic and street lights	904,314	400,775
Storm sewer	-	50
Internal service funds:		
Stores	475,000	1,050
Motor equipment	552,571	546,850
Self insurance	79,550	-
Engineering	-	123,550
Worker's compensation	184,800	-
Administrative services	600,000	363,779
Private purpose trust funds:		
Project Heat	20,000	-
	<u>\$ 8,158,193</u>	<u>\$ 8,158,193</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 and to record the transfer related to the debt reallocation as noted in Note 5. All transfers are considered routine, except the transfer related to the debt reallocation.

NOTE 7 PENSION PLANS

Summary of Significant Accounting Policies

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.

Plan Membership

At December 31, 2018, the participation in each plan is as follows:

	Bargaining and Administrative Employees	Police	Firemen
Participants:			
Retirees and beneficiaries	90	30	15
Vested former members	20	1	-
Active employees	<u>139</u>	<u>33</u>	<u>27</u>
Total	<u>249</u>	<u>64</u>	<u>42</u>

Benefits Provided

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 plans is attained at age fifty and completion of twenty-five years of service. Benefits under the Bargaining and Administrative Employees 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 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. In addition, police officers receive a service increment equal to \$ 100 per month for members who complete 26 or more years of benefit service. The Bargaining and Administrative Employees Plan and the Police Officers Plan also include a disability benefit and survivor benefits. If a police member retires on or after January 1, 2000, or a fireman retires on or after January 1, 2008, an annual cost-of-living adjustment is made to his pension equal to the percentage increase in the Consumer Price Index for the preceding calendar year, with a maximum total cost-of-living increase of 30%, and a maximum pension benefit of 75% of the salary used for computing the initial retirement benefit.

Financial Reports

There are no separate, audited GAAP basis pension plan reports for the defined benefit plans, as all necessary information is disclosed herein.

NOTE 7 PENSION PLANS (CONTINUED)

Summary of Significant Accounting Policies

Contributions

The Bargaining and Administrative Employees plan requires employee contributions of 6.0%. The Police Officers plan requires employee contributions of 4%. The Firemen plan requires employee contributions of 5%. The Borough is required to contribute the remaining amounts necessary to fund the plans, using the actuarial basis specified by the plan. The average contribution rate was 6.30 percent of annual payroll for the Bargaining and Administrative Employees, 22.18 percent of annual payroll for the Police Officers, and 12.68 percent of annual payroll for the Paid Firemen. The employer contributions for 2018 were \$ 588,100 for the Bargaining and Administrative Employees, \$ 514,380 for the Police Officers, and \$ 296,801 for the Paid Firemen.

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.

Investments

Method Used to Value Investments

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.

Rate of Return

For the year ended December 31, 2018, the annual money weighted rate of return on pension plan investments, net of pension plan investment expense was negative 6.3 percent for the bargaining and administrative plan, the police officers plan, and the paid firemen plan. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTE 7 PENSION PLANS (CONTINUED)

Net Pension Liability

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

At December 31, 2018 the Borough reported a liability of \$ 16,475,445 in the Statement of Net Position. The net pension liability was measured as of December 31, 2018, and the total pension liability was determined by rolling forward liabilities from an actuarial valuation as of January 1, 2017. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end. For the year ended December 31, 2018, the Borough recognized pension expense of \$ 1,516,638 for the Bargaining and Administrative Employees, \$ 989,602 for the Police Officers, and \$ 460,564 for the Paid Firemen.

The following details the changes in total pension liability, the plan fiduciary net position, and the net pension liability, for the year ended December 31, 2018:

Bargaining and Administrative Employees

	<u>Increase (Decrease)</u>			Plan Fiduciary Net Position as a % of Total Pension Liability
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)	
Balances as of December 31, 2017	\$ 28,015,221	\$ 21,645,551	\$ 6,369,670	77.26%
Changes for the year:				
Service cost	706,701	-	706,701	
Interest	2,236,377	-	2,236,377	
Changes in benefits	-	-	-	
Changes of assumptions	-	-	-	
Differences in expected and actual experience	-	-	-	
Contributions - employer	-	588,100	(588,100)	
Contributions - employee	-	544,244	(544,244)	
Net investment income	-	(1,363,327)	1,363,327	
Benefit payments, including refunds of member contributions	(1,534,429)	(1,534,429)	-	
Administrative expenses	-	(24,200)	24,200	
Other	-	-	-	
Net changes	<u>1,408,649</u>	<u>(1,789,612)</u>	<u>3,198,261</u>	
Balances as of December 31, 2018	<u>\$ 29,423,870</u>	<u>\$ 19,855,939</u>	<u>\$ 9,567,931</u>	67.48%

BOROUGH OF CHAMBERSBURG
Notes to Financial Statements

NOTE 7 PENSION PLANS (CONTINUED)

Net Pension Liability (Continued)

Police

	<u>Increase (Decrease)</u>			Plan Fiduciary Net Position as a % of Total Pension Liability
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	
	(a)	(b)	(a)-(b)	
Balances as of December 31, 2017	\$ 16,066,405	\$ 13,253,666	\$ 2,812,739	82.49%
Changes for the year:				
Service cost	360,774	-	360,774	
Interest	1,275,351	-	1,275,351	
Changes in benefits	-	-	-	
Changes of assumptions	-	-	-	
Differences in expected and actual experience	-	-	-	
Contributions - employer	-	514,380	(514,380)	
Contributions - employee	-	105,082	(105,082)	
Net investment income	-	(827,347)	827,347	
Benefit payments, including refunds of member contributions	(970,587)	(970,587)	-	
Administrative expenses	-	(15,400)	15,400	
Other	-	-	-	
Net changes	<u>665,538</u>	<u>(1,193,872)</u>	<u>1,859,410</u>	
Balances as of December 31, 2018	<u>\$ 16,731,943</u>	<u>\$ 12,059,794</u>	<u>\$ 4,672,149</u>	72.08%

Firemen

	<u>Increase (Decrease)</u>			Plan Fiduciary Net Position as a % of Total Pension Liability
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	
	(a)	(b)	(a)-(b)	
Balances as of December 31, 2017	\$ 8,073,705	\$ 6,474,371	\$ 1,599,334	80.19%
Changes for the year:				
Service cost	220,967	-	220,967	
Interest	652,898	-	652,898	
Changes in benefits	-	-	-	
Changes of assumptions	-	-	-	
Differences in expected and actual experience	-	-	-	
Contributions - employer	-	296,801	(296,801)	
Contributions - employee	-	111,255	(111,255)	
Net investment income	-	(428,422)	428,422	
Benefit payments, including refunds of member contributions	(266,906)	(266,906)	-	
Administrative expenses	-	(11,800)	11,800	
Other	-	-	-	
Net changes	<u>606,959</u>	<u>(299,072)</u>	<u>906,031</u>	
Balances as of December 31, 2018	<u>\$ 8,680,664</u>	<u>\$ 6,175,299</u>	<u>\$ 2,505,365</u>	71.14%

BOROUGH OF CHAMBERSBURG
Notes to Financial Statements

NOTE 7 PENSION PLANS (CONTINUED)

Deferred Outflows/Inflows of Resources

At December 31, 2018 the Borough reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Bargaining and Administrative Employees		Police		Firemen		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 35,359	\$ 739,583	\$ 11,839	\$ 85,277	\$ -	\$ 224,622	\$ 47,198	\$ 1,049,482
Net difference between projected and actual earnings on pension plan investments	2,190,446	-	1,335,526	-	684,494	-	4,210,466	-
Changes in proportions - governmental activities/business-type activities	104,307	104,309	-	-	-	-	104,307	104,309
Changes in assumptions	1,041,348	-	354,463	89,487	178,506	37,889	1,574,317	127,376
	<u>\$ 3,371,460</u>	<u>\$ 843,892</u>	<u>\$ 1,701,828</u>	<u>\$ 174,764</u>	<u>\$ 863,000</u>	<u>\$ 262,511</u>	<u>\$ 5,936,288</u>	<u>\$ 1,281,167</u>

The amounts reported as deferred outflows of resources and inflows of resources will be recognized in pension expense as follows:

	Bargaining and Administrative Employees	Police	Firemen	Total
Year ended December 31:				
2019	\$ 808,197	\$ 488,790	\$ 209,278	\$ 1,506,265
2020	435,234	263,127	106,911	805,272
2021	478,439	287,305	117,642	883,386
2022	664,586	400,693	170,191	1,235,470
2023	49,002	26,097	(3,533)	71,566
Thereafter	92,110	61,052	-	153,162
	<u>\$ 2,527,568</u>	<u>\$ 1,527,064</u>	<u>\$ 600,489</u>	<u>\$ 4,655,121</u>

NOTE 7 PENSION PLANS (CONTINUED)

Actuarial Methods and Assumptions

The total pension liability in the January 1, 2017 actuarial valuation was determined using the following economic assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	5.00% (average, including inflation)
Investment rate of return	8.00% (including inflation)
Postretirement cost of living increases	3.00% (except general, which is N/A)

Valuation Date

Actuarially determined contribution rates are calculated as of January 1, two to four years prior to the end of the fiscal year in which the contributions are reported.

The actuarial assumptions used in the January 1, 2017 valuation were based on an actual experience study for the period January 1, 2015 through December 31, 2016.

Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding the expected inflation. The pension plans' policy in regards to the allocation of invested assets is established and may be amended by the investment committee. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of December 31, 2018 are summarized in the table below and is applicable to all three plans:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	45.50%	5.50% - 7.50%
International equity	16.50%	4.50% - 6.50%
Fixed income	30.00%	1.00% - 3.00%
Real estate	3.00%	4.50% - 6.50%
Cash	5.00%	0.00% - 1.00%

BOROUGH OF CHAMBERSBURG
Notes to Financial Statements

NOTE 7 PENSION PLANS (CONTINUED)

Actuarial Methods and Assumptions (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 8.00% for all three plans. The pension plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The employer has always met the funding requirements of Pennsylvania law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as an amortization of the unfunded liability.

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

The following represents the net pension liability of the Borough, calculated using the discount rate of 8.00%, as well as what the Borough's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7 percent) and 1 percentage point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Bargaining and Administrative Employees	\$ 12,815,153	\$ 9,567,931	\$ 6,761,387
Police Plan	\$ 6,645,894	\$ 4,672,149	\$ 3,012,456
Firemen Plan	\$ 3,574,471	\$ 2,505,365	\$ 1,602,144

Financial Statements

The following are financial statements as of December 31, 2018 for the individual pension plans maintained by the Borough:

	Firemen Pension Fund	Police Pension Fund	Bargaining and Administrative Employees Pension Fund	Total Pension Trust Funds
ASSETS				
Mutual funds - Securities	\$ 358,010	\$ 699,860	\$ 1,151,809	\$ 2,209,679
Mutual funds - Corporate bonds	2,033,562	3,975,273	6,542,260	12,551,095
Mutual funds - Stocks	3,589,139	7,010,501	11,531,806	22,131,446
Mutual funds - Real estate securities	193,834	378,864	623,344	1,196,042
Employee contribution receivable	5,125	3,844	20,947	29,916
Total assets	<u>\$ 6,179,670</u>	<u>\$ 12,068,342</u>	<u>\$ 19,870,166</u>	<u>\$ 38,118,178</u>
LIABILITIES				
Accounts payable	\$ 4,371	\$ 8,548	\$ 14,064	\$ 26,983
Total liabilities	<u>4,371</u>	<u>8,548</u>	<u>14,064</u>	<u>26,983</u>
NET POSITION				
Net position restricted for pensions	<u>6,175,299</u>	<u>12,059,794</u>	<u>19,856,102</u>	<u>38,091,195</u>
Total liabilities and net position	<u>\$ 6,179,670</u>	<u>\$ 12,068,342</u>	<u>\$ 19,870,166</u>	<u>\$ 38,118,178</u>

BOROUGH OF CHAMBERSBURG
Notes to Financial Statements

NOTE 7 PENSION PLANS (CONTINUED)

Financial Statements (Continued)

	Firemen Pension Fund	Police Pension Fund	Bargaining and Administrative Employees Pension Fund	Total Pension Trust Funds
ADDITIONS				
Contributions				
Employer	\$ 296,801	\$ 514,380	\$ 588,100	\$ 1,399,281
Plan member	<u>111,254</u>	<u>105,083</u>	<u>544,121</u>	<u>760,458</u>
Total contributions	<u>408,055</u>	<u>619,463</u>	<u>1,132,221</u>	<u>2,159,739</u>
Investment income:				
Net appreciation in fair value of investments and gains on sale of investments	(565,033)	(1,109,465)	(1,831,362)	(3,505,860)
Interest, dividends and other	<u>152,478</u>	<u>304,512</u>	<u>501,697</u>	<u>958,687</u>
Total net investment earnings	<u>(412,555)</u>	<u>(804,953)</u>	<u>(1,329,665)</u>	<u>(2,547,173)</u>
Total additions	<u>(4,500)</u>	<u>(185,490)</u>	<u>(197,444)</u>	<u>(387,434)</u>
DEDUCTIONS				
Benefits	266,906	970,587	1,534,225	2,771,718
Administrative expenses	<u>27,667</u>	<u>37,795</u>	<u>57,862</u>	<u>123,324</u>
Total deductions	<u>294,573</u>	<u>1,008,382</u>	<u>1,592,087</u>	<u>2,895,042</u>
Change in net position	(299,073)	(1,193,872)	(1,789,531)	(3,282,476)
Net position - beginning	<u>6,474,372</u>	<u>13,253,666</u>	<u>21,645,633</u>	<u>41,373,671</u>
Net position - ending	<u>\$ 6,175,299</u>	<u>\$ 12,059,794</u>	<u>\$ 19,856,102</u>	<u>\$ 38,091,195</u>

Defined Contribution Plan

Effective January 1, 2016, the Borough amended the pension plan for non-uniform employees to add a defined contribution provision. To participate in the defined contribution plan, employees (or new hires who have completed their probationary period) on or after January 1, 2016, must elect to participate. Once a participant elects to participate in the defined contribution plan, the election is irrevocable, and the participant shall remain in the defined contribution plan until terminated. Other than an initial contribution for those participants with less than 12 years of service, there are no employee contributions to the defined contribution plan. Employer contributions are made on an annual basis in the amount of \$ 3,400 for full-time defined contribution employees and \$ 1,700 for part-time defined contribution employees. Contributions to the defined contribution plan amounted to \$ 54,967 for 2018.

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. Plan members receiving benefits contributed \$ 23,080, or approximately 102% of the total premiums.

Plan Membership

Membership in the Borough’s plan consisted of the following at January 1, 2017, the date of the latest actuarial valuation:

	Bargaining and Administrative	Police	Firemen	Total
Active participants	155	36	21	212
Retired participants	<u>1</u>	<u>1</u>	-	<u>2</u>
Total	<u><u>156</u></u>	<u><u>37</u></u>	<u><u>21</u></u>	<u><u>214</u></u>

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB

The Borough’s total OPEB liability was measured as of January 1, 2017 using an actuarial valuation based on census information as of January 1, 2017. The plan has no assets that are accumulated in a trust that meets the criteria established in GASB Statement No. 75. At December 31, 2018, the Borough reported a total OPEB liability of \$ 2,687,912.

BOROUGH OF CHAMBERSBURG
Notes to Financial Statements

NOTE 8 POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB (Continued)

The table below summarizes the OPEB liability and OPEB expense:

	Total OPEB/ Net OPEB	
	Liability	OPEB Expense
Bargaining and administrative	\$ 957,580	\$ 264,759
Police	1,004,113	162,671
Firemen	726,219	95,939
	<u>\$ 2,687,912</u>	<u>\$ 523,369</u>

Changes in the Total OPEB Liability

	Total OPEB Liability			
	Bargaining and Administrative	Police	Firemen	Total
Beginning Balance	\$ 700,476	\$ 808,345	\$ 606,938	\$ 2,115,759
Changes for the year:				
Service cost	279,109	147,800	79,635	506,544
Interest	35,822	35,190	25,387	96,399
Changes in assumptions	(31,955)	26,868	18,475	13,388
Benefit payments	(25,872)	(14,090)	(4,216)	(44,178)
Net changes	<u>257,104</u>	<u>195,768</u>	<u>119,281</u>	<u>572,153</u>
Ending Balance	<u>\$ 957,580</u>	<u>\$ 1,004,113</u>	<u>\$ 726,219</u>	<u>\$ 2,687,912</u>

At December 31, 2018, the Borough report deferred outflows of resources and deferred inflows of resources related to OPEB:

	Bargaining and Administrative Employees		Police		Firemen		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Changes in assumptions	-	29,496	24,805	-	17,054	-	41,859	29,496
Net difference between projected and actual investment earnings	-	-	-	-	-	-	-	-
Benefit payments/contributions subsequent to the measurement date	47,710	-	22,386	-	10,504	-	80,600	-
	<u>\$ 47,710</u>	<u>\$ 29,496</u>	<u>\$ 47,191</u>	<u>\$ -</u>	<u>\$ 27,558</u>	<u>\$ -</u>	<u>\$ 122,459</u>	<u>\$ 29,496</u>

NOTE 8 POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB (Continued)

The amount of \$ 80,600 is reported as deferred outflows of resources related to OPEB resulting from Borough benefit payments/contributions subsequent to the measurement date and will be recognized as a reduction in the total OPEB liability in the year ended December 31, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

	Bargaining and Administrative Employees	Police	Firemen	Total
Year ended June 30:				
2019	\$ (2,458)	\$ 2,067	\$ 1,421	\$ 1,030
2020	(2,458)	2,067	1,421	1,030
2021	(2,458)	2,067	1,421	1,030
2022	(2,458)	2,067	1,421	1,030
2023	(2,458)	2,067	1,421	1,030
Thereafter	(17,206)	14,470	9,949	7,213
Total	<u>\$ (29,496)</u>	<u>\$ 24,805</u>	<u>\$ 17,054</u>	<u>\$ 12,363</u>

Actuarial Methods and Assumptions

The total OPEB liability as of December 31, 2018, was determined by an actuarial valuation as of January 1, 2017, using the following actuarial assumptions, applied to all periods included in the measurement.

Actuarial Cost Method	Entry age normal
Investment Rate of Return	3.16% - S&P Municipal Bond 20 Year High Grade Rate Index
Salary	An assumption for salary increases is used only for spreading contributions over future pay under the entry age normal cost method. For this purpose, annual salary increases are assumed to be 5.0%.
Mortality	IRS 2017 Static Combined Table for Small Plans
Percentage of Eligible Employees Electing Coverage in Plan	It is assumed that upon retirement, 25% elect coverage and that upon disability, 100% elect coverage. It is assumed that if coverage is deferred, 0% will elect coverage at a future date.
Health Care Cost Trend Rate	6.0% in 2017 and 2018, and 5.5% in 2019 through 2021. Rates gradually decrease from 5.4% in 2022 to 3.8% in 2075 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model.

NOTE 8 POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Actuarial Methods and Assumptions (Continued)

Per Capita Claims Cost	The per capita cost for medical and prescription drugs is based on the expected portion of the group's overall cost attributed to individuals in the specified age and gender brackets. The resulting costs for the Police Officers and Firefighters range from \$ 3,914 to \$ 21,322 for males and from \$ 8,811 to \$ 19,874 for females; and for the Bargaining and Administrative employees range from \$ 2,418 to \$ 13,176 for males and from \$ 5,445 to \$ 12,281 for females.
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Discount Rate

A discount rate of 3.16%, which represents the S&P Municipal Bond 20 Year High Grade Rate Index at January 1, 2018, was applied to all projected benefit payments to measure the total OPEB liability.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liabilities of the Borough, as well as what the Borough's OPEB liabilities would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate.

	1% Decrease	Current Discount Rate	1% Increase
	2.16%	3.16%	4.16%
Bargaining and administrative	\$ 901,016	\$ 957,580	\$ 993,986
Police	1,079,941	1,004,113	930,313
Fire	773,681	726,219	679,297
	<u>\$ 2,754,638</u>	<u>\$ 2,687,912</u>	<u>\$ 2,603,596</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liabilities of the Borough, as well as what the Borough's OPEB liabilities would be if it were calculated using the healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current healthcare cost trend rate:

	1% Decrease	Healthcare Cost Trend	1% Increase
Bargaining and administrative	\$ 803,297	\$ 957,580	\$ 1,135,419
Police	848,319	1,004,113	1,191,535
Firemen	626,056	726,219	843,789
	<u>\$ 2,277,672</u>	<u>\$ 2,687,912</u>	<u>\$ 3,170,743</u>

Payables to the OPEB Plan

As of December 31, 2018, the Borough had no amounts payable to the OPEB plan.

BOROUGH OF CHAMBERSBURG
Notes to Financial Statements

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
2018				
Self-insurance fund	\$ 165,112	\$ -	\$ (32,425)	\$ 132,687
Workers' compensation fund	376,616	126,419	(183,947)	319,088
2017				
Self-insurance fund	\$ 183,988	\$ -	\$ (18,876)	\$ 165,112
Workers' compensation fund	599,073	(108,438)	(114,019)	376,616

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 \$ 4,276,708. During 2018, the Borough received \$ 1,000,140 from PMHIC as a refund for prior premiums paid.

BOROUGH OF CHAMBERSBURG
Notes to Financial Statements

NOTE 10 COMMITMENTS

The Borough entered into an agreement during the year ended December 31, 2017, to purchase 10,000 dekatherms (DTH) of gas per month at \$ 3.00 per DTH through March 2019.

The Borough has the following projects open at December 31, 2018:

Project Description	Total estimated costs							Capital Reserve and General	Costs paid as of 12/31/2018	Costs to complete
	Electric	Gas	Water	Sewer	Parking, Traffic, and Street Light	Storm Sewer	Administrative Services			
Commerce Power Transformer Upgrade	\$ 2,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,620	\$ 1,986,380
Installation of 261 Underground Getaway on Orchard Drive	250,000	-	-	-	-	-	-	-	192,260	57,740
New Electric Distribution Building at Service Center	1,000,000	-	-	-	-	-	-	-	10,262	989,738
Gas Main & Service Installation at Progress Village	-	115,000	-	-	-	-	-	-	68,480	46,520
Gas Main Extension - Eisenhower/Hamilton/Lincoln	-	100,000	-	-	-	-	-	-	57,958	42,042
Gas Main Extension on Brandon Drive	-	150,000	-	-	-	-	-	-	55,033	94,967
Gas Main Extension on Stanley Avenue	-	120,000	-	-	-	-	-	-	59,565	60,435
Laurich Meadows Gas Main Extension	-	225,000	-	-	-	-	-	-	989	224,011
Upgrade Gas Main & Service on S 5th Street	-	120,000	-	-	-	-	-	-	115,988	4,012
Upgrade Gas Main and Services on Queen Street	-	220,000	-	-	-	-	-	-	2,225	217,775
Wholesale Gas Delivery Connections	-	1,500,000	-	-	-	-	-	-	5,933	1,494,067
Design & Construction of the new Clearwell	-	-	3,000,000	-	-	-	-	-	98,735	2,901,265
Pump Station along Chambers Street	-	-	-	1,290,000	-	-	-	-	60,069	1,229,931
Upgrade East Conococheague Interceptor *	-	-	-	2,500,000	-	-	-	-	233,780	2,266,220
Upgrade Traffic Signals in the Borough	-	-	-	-	3,000,000	-	-	-	17,711	2,982,289
North 4th Street Stream Bank Improvement Project	-	-	-	-	-	125,000	-	-	9,269	115,731
Borough Wide Phone System	-	-	-	-	-	-	110,000	-	101,793	8,207
Purchase & Installation of Computer Software	-	-	-	-	-	-	850,000	-	346,871	503,129
Blanchard Avenue Street Paving Project (Highland Ave to Garfield St)	-	-	-	-	-	-	-	111,483	5,408	106,075
Coldbrook Avenue Street Paving Project (Lincoln Way E to McKinley St)	-	-	-	-	-	-	-	109,673	-	109,673
Cosell Drive Street Paving Project (Martina Dr to Martina Dr)	-	-	-	-	-	-	-	161,299	-	161,299
E Liberty Street Paving Project (S 4th St to S 7th St)	-	-	-	-	-	-	-	210,273	3,456	206,817
Elrock Dr Street Paving Project (Hollywell Ave to Mill Rd)	-	-	-	-	-	-	-	105,498	79	105,419
Fairground Avenue Street Paving Project (Derbyshire Ave to McKinley St)	-	-	-	-	-	-	-	104,077	-	104,077
Franklin County Visitors Bureau Loan	-	-	-	-	-	-	-	125,000	125,000	-
Guilford Ave Street Paving Project (S 4th St 59 S 7th St)	-	-	-	-	-	-	-	162,600	2,530	160,070
Liberty St. Street Paving Project (Railroad Highline to Water Street)	-	-	-	-	-	-	-	243,106	211,560	31,546
Martina Drive Street Paving Project (Elrock Dr to Hollywell Ave)	-	-	-	-	-	-	-	428,885	180	428,705
Nicholson Square Park Project	-	-	-	-	-	-	-	470,000	404,699	65,301
Rosa Ann Drive Street Paving Project (Martina Dr to Martina Dr)	-	-	-	-	-	-	-	139,504	-	139,504
S Fifth Street Paving Project (Stanley Ave to Maryland Ave)	-	-	-	-	-	-	-	248,840	1,525	247,315
Stouffer Avenue Street Paving Project (Wayne Ave to McKinley St)	-	-	-	-	-	-	-	473,894	-	473,894
Suelinn Drive Street Paving Project (Martina Dr to Cosell Dr)	-	-	-	-	-	-	-	139,907	-	139,907
Wellslee Drive Street Paving Project (Martina Dr to Cosell Dr)	-	-	-	-	-	-	-	117,997	-	117,997
Various	285,600	303,000	62,000	161,000	194,854	40,000	-	1,122,827	674,485	1,494,796
Totals	\$ 3,535,600	\$ 2,853,000	\$ 3,062,000	\$ 3,951,000	\$ 3,194,854	\$ 165,000	\$ 960,000	\$ 4,474,863	\$ 2,879,463	\$ 19,316,854

(*) The Borough also has a signed agreement with the local Townships related to the wastewater treatment plant interceptor. 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 86% will be reimbursed by the Townships.

BOROUGH OF CHAMBERSBURG
Notes to Financial Statements

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, 2018 outstanding note balances under conduit debt arrangements were as follows:

Wilson College	\$ 35,210,000
The Shook Home	4,614,809
Lutheran Homes	1,898,989
Children's Aid Society	611,747
Coyle Free Library	4,500,000

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

During the year ended December 31, 2018, the Borough adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which required the Borough to report previously unreported information. The restatement of the beginning balances does not include deferred inflows or deferred outflows with the exception of a deferred outflow for benefit payments/contributions subsequent to the measurement date. As a result, the beginning net position amounts reflect the changes as of January 1, 2018 resulting from the addition of previously unrecorded information.

BOROUGH OF CHAMBERSBURG
Notes to Financial Statements

NOTE 13 RESTATEMENT (CONTINUED)

	Governmental Activities	Business-type Activities
Net position, as originally stated - December 31, 2017	\$ 27,156,936	\$ 156,222,159
Implementation of GASB 75	<u>152,882</u>	<u>814,910</u>
Net position, as restated - December 31, 2017	<u>\$ 27,309,818</u>	<u>\$ 157,037,069</u>

	Electric Fund	Gas Fund	Water Fund	Sewer Fund
Net position, as originally stated - December 31, 2017	\$ 41,316,147	\$ 14,842,242	\$ 21,923,409	\$ 55,811,360
Implementation of GASB 75	<u>193,562</u>	<u>91,544</u>	<u>90,235</u>	<u>105,542</u>
Net position, as restated - December 31, 2017	<u>\$ 41,509,709</u>	<u>\$ 14,933,786</u>	<u>\$ 22,013,644</u>	<u>\$ 55,916,902</u>

	Sanitation Fund	Parking, Traffic, and Street Light Fund	Storm Sewer Fund
Net position, as originally stated - December 31, 2017	\$ 1,122,984	\$ 4,633,319	\$ 3,615,272
Implementation of GASB 75	<u>44,110</u>	<u>16,919</u>	<u>7,654</u>
Net position, as restated - December 31, 2017	<u>\$ 1,167,094</u>	<u>\$ 4,650,238</u>	<u>\$ 3,622,926</u>

	Stores Fund	Motor Equipment Fund	Engineering Fund	Administrative Services Fund
Net position, as originally stated - December 31, 2017	\$ 1,240,621	\$ 11,153,974	\$ 227,325	\$ (1,854,473)
Implementation of GASB 75	<u>11,279</u>	<u>20,242</u>	<u>44,412</u>	<u>281,782</u>
Net position, as restated - December 31, 2017	<u>\$ 1,251,900</u>	<u>\$ 11,174,216</u>	<u>\$ 271,737</u>	<u>\$ (1,572,691)</u>

REQUIRED SUPPLEMENTARY INFORMATION

BOROUGH OF CHAMBERSBURG
Pension Trust Funds
Schedule of Changes in the Borough's Net Pension Liability and Related Ratios

	Bargaining and Administrative					Police					Firemen				
	2018	2017	2016	2015	2014	2018	2017	2016	2015	2014	2018	2017	2016	2015	2014
Total pension liability															
Service cost	\$ 706,701	\$ 673,049	\$ 599,855	\$ 571,290	\$ 551,672	\$ 360,774	\$ 343,594	\$ 363,426	\$ 346,120	\$ 338,256	\$ 220,967	\$ 210,445	\$ 186,435	\$ 177,557	\$ 183,801
Interest	2,236,377	2,130,695	2,003,723	1,918,151	1,836,430	1,275,351	1,224,345	1,134,506	1,077,560	1,042,200	652,898	607,259	561,371	525,937	505,051
Benefit changes	-	-	-	-	-	-	-	-	-	-	-	76,888	-	-	-
Differences in expected and actual experience	-	(950,893)	-	58,932	-	-	15,785	-	(153,499)	-	-	(274,630)	-	(56,915)	-
Changes in assumptions	-	1,338,876	-	-	-	-	472,617	-	(161,076)	-	-	249,908	-	(75,778)	-
Benefit payments, including refunds of member contributions	(1,534,429)	(1,498,326)	(1,456,871)	(1,439,849)	(1,450,430)	(970,587)	(924,511)	(762,502)	(695,818)	(567,680)	(266,906)	(248,583)	(252,187)	(286,689)	(290,995)
Net change in total pension liability	1,408,649	1,693,401	1,146,707	1,108,524	937,672	665,538	1,131,830	735,430	413,287	812,776	606,959	621,287	495,619	284,112	397,857
Total pension liability - beginning	28,015,221	26,321,820	25,175,113	24,066,589	23,128,917	16,066,405	14,934,575	14,199,145	13,785,858	12,973,082	8,073,705	7,452,418	6,956,799	6,672,687	6,274,830
Total pension liability - ending	29,423,870	28,015,221	26,321,820	25,175,113	24,066,589	16,731,943	16,066,405	14,934,575	14,199,145	13,785,858	8,680,664	8,073,705	7,452,418	6,956,799	6,672,687
Plan fiduciary net position															
Contributions - employer	588,100	641,491	727,254	699,463	640,380	514,380	505,579	509,013	498,970	399,615	296,801	289,652	286,496	299,092	269,702
Contributions - employee	544,244	490,416	395,820	358,759	246,550	105,082	94,940	103,248	141,981	66,471	111,255	88,617	81,310	62,716	62,106
Net investment income	(1,363,327)	2,478,738	1,660,559	(360,956)	994,073	(827,347)	1,518,697	1,011,059	(212,275)	609,935	(428,422)	718,183	462,584	(101,931)	270,869
Benefit payments, including refunds of member contributions	(1,534,429)	(1,498,326)	(1,456,871)	(1,439,849)	(1,450,430)	(970,587)	(924,511)	(762,502)	(695,818)	(567,680)	(266,906)	(248,583)	(252,187)	(286,689)	(290,995)
Administrative expenses	(24,200)	-	(34,206)	(11,500)	(6,000)	(15,400)	-	(8,200)	(8,900)	(6,600)	(11,800)	(3,241)	(4,600)	(6,500)	(4,800)
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net change in plan fiduciary net position	(1,789,612)	2,112,319	1,292,556	(754,083)	424,573	(1,193,872)	1,194,705	852,618	(276,042)	501,741	(299,072)	844,628	573,603	(33,312)	306,882
Plan fiduciary net position - beginning	21,645,551	19,533,232	18,240,676	18,994,759	18,570,186	13,253,666	12,058,961	11,206,343	11,482,385	10,980,644	6,474,371	5,629,743	5,056,140	5,089,452	4,782,570
Plan fiduciary net position - ending	\$ 19,855,939	\$ 21,645,551	\$ 19,533,232	\$ 18,240,676	\$ 18,994,759	\$ 12,059,794	\$ 13,253,666	\$ 12,058,961	\$ 11,206,343	\$ 11,482,385	\$ 6,175,299	\$ 6,474,371	\$ 5,629,743	\$ 5,056,140	\$ 5,089,452
Borough's net pension liability	\$ 9,567,931	\$ 6,369,670	\$ 6,788,588	\$ 6,934,437	\$ 5,071,830	\$ 4,672,149	\$ 2,812,739	\$ 2,875,614	\$ 2,992,802	\$ 2,303,473	\$ 2,505,365	\$ 1,599,334	\$ 1,822,675	\$ 1,900,659	\$ 1,583,235
Plan fiduciary net position as a percentage of the total pension liability	67.48%	77.26%	74.21%	72.46%	78.93%	72.08%	82.49%	80.75%	78.92%	83.29%	71.14%	80.19%	75.54%	72.68%	76.27%
Covered payroll	\$ 9,329,734	\$ 8,932,704	\$ 8,975,023	\$ 9,251,503	\$ 8,505,696	2,318,880	2,288,652	2,384,793	2,266,039	\$ 2,200,081	2,340,947	1,875,428	1,642,257	1,577,331	\$ 1,464,554
Net pension liability as a percentage of covered payroll	102.55%	71.31%	75.64%	74.95%	59.63%	201.48%	122.90%	120.58%	132.07%	104.70%	107.02%	85.28%	110.99%	120.50%	108.10%

Notes to the schedule:

This schedule will be expanded to show multi-year trends as additional information becomes available in the future.

Assumption changes:

In 2015, for the Police and Firemen's plan, the inflation rate was lowered from 4% to 3% to more closely estimate the future inflation rate.

In 2017, mortality rates were modified from the RP 2000 Table for males and females to the IRS 2017 Static Combined Table for Small Plans.

Incorporated into the table are rates for annuitants projected 7 years and rates for non-annuitants projected 15 years using Scale AA to reflect mortality improvements.

Changes in benefit terms:

Effective January 1, 2016, employees have the option to elect to participate under the defined contribution provisions of the plan.

BOROUGH OF CHAMBERSBURG
Pension Trust Funds
Schedule of Borough Contributions

Bargaining and Administrative	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 588,100	\$ 641,491	\$ 727,254	\$ 699,463	\$ 640,380	\$ 789,962	\$ 650,683	\$ 648,163	\$ 472,936	\$ 454,029
Contributions in relation to the actuarially determined contribution	<u>588,100</u>	<u>641,491</u>	<u>727,254</u>	<u>699,463</u>	<u>640,380</u>	<u>789,962</u>	<u>650,683</u>	<u>759,192</u>	<u>472,936</u>	<u>454,029</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (111,029)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 9,329,734	\$ 8,932,704	\$ 8,975,023	\$ 9,251,503	\$ 8,505,696	Unavailable	\$ 7,504,401	Unavailable	\$ 7,587,865	Unavailable
Contributions as a percentage of covered payroll	6.30%	7.18%	8.10%	7.56%	7.53%	N/A	8.67%	N/A	6.23%	N/A
Police										
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 514,380	\$ 505,579	\$ 509,013	\$ 498,970	\$ 399,615	\$ 420,753	\$ 454,682	\$ 474,748	\$ 490,641	\$ 466,941
Contributions in relation to the actuarially determined contribution	<u>514,380</u>	<u>505,579</u>	<u>509,013</u>	<u>498,970</u>	<u>399,615</u>	<u>420,753</u>	<u>454,682</u>	<u>474,748</u>	<u>490,641</u>	<u>466,941</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,318,880	\$ 2,288,652	\$ 2,384,793	\$ 2,266,039	\$ 2,200,081	Unavailable	\$ 1,936,497	Unavailable	\$ 1,918,058	Unavailable
Contributions as a percentage of covered payroll	22.18%	22.09%	21.34%	22.02%	18.16%	N/A	23.48%	N/A	25.58%	N/A
Firemen										
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 296,801	\$ 289,652	\$ 286,496	\$ 299,092	\$ 269,702	\$ 244,149	\$ 209,739	\$ 204,343	\$ 116,340	\$ 124,682
Contributions in relation to the actuarially determined contribution	<u>296,801</u>	<u>289,652</u>	<u>286,496</u>	<u>299,092</u>	<u>269,702</u>	<u>244,149</u>	<u>209,739</u>	<u>204,343</u>	<u>116,340</u>	<u>124,682</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,340,947	\$ 1,875,428	\$ 1,642,257	\$ 1,577,331	\$ 1,464,554	Unavailable	\$ 1,414,222	Unavailable	\$ 1,330,676	Unavailable
Contributions as a percentage of covered payroll	12.68%	15.44%	17.45%	18.96%	18.42%	N/A	14.83%	N/A	8.74%	N/A

Notes to Schedule

Valuation date:

Actuarially determined contributions rates are calculated as of January 1, two to four years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates including changes in actuarial assumptions:

Actuarial valuation date	January 1, 2017
Actuarial cost method	Entry age normal
Amortization method	Level dollar closed
Amortization period	General - 14 years Police - 11 years Firemen - 12 years
Asset valuation method	The actuarial value of assets from the prior valuation report (reduced for benefits paid and increased for contributions) is projected forward at an artificial investment return of 7.00% (interest rate assumption minus 1%) with a corridor of 80% to 120% of market value.
Inflation	3.00%
Salary increases	5.00%
Investment rate of return	8.00%
Retirement age	General - normal retirement age Police - Attainment of Age 53 and completion of 25 years of service Firemen - Attainment of Age 53 and completion of 25 years of service
Mortality	In 2017, mortality rates were modified from the RP 2000 Table for males and females to the IRS 2017 Static Combined Table for Small Plans. Incorporated into the table are rates for annuitants projected 7 years and rates for non-annuitants projected 15 years using Scale AA to reflect mortality improvements.

BOROUGH OF CHAMBERSBURG
Pension Trust Funds
Schedule of Investment Returns

<u>Annual money-weighted rate of return, net of investment expense</u>	2018	2017	2016	2015	2014
Bargaining and Administrative	(6.3%)	13.1%	9.4%	(1.9%)	5.7%
Police	(6.3%)	13.1%	9.3%	(1.9%)	5.8%
Firemen	(6.3%)	13.1%	9.6%	(1.0%)	5.9%

This schedule will be expanded to show multi-year trends as additional information becomes available in the future.

BOROUGH OF CHAMBERSBURG
Schedule of Changes in the Borough's Total OPEB Liability and Related Ratios

	2018
Total OPEB Liability	
Service cost	\$ 506,544
Interest	96,399
Changes in assumptions	13,388
Benefit payments	<u>(44,178)</u>
Net changes	<u>572,153</u>
Total OPEB liability - beginning	<u>2,115,759</u>
Total OPEB liability - ending	<u>\$ 2,687,912</u>
Covered payroll	\$ 13,819,599
Total OPEB liability as a percentage of covered employee payroll	19.45%

Notes

This schedule will be expanded to show 10 fiscal years once information becomes available in the future.

BOROUGH OF CHAMBERSBURG
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
Year Ended December 31, 2018

	Original/Final Budget	Actual (Budgetary/ GAAP Basis)	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes	\$ 8,213,500	\$ 8,354,394	\$ 140,894
Licenses and permits	431,250	416,535	(14,715)
Fines and forfeits	170,000	163,076	(6,924)
Interest earnings and unrealized investment gains	35,400	49,066	13,666
Intergovernmental	929,460	928,604	(856)
Departmental charges for services	2,203,365	1,839,269	(364,096)
Miscellaneous	<u>200,500</u>	<u>149,669</u>	<u>(50,831)</u>
Total revenues	<u>12,183,475</u>	<u>11,900,613</u>	<u>(282,862)</u>
EXPENDITURES			
General government	1,667,475	1,638,048	29,427
Police department	5,281,970	4,628,587	653,383
Emergency services	4,560,840	4,641,601	(80,761)
Planning and zoning	656,515	611,478	45,037
Highways	1,181,835	1,118,537	63,298
Culture and recreation	<u>1,454,565</u>	<u>1,072,146</u>	<u>382,419</u>
Total expenditures	<u>14,803,200</u>	<u>13,710,397</u>	<u>1,092,803</u>
Excess (deficiency) of revenues over expenditures	<u>(2,619,725)</u>	<u>(1,809,784)</u>	<u>809,941</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	2,767,025	2,776,201	9,176
Transfers out	<u>(147,300)</u>	<u>(817,300)</u>	<u>(670,000)</u>
Total other financing sources and uses	<u>2,619,725</u>	<u>1,958,901</u>	<u>(660,824)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 149,117</u>	<u>\$ 149,117</u>

BOROUGH OF CHAMBERSBURG
Required Supplementary Information
Budgetary Comparison Schedule - Special Revenue Fund - Grant Programs
Year Ended December 31, 2018

	Original/Final Budget	Actual (Budgetary/ GAAP Basis)	Variance with Final Budget Positive (Negative)
REVENUES			
Interest earnings and unrealized investment gains	\$ 1,345	\$ 964	\$ (381)
Intergovernmental	700,885	813,896	113,011
Miscellaneous	<u>69,155</u>	<u>9,108</u>	<u>(60,047)</u>
Total revenues	<u>771,385</u>	<u>823,968</u>	<u>52,583</u>
EXPENDITURES (by department)			
General government	20,000	47,892	(27,892)
Public safety			
Police department	24,100	11,379	12,721
Fire department	-	15,000	(15,000)
Public works			
Highways	3,500	771,102	(767,602)
Culture and recreation	22,900	2,454	20,446
Community development	<u>700,885</u>	<u>15,892</u>	<u>684,993</u>
Total expenditures	<u>771,385</u>	<u>863,719</u>	<u>(92,334)</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(39,751)</u>	<u>(39,751)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	14,574	14,574
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources and uses	<u>-</u>	<u>14,574</u>	<u>14,574</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (25,177)</u>	<u>\$ (25,177)</u>

OTHER SUPPLEMENTARY INFORMATION

BOROUGH OF CHAMBERSBURG

Other Governmental Funds

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.

Fire Tax Fund – This fund (special revenue fund) is used to account for the fire tax collected by the Borough. The funds are legally restricted to pay for fire related services.

Recreation Tax Fund – This fund (special revenue fund) is used to account for real estate tax revenue used primarily for recreational purposes. The funds are legally restricted to pay for recreation related services.

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, 2018

	Special Revenue Liquid Fuels Fund	Special Revenue Fire Tax Fund	Special Revenue Recreation Tax Fund	Capital Reserve Fund	Total - Other Governmental Funds
ASSETS					
Cash and equity in pooled cash and investments	\$ 638,647	\$ 36	\$ 30,189	\$ 5,743,333	\$ 6,412,205
Taxes receivable, net	-	59,342	35,940	-	95,282
Due from other funds	-	-	-	773,547	773,547
Other receivables	-	-	-	166,831	166,831
Total assets	<u>\$ 638,647</u>	<u>\$ 59,378</u>	<u>\$ 66,129</u>	<u>\$ 6,683,711</u>	<u>\$ 7,447,865</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ 40,757	\$ 40,757
Due to other funds	-	-	-	70	70
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,827</u>	<u>40,827</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable tax revenue	-	41,483	35,940	-	77,423
Total deferred inflows of resources	<u>-</u>	<u>41,483</u>	<u>35,940</u>	<u>-</u>	<u>77,423</u>
FUND BALANCES					
Restricted	<u>638,647</u>	<u>17,895</u>	<u>30,189</u>	<u>6,642,884</u>	<u>7,329,615</u>
Total fund balances	<u>638,647</u>	<u>17,895</u>	<u>30,189</u>	<u>6,642,884</u>	<u>7,329,615</u>
Total liabilities and fund balances	<u>\$ 638,647</u>	<u>\$ 59,378</u>	<u>\$ 66,129</u>	<u>\$ 6,683,711</u>	<u>\$ 7,447,865</u>

BOROUGH OF CHAMBERSBURG
Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
Other Governmental Funds
Year Ended December 31, 2018

	Special Revenue Liquid Fuels Fund	Special Revenue Fire Tax Fund	Special Revenue Recreation Tax Fund	Capital Reserve Fund	Total - Other Governmental Funds
REVENUES					
Taxes	\$ -	\$ 698,447	\$ 574,443	\$ -	\$ 1,272,890
Interest earnings and unrealized investment gains	10,273	7,716	5,506	80,942	104,437
Intergovernmental	619,041	-	-	75,000	694,041
Miscellaneous	-	-	-	152,080	152,080
Total revenues	<u>629,314</u>	<u>706,163</u>	<u>579,949</u>	<u>308,022</u>	<u>2,223,448</u>
EXPENDITURES					
General government	-	-	-	71,762	71,762
Public safety	-	-	-	82,884	82,884
Police department	-	-	-	-	-
Public works	-	-	-	-	-
Highways	-	-	-	1,504,327	1,504,327
Culture and recreation	-	-	141	784,681	784,822
Community development	-	-	-	159,166	159,166
Debt service	-	-	141,071	-	141,071
Total expenditures	<u>-</u>	<u>-</u>	<u>141,212</u>	<u>2,602,820</u>	<u>2,744,032</u>
Excess (deficiency) of revenues over expenditures	<u>629,314</u>	<u>706,163</u>	<u>438,737</u>	<u>(2,294,798)</u>	<u>(520,584)</u>
OTHER FINANCING SOURCES (USES)					
Bond reallocation	-	-	-	(1,177,163)	(1,177,163)
Transfers in	-	-	-	2,142,055	2,142,055
Transfers out	(587,000)	(707,847)	(409,128)	(609,574)	(2,313,549)
Total other financing sources and uses	<u>(587,000)</u>	<u>(707,847)</u>	<u>(409,128)</u>	<u>355,318</u>	<u>(1,348,657)</u>
Net change in fund balances	42,314	(1,684)	29,609	(1,939,480)	(1,869,241)
Fund balances - beginning	<u>596,333</u>	<u>19,579</u>	<u>580</u>	<u>8,582,364</u>	<u>9,198,856</u>
Fund balances - ending	<u>\$ 638,647</u>	<u>\$ 17,895</u>	<u>\$ 30,189</u>	<u>\$ 6,642,884</u>	<u>\$ 7,329,615</u>

BOROUGH OF CHAMBERSBURG
Budgetary Comparison Schedule - Special Revenue Fund - Liquid Fuels
Year Ended December 31, 2018

	Original/Final Budget	Actual (Budgetary/ GAAP Basis)	Variance with Final Budget Positive (Negative)
REVENUES			
Interest earnings and unrealized investment	\$ 5,000	\$ 10,273	\$ 5,273
Intergovernmental	<u>608,466</u>	<u>619,041</u>	<u>10,575</u>
Total revenues	<u>613,466</u>	<u>629,314</u>	<u>15,848</u>
EXPENDITURES			
	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>613,466</u>	<u>629,314</u>	<u>15,848</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	<u>(613,466)</u>	<u>(587,000)</u>	<u>26,466</u>
Total other financing sources and uses	<u>(613,466)</u>	<u>(587,000)</u>	<u>26,466</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 42,314</u>	<u>\$ 42,314</u>

BOROUGH OF CHAMBERSBURG
Budgetary Comparison Schedule – Special Revenue Fund –
Fire Tax Fund
Year Ended December 31, 2018

	Original/Final Budget	Actual (Budgetary/ GAAP Basis)	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes	\$ 685,000	\$ 698,447	\$ 13,447
gains	4,000	7,716	3,716
Total revenues	<u>689,000</u>	<u>706,163</u>	<u>17,163</u>
EXPENDITURES			
	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>689,000</u>	<u>706,163</u>	<u>17,163</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	<u>(689,000)</u>	<u>(707,847)</u>	<u>(18,847)</u>
Total other financing sources and uses	<u>(689,000)</u>	<u>(707,847)</u>	<u>(18,847)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ (1,684)</u>	<u>\$ (1,684)</u>

BOROUGH OF CHAMBERSBURG
Budgetary Comparison Schedule – Special Revenue Fund –
Recreation Tax Fund
Year Ended December 31, 2018

	Original/Final Budget	Actual (Budgetary/ GAAP Basis)	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes	\$ 570,900	\$ 574,443	\$ 3,543
gains	<u>600</u>	<u>5,506</u>	<u>4,906</u>
Total revenues	<u>571,500</u>	<u>579,949</u>	<u>8,449</u>
EXPENDITURES			
Culture and recreation	21,230	141	21,089
Debt service	<u>141,100</u>	<u>141,071</u>	<u>29</u>
Total expenditures	<u>162,330</u>	<u>141,212</u>	<u>21,118</u>
Excess (deficiency) of revenues over expenditures	<u>409,170</u>	<u>438,737</u>	<u>(12,669)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	<u>(409,170)</u>	<u>(409,128)</u>	<u>42</u>
Total other financing sources and uses	<u>(409,170)</u>	<u>(409,128)</u>	<u>42</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ 29,609</u>	<u>\$ (12,627)</u>

BOROUGH OF CHAMBERSBURG
Budgetary Comparison Schedule - Capital Reserve Fund
Year Ended December 31, 2018

	Original/Final Budget	Actual (Budgetary/ GAAP Basis)	Variance with Final Budget Positive (Negative)
REVENUES			
Interest earnings and unrealized investment gains	\$ 80,900	\$ 80,942	\$ 42
Intergovernmental	690,000	75,000	(615,000)
Miscellaneous	<u>107,320</u>	<u>152,080</u>	<u>44,760</u>
Total revenues	<u>878,220</u>	<u>308,022</u>	<u>(570,198)</u>
EXPENDITURES			
General government	191,486	71,762	119,724
Police department	-	82,884	(82,884)
Emergency services	300,000	-	300,000
Highways	1,600,200	1,504,327	95,873
Culture and recreation	780,000	784,681	(4,681)
Community development	<u>20,000</u>	<u>159,166</u>	<u>(139,166)</u>
Total expenditures	<u>2,891,686</u>	<u>2,602,820</u>	<u>288,866</u>
Excess (deficiency) of revenues over expenditures	<u>(2,013,466)</u>	<u>(2,294,798)</u>	<u>(281,332)</u>
OTHER FINANCING SOURCES (USES)			
Bond reallocation	-	(1,177,163)	(1,177,163)
Transfers in	889,966	2,142,055	1,252,089
Transfers out	<u>(610,000)</u>	<u>(609,574)</u>	<u>426</u>
Total other financing sources and uses	<u>279,966</u>	<u>355,318</u>	<u>75,352</u>
Net change in fund balance	<u>\$ (1,733,500)</u>	<u>\$ (1,939,480)</u>	<u>\$ (205,980)</u>

OTHER ENTERPRISE FUNDS

BOROUGH OF CHAMBERSBURG
Other Enterprise Funds

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.

Storm Sewer Fund – This fund is used to account for the Borough’s stormwater removal for its residents and commercial establishments throughout the Borough.

BOROUGH OF CHAMBERSBURG
Combining Statement of Net Position - Other Enterprise Funds
December 31, 2018

	Sanitation Fund	Parking, Traffic and Street Lights Fund	Storm Sewer Fund	Total Other Enterprise Funds
ASSETS				
Current assets				
Cash and equity in pooled cash and investments	\$ 1,327,745	\$ 1,352,963	\$ 233,561	\$ 2,914,269
Accounts receivable, net	184,727	132,695	25,518	342,940
Receivables from other governments	-	37,637	-	37,637
Other receivables	4,961	5,061	884	10,906
Prepaid expenses	1,004	-	-	1,004
Total current assets	<u>1,518,437</u>	<u>1,528,356</u>	<u>259,963</u>	<u>3,306,756</u>
Noncurrent assets				
Capital assets not being depreciated:				
Land	413,127	531,219	-	944,346
Construction in progress	30,990	88,996	20,751	140,737
Capital assets being depreciated:				
Buildings and system	70,197	-	1,712,215	1,782,412
Improvements other than buildings	573,798	560,099	3,463,184	4,597,081
Machinery and equipment	859,030	4,275,195	-	5,134,225
Less accumulated depreciation	<u>(905,446)</u>	<u>(2,135,709)</u>	<u>(1,362,266)</u>	<u>(4,403,421)</u>
Total capital assets	<u>1,041,696</u>	<u>3,319,800</u>	<u>3,833,884</u>	<u>8,195,380</u>
Total noncurrent assets	<u>1,041,696</u>	<u>3,319,800</u>	<u>3,833,884</u>	<u>8,195,380</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pension liability	143,099	60,132	45,802	249,033
Deferred outflows related to OPEB liability	2,088	802	365	3,255
Total deferred outflows of resources	<u>145,187</u>	<u>60,934</u>	<u>46,167</u>	<u>252,288</u>
Total assets and deferred outflows of resources	<u>\$ 2,705,320</u>	<u>\$ 4,909,090</u>	<u>\$ 4,140,014</u>	<u>\$ 11,754,424</u>
LIABILITIES				
Current liabilities				
Accounts payable	\$ 130,333	\$ 84,151	\$ 8,939	\$ 223,423
Accrued wages payable	26,215	4,902	3,526	34,643
Unearned revenue	-	-	-	-
Compensated absences - current	25,985	15,498	3,684	45,167
Bonds, notes and loans payable - current	75,404	-	-	75,404
Total current liabilities	<u>257,937</u>	<u>104,551</u>	<u>16,149</u>	<u>378,637</u>
Noncurrent liabilities				
Compensated absences	5,828	13,070	153	19,051
Net pension liability	419,075	160,741	72,716	652,532
OPEB liability	41,943	16,086	7,278	65,307
Bonds, notes and loans payable	773,756	-	-	773,756
Total non-current liabilities	<u>1,240,602</u>	<u>189,897</u>	<u>80,147</u>	<u>1,510,646</u>
Total liabilities	<u>1,498,539</u>	<u>294,448</u>	<u>96,296</u>	<u>1,889,283</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension liability	91,722	12,426	5,621	109,769
Deferred inflows related to OPEB liability	1,292	496	224	2,012
Total deferred inflows of resources	<u>93,014</u>	<u>12,922</u>	<u>5,845</u>	<u>111,781</u>
NET POSITION				
Net investment in capital assets	161,546	3,259,620	3,829,039	7,250,205
Unrestricted	952,221	1,342,100	208,834	2,503,155
Total net position	<u>1,113,767</u>	<u>4,601,720</u>	<u>4,037,873</u>	<u>9,753,360</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 2,705,320</u>	<u>\$ 4,909,090</u>	<u>\$ 4,140,014</u>	<u>\$ 11,754,424</u>

BOROUGH OF CHAMBERSBURG
Combining Statement of Revenues, Expenses, and Changes in Net Position -
Other Enterprise Funds
Year Ended December 31, 2018

	Sanitation Fund	Parking, Traffic and Street Lights Fund	Storm Sewer Fund	Total Other Enterprise Funds
OPERATING REVENUES				
Charges for services	\$ 3,008,088	\$ 106,095	\$ 399,544	\$ 3,513,727
Miscellaneous	48,634	366,316	2,216	417,166
Total operating revenues	<u>3,056,722</u>	<u>472,411</u>	<u>401,760</u>	<u>3,930,893</u>
OPERATING EXPENSES				
Operation and maintenance	-	901,543	-	901,543
Collection and disposal	2,624,013	-	130,581	2,754,594
Customer accounting and administrative	349,124	168,809	152,454	670,387
Depreciation	113,243	172,137	101,532	386,912
Total operating expenses	<u>3,086,380</u>	<u>1,242,489</u>	<u>384,567</u>	<u>4,713,436</u>
Operating income (loss)	<u>(29,658)</u>	<u>(770,078)</u>	<u>17,193</u>	<u>(782,543)</u>
NONOPERATING REVENUES (EXPENSES)				
Interest earnings and unrealized investment gains (losses)	23,077	25,866	2,920	51,863
Other nonoperating revenues	-	-	2,077	2,077
Gain (loss) on sale of assets	9,142	-	-	9,142
Intergovernmental revenues	56,178	184,205	392,807	633,190
Interest expense and debt issuance costs	(28,531)	-	-	(28,531)
Total nonoperating revenue (expenses)	<u>59,866</u>	<u>210,071</u>	<u>397,804</u>	<u>667,741</u>
Income (loss) before contributions and transfers	<u>30,208</u>	<u>(560,007)</u>	<u>414,997</u>	<u>(114,802)</u>
Capital contributions and grants	-	7,950	-	7,950
Transfers in	-	904,314	-	904,314
Transfers out	(83,535)	(400,775)	(50)	(484,360)
Change in net position	<u>(53,327)</u>	<u>(48,518)</u>	<u>414,947</u>	<u>313,102</u>
Total net position - beginning, as restated	<u>1,167,094</u>	<u>4,650,238</u>	<u>3,622,926</u>	<u>9,440,258</u>
Total net position - ending	<u>\$ 1,113,767</u>	<u>\$ 4,601,720</u>	<u>\$ 4,037,873</u>	<u>\$ 9,753,360</u>

BOROUGH OF CHAMBERSBURG
Combining Statement of Cash Flows - Other Enterprise Funds
Year Ended December 31, 2018

	Sanitation Fund	Parking, Traffic and Street Lights Fund	Storm Sewer Fund	Total Other Enterprise Funds
Cash flows from operating activities:				
Receipts from customers	\$ 3,099,541	\$ 360,434	\$ 406,502	\$ 3,866,477
Payments to suppliers	(1,980,774)	(889,136)	(154,473)	(3,024,383)
Payments to and on behalf of employees	(943,721)	(173,228)	(115,643)	(1,232,592)
Net cash provided (used) by operating activities	<u>175,046</u>	<u>(701,930)</u>	<u>136,386</u>	<u>(390,498)</u>
Cash flows from capital and related financing activities:				
Purchase of capital assets	(10,751)	(692,475)	(441,852)	(1,145,078)
Grants and reimbursements received	-	11,408	11,527	22,935
Proceeds from sale of assets	9,142	-	-	9,142
Principal paid on capital debt	(73,260)	-	-	(73,260)
Interest and fiscal charges paid on capital debt	(28,531)	-	-	(28,531)
Net cash provided (used) by capital and related financing activities	<u>(103,400)</u>	<u>(681,067)</u>	<u>(430,325)</u>	<u>(1,214,792)</u>
Cash flows from non-capital financing activities:				
Transfers from other funds	-	904,314	-	904,314
Transfer to other funds	(83,535)	(400,775)	(50)	(484,360)
Grants received	56,178	135,160	277,538	468,876
Net cash provided (used) by non-capital financing activities	<u>(27,357)</u>	<u>638,699</u>	<u>277,488</u>	<u>888,830</u>
Cash flows from investing activities:				
Interest and dividends received	19,602	28,530	2,703	50,835
Net cash provided (used) by investing activities	<u>19,602</u>	<u>28,530</u>	<u>2,703</u>	<u>50,835</u>
Net increase (decrease) in cash and cash equivalents	63,891	(715,768)	(13,748)	(665,625)
Market appreciation (depreciation) (*)	2,579	(1,051)	146	1,674
Total increase (decrease) in cash and cash equivalents	<u>66,470</u>	<u>(716,819)</u>	<u>(13,602)</u>	<u>(663,951)</u>
Cash and cash equity in pooled cash and investments - beginning of the year	<u>1,261,275</u>	<u>2,069,782</u>	<u>247,163</u>	<u>3,578,220</u>
Cash and cash equity in pooled cash and investments - end of the year	<u>\$ 1,327,745</u>	<u>\$ 1,352,963</u>	<u>\$ 233,561</u>	<u>\$ 2,914,269</u>
Reconciliation of income (loss) from operations to net cash provided (used) by operating activities				
Operating income (loss)	\$ (29,658)	\$ (770,078)	\$ 17,193	(\$ 782,543)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation and amortization expense	113,243	172,137	101,532	386,912
Miscellaneous nonoperating income	-	-	2,077	2,077
(Increase) decrease in:				
Accounts receivable	42,819	(111,977)	2,665	(66,493)
Prepaid expenses	89	-	-	89
Increase (decrease) in:				
Accounts payable and accrued expenses	11,116	(13,370)	(1,390)	(3,644)
Net pension liability and related deferred outflows and inflows	25,839	16,910	12,299	55,048
Net OPEB liability and related deferred outflows and inflows	11,598	4,448	2,010	18,056
Net cash provided (used) by operating activities	<u>\$ 175,046</u>	<u>\$ (701,930)</u>	<u>\$ 136,386</u>	<u>\$ (390,498)</u>
Non-cash investing, capital and non-capital financing activities				
Donated assets from developers	\$ -	\$ 7,950	\$ -	\$ 7,950
Market appreciation (depreciation) (*)	2,579	(1,051)	146	1,674

(*) Cash and equity in pooled cash and investments includes various investments held by the Borough. The market appreciation (depreciation) represents that unrealized gain (loss) on these investments.

BOROUGH OF CHAMBERSBURG

Internal Service Funds

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 responsible for the complete financial and utility meter reading, as well as the operation and maintenance of Borough Hall. This fund also includes the Finance Department.

BOROUGH OF CHAMBERSBURG
Combining Statement of Net Position - Internal Service Funds
December 31, 2018

	Stores Fund	Motor Equipment Fund	Self Insurance Fund
ASSETS			
Current assets			
Cash and equity in pooled cash and investments	\$ 108,250	\$ 6,485,166	\$ 7,032,591
Accounts receivable, net	-	-	-
Other receivables	402	24,221	26,270
Inventories	1,312,629	98,068	-
Prepaid expenses	212	1,269	-
Total current assets	<u>1,421,493</u>	<u>6,608,724</u>	<u>7,058,861</u>
Noncurrent assets			
Capital assets not being depreciated:			
Land	-	13,984	-
Construction in progress	-	-	-
Capital assets being depreciated:			
Buildings and system	5,823	149,981	-
Machinery and equipment	-	10,395,120	-
Less accumulated depreciation	<u>(4,150)</u>	<u>(5,393,754)</u>	<u>-</u>
Total capital assets	<u>1,673</u>	<u>5,165,331</u>	<u>-</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension liability	36,591	65,670	-
Deferred outflows related to OPEB liability	535	958	-
	<u>37,126</u>	<u>66,628</u>	<u>-</u>
 Total assets and deferred outflows of resources	 <u>\$ 1,460,292</u>	 <u>\$ 11,840,683</u>	 <u>\$ 7,058,861</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 4,795	\$ 35,088	\$ 44
Accrued wages payable	16,003	12,717	2,358
Compensated absences - current	3,054	22,105	2,172
Liability for self insured losses - current	-	-	31,162
Bonds, notes and loans payable - current	-	-	-
Total current liabilities	<u>23,852</u>	<u>69,910</u>	<u>35,736</u>
Noncurrent liabilities			
Compensated absences	3,242	22,249	91
Liability for self insured losses	-	-	101,525
Net pension liability	107,160	192,315	-
OPEB liability	10,725	19,247	-
Bonds, notes and loans payable	-	-	-
Total noncurrent liabilities	<u>121,127</u>	<u>233,811</u>	<u>101,616</u>
 Total liabilities	 <u>144,979</u>	 <u>303,721</u>	 <u>137,352</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension liability	9,662	28,938	-
Deferred inflows related to OPEB liability	329	593	-
Total deferred inflows of resources	<u>9,991</u>	<u>29,531</u>	<u>-</u>
NET POSITION			
Net investment in capital assets	1,673	5,165,331	-
Unrestricted	1,303,649	6,342,100	6,921,509
Total net position	<u>1,305,322</u>	<u>11,507,431</u>	<u>6,921,509</u>
 Total liabilities, deferred inflows of resources, and net position	 <u>\$ 1,460,292</u>	 <u>\$ 11,840,683</u>	 <u>\$ 7,058,861</u>

Engineering Fund	Worker's Compensation Fund	Administrative Services Fund	Total Internal Service Funds
\$ 660,063	\$ 145,413	\$ 1,919,811	\$ 16,351,294
-	-	-	-
2,470	542	-	53,905
-	-	-	1,410,697
-	-	-	1,481
<u>662,533</u>	<u>145,955</u>	<u>1,919,811</u>	<u>17,817,377</u>
-	-	-	13,984
-	-	887,832	887,832
-	-	9,224,803	9,380,607
74,924	-	65,751	10,535,795
(39,099)	-	(157,444)	(5,594,447)
<u>35,825</u>	<u>-</u>	<u>10,020,942</u>	<u>15,223,771</u>
157,054	-	949,748	1,209,063
2,106	-	13,349	16,948
<u>159,160</u>	<u>-</u>	<u>963,097</u>	<u>1,226,011</u>
<u>\$ 857,518</u>	<u>\$ 145,955</u>	<u>\$ 12,903,850</u>	<u>\$ 34,267,159</u>
\$ 1,598	\$ 18,283	\$ 602,727	\$ 662,535
12,612	-	111,207	154,897
38,421	-	222,224	287,976
-	74,938	-	106,100
-	-	281,858	281,858
<u>52,631</u>	<u>93,221</u>	<u>1,218,016</u>	<u>1,493,366</u>
29,837	-	177,841	233,260
-	244,150	-	345,675
421,946	-	2,677,107	3,398,528
42,229	-	267,933	340,134
-	-	9,350,599	9,350,599
<u>494,012</u>	<u>244,150</u>	<u>12,473,480</u>	<u>13,668,196</u>
<u>546,643</u>	<u>337,371</u>	<u>13,691,496</u>	<u>15,161,562</u>
32,617	-	206,936	278,153
1,301	-	8,253	10,476
<u>33,918</u>	<u>-</u>	<u>215,189</u>	<u>288,629</u>
35,825	-	277,694	5,480,523
241,132	(191,416)	(1,280,529)	13,336,445
<u>276,957</u>	<u>(191,416)</u>	<u>(1,002,835)</u>	<u>18,816,968</u>
<u>\$ 857,518</u>	<u>\$ 145,955</u>	<u>\$ 12,903,850</u>	<u>\$ 34,267,159</u>

BOROUGH OF CHAMBERSBURG
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position -
Internal Service Funds
Year Ended December 31, 2018

	Stores Fund	Motor Equipment Fund	Self Insurance Fund
OPERATING REVENUES			
Charges for services	\$ 128,353	\$ 2,603,902	\$ 274,417
Miscellaneous	-	-	-
Total operating revenues	<u>128,353</u>	<u>2,603,902</u>	<u>274,417</u>
OPERATING EXPENSES			
Operation and maintenance	421,060	1,032,128	-
General and administrative	147,779	483,050	26,996
Claim payments and special services	-	-	661,389
Increase (decrease) in expected unpaid losses	-	-	(32,425)
Depreciation and amortization	146	747,397	-
Total operating expenses	<u>568,985</u>	<u>2,262,575</u>	<u>655,960</u>
Operating income (loss)	<u>(440,632)</u>	<u>341,327</u>	<u>(381,543)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest earnings and unrealized investment gains (losses)	2,669	100,191	121,039
Gain (loss) on sale of assets	-	(127,612)	-
Other nonoperating revenues	198	315	-
Reimbursement of prior year expense	-	-	463,679
Intergovernmental revenue	17,237	13,273	-
Interest expense and debt issuance costs	-	-	-
Total non-operating revenue (expenses)	<u>20,104</u>	<u>(13,833)</u>	<u>584,718</u>
Income (loss) before transfers	(420,528)	327,494	203,175
Transfers in	475,000	552,571	79,550
Transfers out	<u>(1,050)</u>	<u>(546,850)</u>	<u>-</u>
Change in net position	53,422	333,215	282,725
Total net position - beginning, as restated	<u>1,251,900</u>	<u>11,174,216</u>	<u>6,638,784</u>
Total net position - ending	<u>\$ 1,305,322</u>	<u>\$ 11,507,431</u>	<u>\$ 6,921,509</u>

Engineering Fund	Worker's Compensation Fund	Administrative Services Fund	Total Internal Service Funds
\$ 496,888	\$ -	\$ 5,939,294	\$ 9,442,854
<u>895</u>	<u>-</u>	<u>5,568</u>	<u>6,463</u>
<u>497,783</u>	<u>-</u>	<u>5,944,862</u>	<u>9,449,317</u>
51,761	-	5,412,463	6,917,412
341,031	114,254	-	1,113,110
-	183,947	-	845,336
-	(57,528)	-	(89,953)
<u>3,561</u>	<u>-</u>	<u>142,320</u>	<u>893,424</u>
<u>396,353</u>	<u>240,673</u>	<u>5,554,783</u>	<u>9,679,329</u>
<u>101,430</u>	<u>(240,673)</u>	<u>390,079</u>	<u>(230,012)</u>
10,246	3,200	-	237,345
-	-	-	(127,612)
-	-	63	576
-	-	-	463,679
17,094	-	117,214	164,818
-	-	(173,721)	(173,721)
<u>27,340</u>	<u>3,200</u>	<u>(56,444)</u>	<u>565,085</u>
128,770	(237,473)	333,635	335,073
-	184,800	600,000	1,891,921
<u>(123,550)</u>	<u>-</u>	<u>(363,779)</u>	<u>(1,035,229)</u>
5,220	(52,673)	569,856	1,191,765
<u>271,737</u>	<u>(138,743)</u>	<u>(1,572,691)</u>	<u>17,625,203</u>
<u>\$ 276,957</u>	<u>\$ (191,416)</u>	<u>\$ (1,002,835)</u>	<u>\$ 18,816,968</u>

BOROUGH OF CHAMBERSBURG
Statement of Cash Flows – Internal Service Funds
Year Ended December 31, 2018

	Stores Fund	Motor Equipment Fund	Self Insurance Fund
Cash flows from operating activities:			
Interfund services provided	\$ 129,370	\$ 2,606,482	\$ 274,417
Payments to suppliers	(191,559)	(1,051,308)	(697,701)
Payments to and on behalf of employees	(496,204)	(419,548)	-
Net cash provided (used) by operating activities	<u>(558,393)</u>	<u>1,135,626</u>	<u>(423,284)</u>
Cash flows from capital and related financing activities:			
Proceeds from capital debt	-	-	-
Purchase of capital assets	-	(170,526)	-
Proceeds from sale of capital assets	-	23,652	-
Principal paid on capital debt	-	-	-
Interest and fiscal charges paid on capital debt	-	-	-
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(146,874)</u>	<u>-</u>
Cash flows from non-capital financing activities:			
Transfer from other funds	475,000	552,571	79,550
Transfer to other funds	(1,050)	(546,850)	-
Refund received for health insurance	-	-	463,679
Grants received	17,237	13,273	-
Net cash provided (used) by non-capital financing activities	<u>491,187</u>	<u>18,994</u>	<u>543,229</u>
Cash flows from investing activities:			
Interest and dividends received	4,975	80,662	99,819
Net cash provided (used) by investing activities	<u>4,975</u>	<u>80,662</u>	<u>99,819</u>
Net increase (decrease) in cash and cash equivalents	(62,231)	1,088,408	219,764
Market appreciation (depreciation) (*)	(2,150)	12,654	16,836
Total increase (decrease) in cash and cash equivalents	<u>(64,381)</u>	<u>1,101,062</u>	<u>236,600</u>
Cash and equity in pooled cash and investments - beginning of the year	<u>172,631</u>	<u>5,384,104</u>	<u>6,795,991</u>
Cash and equity in pooled cash and investments - end of the year	<u>\$ 108,250</u>	<u>\$ 6,485,166</u>	<u>\$ 7,032,591</u>
Reconciliation of income from operations to net cash provided (used) by operating activities			
Operating income (loss)	\$ (440,632)	\$ 341,327	\$ (381,543)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization expense	145	747,397	-
Miscellaneous nonoperating income	199	315	-
(Increase) decrease in:			
Accounts receivable	819	2,265	-
Inventories	(103,799)	(817)	-
Prepaid expenses	110	(50)	-
Increase (decrease) in:			
Accounts payable and accrued expenses	(28,254)	24,722	(41,741)
Net pension liability and related deferred outflows and inflows	10,055	15,145	-
Net OPEB liability and related deferred outflows and inflows	2,964	5,322	-
Due to other funds	-	-	-
Net cash provided (used) by operating activities	<u>\$ (558,393)</u>	<u>\$ 1,135,626</u>	<u>\$ (423,284)</u>

Non-cash investing, capital and non-capital financing activities

(*) Cash and equity in pooled cash and investments includes various investments held by the Borough. The market appreciation (depreciation) represents that unrealized gain (loss) on these investments.

Engineering Fund	Worker's Compensation Fund	Administrative Services Fund	Total
\$ 497,813	\$ -	\$ 5,944,925	\$ 9,453,007
(112,104)	(270,768)	(1,784,222)	(4,107,662)
<u>(210,782)</u>	<u>(15,265)</u>	<u>(3,219,939)</u>	<u>(4,361,738)</u>
<u>174,927</u>	<u>(286,033)</u>	<u>940,764</u>	<u>983,607</u>
-	-	6,875,378	6,875,378
(31,681)	-	(5,958,502)	(6,160,709)
-	-	-	23,652
-	-	(117,543)	(117,543)
-	-	(173,721)	(173,721)
<u>(31,681)</u>	<u>-</u>	<u>625,612</u>	<u>447,057</u>
-	184,800	600,000	1,891,921
(123,550)	-	(363,779)	(1,035,229)
-	-	-	463,679
<u>17,094</u>	<u>-</u>	<u>117,214</u>	<u>164,818</u>
<u>(106,456)</u>	<u>184,800</u>	<u>353,435</u>	<u>1,485,189</u>
<u>8,965</u>	<u>3,783</u>	<u>-</u>	<u>198,204</u>
<u>8,965</u>	<u>3,783</u>	<u>-</u>	<u>198,204</u>
45,755	(97,450)	1,919,811	3,114,057
793	(346)	-	27,787
<u>46,548</u>	<u>(97,796)</u>	<u>1,919,811</u>	<u>3,141,844</u>
<u>613,515</u>	<u>243,209</u>	<u>-</u>	<u>13,209,450</u>
<u>\$ 660,063</u>	<u>\$ 145,413</u>	<u>\$ 1,919,811</u>	<u>\$ 16,351,294</u>
\$ 101,430	\$ (240,673)	\$ 390,079	\$ (230,012)
3,561	-	142,320	893,423
-	-	63	577
30	-	-	3,114
-	-	-	(104,616)
-	-	-	60
14,042	(45,360)	71,555	(5,036)
44,190	-	268,703	338,093
11,674	-	74,081	94,041
-	-	(6,037)	(6,037)
<u>174,927</u>	<u>(286,033)</u>	<u>940,764</u>	<u>983,607</u>

BOROUGH OF CHAMBERSBURG

Trust and Agency Funds

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 and other sources 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, 2018

	Firemen Pension Fund	Police Pension Fund	Bargaining and Administrative Employees Pension Fund	Total Pension Trust Funds
ASSETS				
Mutual funds - Securities	\$ 358,010	\$ 699,860	\$ 1,151,809	\$ 2,209,679
Mutual funds - Corporate bonds	2,033,562	3,975,273	6,542,260	12,551,095
Mutual funds - Stocks	3,589,139	7,010,501	11,531,806	22,131,446
Mutual funds - Real estate securities	193,834	378,864	623,344	1,196,042
Employee contribution receivable	5,125	3,844	20,947	29,916
Total assets	<u>\$ 6,179,670</u>	<u>\$ 12,068,342</u>	<u>\$ 19,870,166</u>	<u>\$ 38,118,178</u>
LIABILITIES				
Accounts payable	\$ 4,371	\$ 8,548	\$ 14,064	\$ 26,983
Total liabilities	<u>4,371</u>	<u>8,548</u>	<u>14,064</u>	<u>26,983</u>
NET POSITION				
Net position restricted for pensions	<u>6,175,299</u>	<u>12,059,794</u>	<u>19,856,102</u>	<u>38,091,195</u>
Total liabilities and net position	<u>\$ 6,179,670</u>	<u>\$ 12,068,342</u>	<u>\$ 19,870,166</u>	<u>\$ 38,118,178</u>

BOROUGH OF CHAMBERSBURG
Combining Statement of Changes in Fiduciary Net Position - Pension Trust Funds
Year Ended December 31, 2018

	Firemen Pension Fund	Police Pension Fund	Bargaining and Administrative Employees Pension Fund	Total Pension Trust Funds
ADDITIONS				
Contributions				
Employer	\$ 296,801	\$ 514,380	\$ 588,100	\$ 1,399,281
Plan member	111,254	105,083	544,121	760,458
Total contributions	<u>408,055</u>	<u>619,463</u>	<u>1,132,221</u>	<u>2,159,739</u>
Investment income:				
Net appreciation in fair value of investments and gains on sale of investments	(565,033)	(1,109,465)	(1,831,362)	(3,505,860)
Interest, dividends and other	<u>152,478</u>	<u>304,512</u>	<u>501,697</u>	<u>958,687</u>
Total net investment earnings	<u>(412,555)</u>	<u>(804,953)</u>	<u>(1,329,665)</u>	<u>(2,547,173)</u>
Total additions	<u>(4,500)</u>	<u>(185,490)</u>	<u>(197,444)</u>	<u>(387,434)</u>
DEDUCTIONS				
Benefits	266,906	970,587	1,534,225	2,771,718
Administrative expenses	<u>27,667</u>	<u>37,795</u>	<u>57,862</u>	<u>123,324</u>
Total deductions	<u>294,573</u>	<u>1,008,382</u>	<u>1,592,087</u>	<u>2,895,042</u>
Change in net position	(299,073)	(1,193,872)	(1,789,531)	(3,282,476)
Net position - beginning	<u>6,474,372</u>	<u>13,253,666</u>	<u>21,645,633</u>	<u>41,373,671</u>
Net position - ending	<u>\$ 6,175,299</u>	<u>\$ 12,059,794</u>	<u>\$ 19,856,102</u>	<u>\$ 38,091,195</u>

BOROUGH OF CHAMBERSBURG
Combining Statement of Fiduciary Net Position - Private Purpose Trust Funds
December 31, 2018

	Citizen's Reward Fund	Sister City Fund	Project Heat Fund	Total Private Purpose Trust Funds
ASSETS				
Cash and equity in pooled cash and investments	\$ 10,771	\$ 27,095	\$ 1,629	\$ 39,495
Other receivables	40	-	-	40
Total assets	<u>\$ 10,811</u>	<u>\$ 27,095</u>	<u>\$ 1,629</u>	<u>\$ 39,535</u>
LIABILITIES				
Accounts payable	\$ 7	\$ -	\$ 126	\$ 133
Total liabilities	<u>7</u>	<u>-</u>	<u>126</u>	<u>133</u>
NET POSITION				
Held in trust for other purposes	<u>10,804</u>	<u>27,095</u>	<u>1,503</u>	<u>39,402</u>
Total liabilities and net position	<u>\$ 10,811</u>	<u>\$ 27,095</u>	<u>\$ 1,629</u>	<u>\$ 39,535</u>

BOROUGH OF CHAMBERSBURG
Combining Statement of Changes in Fiduciary Net Position -
Private Purpose Trust Funds
Year Ended December 31, 2018

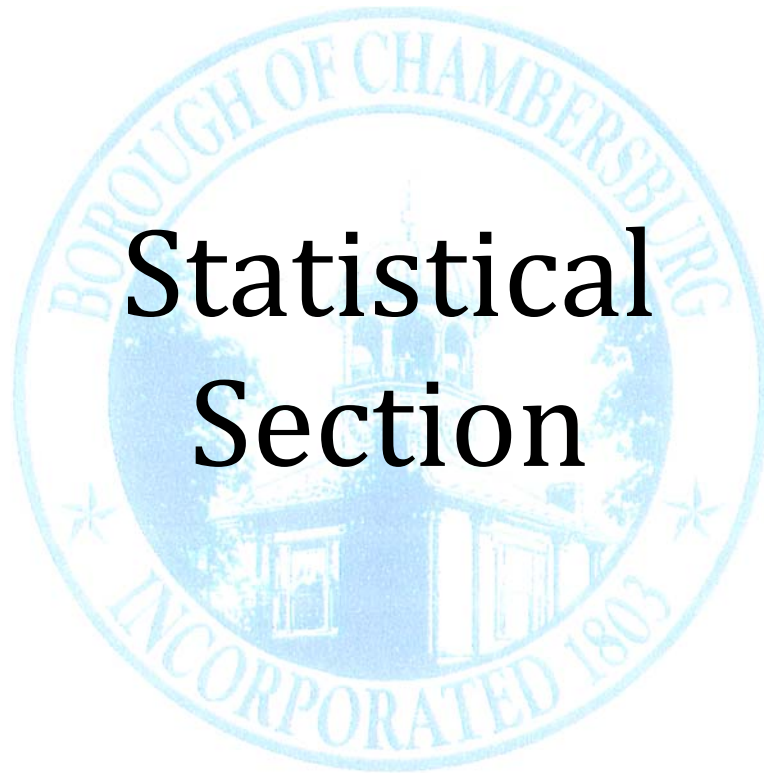
	Citizen's Reward Fund	Sister City Fund	Project Heat Fund	Total Private Purpose Trust Funds
ADDITIONS				
Contributions				
Public contributions and other revenue	\$ -	\$ -	\$ 5,040	\$ 5,040
Transfers in	-	-	20,000	20,000
Total contributions	-	-	25,040	25,040
Investment income:				
Interest earnings and unrealized investment gains (losses)	176	491	185	852
Total additions	176	491	25,225	25,892
DEDUCTIONS				
Administrative expense	-	-	2,586	2,586
Pledge payments to customers/other	-	-	52,112	52,112
Total deductions	-	-	54,698	54,698
Change in net position	176	491	(29,473)	(28,806)
Net position, beginning	10,628	26,604	30,976	68,208
Net position, ending	<u>\$ 10,804</u>	<u>\$ 27,095</u>	<u>\$ 1,503</u>	<u>\$ 39,402</u>

BOROUGH OF CHAMBERSBURG
Combining Statement of Changes in Assets and Liabilities - All Agency Funds
Year Ended December 31, 2018

	1/1/2018	Additions	Deductions	12/31/2018
PAYROLL CLEARING FUND				
Assets				
Cash and cash equivalents	\$ -	\$ 15,858,284	\$ 15,858,284	\$ -
Total assets	<u>\$ -</u>	<u>\$ 15,858,284</u>	<u>\$ 15,858,284</u>	<u>\$ -</u>
Liabilities				
Withholdings	\$ -	\$ 5,389,976	\$ 5,389,976	\$ -
Total liabilities	<u>\$ -</u>	<u>\$ 5,389,976</u>	<u>\$ 5,389,976</u>	<u>\$ -</u>
CONSUMER DEPOSIT FUND				
Assets				
Cash and cash equivalents	\$ 1,748,112	\$ 626,196	\$ 620,415	\$ 1,753,893
Due from other funds	31,163	-	31,163	-
Other receivables	5,624	27,255	26,291	6,588
Total assets	<u>\$ 1,784,899</u>	<u>\$ 653,451</u>	<u>\$ 677,869</u>	<u>\$ 1,760,481</u>
Liabilities				
Consumer deposits	\$ 1,784,899	\$ 649,803	\$ 674,221	\$ 1,760,481
Total liabilities	<u>\$ 1,784,899</u>	<u>\$ 649,803</u>	<u>\$ 674,221</u>	<u>\$ 1,760,481</u>
TOTAL - ALL AGENCY FUNDS				
Assets				
Cash and cash equivalents	\$ 1,748,112	\$ 16,484,480	\$ 16,478,699	\$ 1,753,893
Due from other funds	31,163	-	31,163	-
Other receivables	5,624	27,255	26,291	6,588
Total assets	<u>\$ 1,784,899</u>	<u>\$ 16,511,735</u>	<u>\$ 16,536,153</u>	<u>\$ 1,760,481</u>
Liabilities				
Withholdings	\$ -	\$ 5,389,976	\$ 5,389,976	\$ -
Consumer deposits	1,784,899	649,803	674,221	1,760,481
Total liabilities	<u>\$ 1,784,899</u>	<u>\$ 6,039,779</u>	<u>\$ 6,064,197</u>	<u>\$ 1,760,481</u>

BOROUGH OF CHAMBERSBURG
Schedule of Taxes Receivable
Year Ended December 31, 2018

	General Purpose	Fire	Ambulance	Recreation
Assessed valuation of real property	\$ 202,849,270	\$ 202,849,270	\$ 202,849,270	\$ 202,849,270
Add: Additions	1,315,796	1,315,796	1,315,796	1,315,796
Less: Reductions and exonerations	<u>2,453</u>	<u>2,453</u>	<u>2,453</u>	<u>2,453</u>
Adjusted assessment	204,162,613	204,162,613	204,162,613	204,162,613
Tax rate	<u>24.0</u> mills	<u>3.0</u> mills	<u>0.5</u> mills	<u>3.0</u> mills
Total tax levied	4,899,903	612,488	102,081	612,488
Add: Penalties	34,103	4,263	711	4,263
Less: Discounts	(83,826)	(10,479)	(1,747)	(10,479)
Collections	<u>(4,562,659)</u>	<u>(570,332)</u>	<u>(95,054)</u>	<u>(570,332)</u>
2018 taxes receivable - December 31, 2018	287,521	35,940	5,991	35,940
Prior years' taxes	<u>164,622</u>	<u>17,411</u>	<u>-</u>	<u>-</u>
Total taxes receivable - December 31, 2018	<u>\$ 452,143</u>	<u>\$ 53,351</u>	<u>\$ 5,991</u>	<u>\$ 35,940</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.	100 - 106
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.	107 - 112
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.	113 - 117
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.	118 - 119
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.	120 - 122

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>2018 (b)</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012 (a)</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Governmental activities										
Net investment in capital assets	\$ 22,901,661	\$ 22,392,162	\$ 21,924,750	\$ 20,494,089	\$ 22,850,486	\$ 22,561,919	\$ 22,217,709	\$ 25,275,852	\$ 25,907,241	\$ 24,030,856
Restricted	8,199,300	6,915,510	6,540,937	5,972,633	5,431,916	3,975,045	3,852,332	3,769,761	1,193,916	1,452,889
Unrestricted	<u>(3,823,656)</u>	<u>(2,150,736)</u>	<u>(1,256,732)</u>	<u>132,897</u>	<u>4,514,636</u>	<u>5,173,101</u>	<u>3,952,283</u>	<u>4,633,198</u>	<u>7,463,807</u>	<u>9,876,322</u>
Total governmental activities net position	<u>27,277,305</u>	<u>27,156,936</u>	<u>27,208,955</u>	<u>26,599,619</u>	<u>32,797,038</u>	<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>
Business-type activities										
Net investment in capital assets	115,631,163	119,251,728	116,310,111	111,221,937	94,346,244	85,933,597	81,864,727	76,493,701	75,126,828	74,790,451
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	<u>39,936,619</u>	<u>36,970,431</u>	<u>36,466,775</u>	<u>38,851,232</u>	<u>43,395,900</u>	<u>35,802,218</u>	<u>30,945,382</u>	<u>30,885,875</u>	<u>33,192,820</u>	<u>27,013,942</u>
Total business-type activities net position	<u>155,567,782</u>	<u>156,222,159</u>	<u>152,776,886</u>	<u>150,073,169</u>	<u>137,742,144</u>	<u>121,735,815</u>	<u>112,810,109</u>	<u>107,379,576</u>	<u>108,319,648</u>	<u>101,804,393</u>
Primary government										
Net investment in capital assets	138,532,824	141,643,890	138,234,861	131,716,026	117,196,730	108,495,516	104,082,436	101,769,553	101,034,069	98,821,307
Restricted	8,199,300	6,915,510	6,540,937	5,972,633	5,431,916	3,975,045	3,852,332	3,769,761	1,193,916	1,452,889
Unrestricted	<u>36,112,963</u>	<u>34,819,695</u>	<u>35,210,043</u>	<u>38,984,129</u>	<u>47,910,536</u>	<u>40,975,319</u>	<u>34,897,665</u>	<u>35,519,073</u>	<u>40,656,627</u>	<u>36,890,264</u>
Total primary government net position	<u>\$182,845,087</u>	<u>\$183,379,095</u>	<u>\$179,985,841</u>	<u>\$176,672,788</u>	<u>\$170,539,182</u>	<u>\$153,445,880</u>	<u>\$142,832,433</u>	<u>\$141,058,387</u>	<u>\$142,884,612</u>	<u>\$137,164,460</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.

(b) During 2018, the Borough implemented accounting and financial reporting for postemployment benefits other than pensions provisions of GASB 75. Prior year amounts have not been restated and are shown based on the reporting requirement prior to the implementation of GASB 75.

From: Statement of Net Position

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Expenses										
Governmental activities										
General government	\$ 2,310,568	\$ 2,294,640	\$ 2,163,331	\$ 1,308,686	\$ 1,871,895	\$ 1,632,713	\$ 1,696,708	\$ 1,460,984	\$ 1,143,438	\$ 1,380,277
Public safety	10,833,457	9,477,333	8,993,278	8,722,730	8,044,957	7,882,241	7,697,570	8,274,656	8,186,805	7,372,746
Public works	1,834,124	1,673,405	1,658,783	1,483,408	1,728,115	1,814,913	1,655,579	2,315,450	2,113,662	1,963,186
Culture and recreation	1,322,566	1,413,812	1,690,579	1,561,445	1,383,781	1,378,850	1,353,831	1,442,428	1,931,419	1,453,670
Community development	836,338	286,185	962,778	309,197	498,846	655,614	539,858	776,979	313,210	475,765
Interest expense and debt issuance costs	60,526	92,027	56,212	-	-	-	-	-	-	-
Total governmental activities expenses	17,197,579	15,237,402	15,524,961	13,385,466	13,527,594	13,364,331	12,943,546	14,270,497	13,688,534	12,645,644
Business-type activities										
Electric	28,240,579	25,729,659	26,383,643	26,082,326	27,588,665	25,296,812	32,925,694	33,550,331	30,413,576	33,623,997
Gas	6,762,534	5,564,198	5,089,708	5,513,289	7,263,637	7,033,202	6,531,657	7,136,724	7,311,796	8,694,454
Water	3,639,107	3,462,915	7,047,612	3,394,584	3,296,954	3,123,219	2,950,841	2,898,515	2,617,711	2,831,476
Sewer	9,729,758	7,981,669	6,290,729	5,891,206	5,555,216	5,185,515	5,260,073	5,283,679	5,630,067	5,152,404
Swimming pool	843,447	-	163,013	-	-	-	-	-	-	-
Sanitation	3,106,776	2,857,397	2,984,839	2,493,738	2,465,248	2,322,274	2,205,691	2,274,672	2,070,085	2,092,023
Parking, traffic and street lights	1,240,160	998,553	987,489	968,851	857,249	761,190	760,007	173,881	166,447	164,223
Storm Sewer	383,574	389,564	370,805	264,641	-	-	-	-	-	-
Total business-type activities expenses	53,945,935	46,983,955	49,317,838	44,608,635	47,026,969	43,722,212	50,633,963	51,317,802	48,209,682	52,558,577
Total primary government expenses	\$ 71,143,514	\$ 62,221,357	\$ 64,842,799	\$ 57,994,101	\$ 60,554,563	\$ 57,086,543	\$ 63,577,509	\$ 65,588,299	\$ 61,898,216	\$ 65,204,221
Program revenues										
Governmental activities										
Charges for services										
General government	\$ 505,679	\$ 572,926	\$ 532,334	\$ 471,697	\$ 360,506	\$ 455,531	\$ 334,574	\$ 404,010	\$ 544,572	\$ 455,042
Public safety	1,855,468	1,941,723	1,874,555	1,883,333	1,997,494	1,717,115	1,692,575	1,394,915	1,414,129	1,274,477
Public works	5,720	3,770	2,650	2,695	1,784	1,845	806	2,391	2,880	3,366
Culture and recreation	188,537	216,967	417,064	365,388	355,229	402,534	438,791	412,401	413,090	418,973
Community development	-	-	-	-	-	-	-	-	-	-
Interest expense and debt issuance costs	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	2,446,371	1,781,090	2,614,177	1,688,126	2,431,255	2,746,623	2,089,208	2,189,108	1,874,440	1,414,482
Capital grants and contributions	148,045	42,044	346,069	253,796	964,645	1,325,376	171,505	511,286	1,118,987	2,901,458
Total governmental activities program revenues	5,149,820	4,558,520	5,786,849	4,665,035	6,110,913	6,649,024	4,727,459	4,914,111	5,368,098	6,467,798
Business-type activities										
Charges for services										
Electric	29,785,076	28,452,711	29,385,789	30,286,293	31,695,974	31,914,866	31,823,441	32,243,631	34,765,216	30,785,021
Gas	7,772,848	6,838,981	5,470,742	6,261,957	9,105,354	8,273,829	7,368,579	7,812,764	8,323,329	9,410,294
Water	4,026,888	3,638,154	3,356,786	3,142,529	3,150,530	3,101,815	3,460,555	3,075,317	3,196,140	3,375,869
Sewer	6,642,974	6,633,050	5,864,946	5,567,270	5,376,373	5,507,845	5,317,072	5,084,952	4,570,569	4,096,262
Swimming pool	570,671	2,987	-	-	-	-	-	-	-	-
Sanitation	3,065,612	3,057,311	2,966,732	2,440,813	2,475,937	2,452,154	1,997,409	2,032,789	2,039,950	2,045,885
Parking, traffic and street lights	345,217	141,881	153,300	197,041	206,656	179,281	168,168	182,707	134,397	134,927
Storm Sewer	403,705	397,739	296,377	295,362	-	-	-	-	-	-
Operating grants and contributions	979,885	328,881	385,322	239,650	284,758	264,847	139,192	518,395	706,484	168,207
Capital grants and contributions	15,615	2,179,904	7,141,427	11,740,114	11,506,390	2,484,348	3,643,331	1,195,252	1,320,441	3,400,102
Total business-type activities program revenues	53,608,491	51,671,599	55,021,421	60,171,029	63,801,972	54,178,985	53,917,747	52,145,807	55,056,526	53,416,567
Total primary government program revenues	\$ 58,758,311	\$ 56,230,119	\$ 60,808,270	\$ 64,836,064	\$ 69,912,885	\$ 60,828,009	\$ 58,645,206	\$ 57,059,918	\$ 60,424,624	\$ 59,884,365

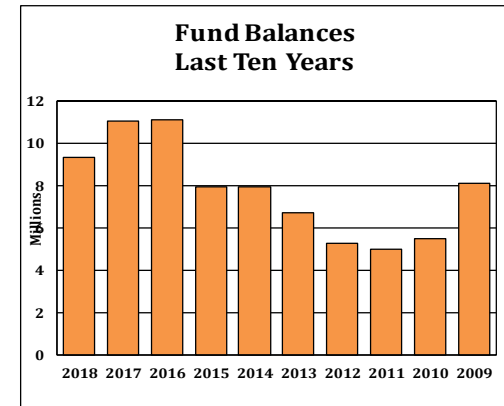
Schedule 2
Borough of Chambersburg, PA
Changes in Net Position (Continued)
Last Ten Years
(accrual basis of accounting)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Net (expense)/revenue										
Governmental activities	\$ (12,047,759)	\$ (10,678,882)	\$ (9,738,112)	\$ (8,720,431)	\$ (7,416,681)	\$ (6,715,307)	\$ (8,216,087)	\$ (9,356,386)	\$ (8,320,436)	\$ (6,177,846)
Business-type activities	(337,444)	4,687,644	5,703,583	15,562,394	16,775,003	10,456,773	3,283,784	828,005	6,846,844	857,990
Total primary government net expenses	<u>\$ (12,385,203)</u>	<u>\$ (5,991,238)</u>	<u>\$ (4,034,529)</u>	<u>\$ 6,841,963</u>	<u>\$ 9,358,322</u>	<u>\$ 3,741,466</u>	<u>\$ (4,932,303)</u>	<u>\$ (8,528,381)</u>	<u>\$ (1,473,592)</u>	<u>\$ (5,319,856)</u>
General revenues and other changes in net position										
Governmental activities										
Taxes										
Property taxes, levied for general purposes	\$ 4,874,490	\$ 4,647,594	\$ 4,651,001	\$ 4,142,267	\$ 4,079,972	\$ 3,871,122	\$ 3,860,019	\$ 3,797,204	\$ 3,732,778	\$ 3,710,125
Real estate transfer tax	527,862	467,067	649,324	779,004	317,334	261,049	296,618	265,172	240,954	272,005
Earned income tax	2,179,319	1,999,358	2,130,470	1,853,327	1,840,955	1,804,341	1,753,574	1,561,233	1,524,001	1,390,053
Local services tax	879,616	824,411	921,024	702,097	797,699	729,747	747,799	744,131	757,564	860,057
Property taxes, levied for specific purposes	1,278,483	504,460	503,954	491,328	486,642	-	-	-	-	-
Other taxes	91,285	90,970	82,118	74,975	60,819	62,682	14,803	14,213	13,408	12,616
Gain on sale of assets	-	-	-	-	-	(13,184)	-	-	-	-
Unrestricted contributions and grants	-	-	-	-	-	-	-	-	-	-
Unrestricted investment earnings	214,420	149,219	2,108	35,331	20,707	11,165	19,745	40,144	60,048	181,223
Miscellaneous income	16,603	36,190	25,245	39,477	16,612	29,829	10,557	51,117	24,360	57,152
Transfer of capital assets	-	-	-	(3,076,765)	-	-	-	-	-	-
Transfers	1,953,168	1,907,594	1,632,974	2,323,202	882,914	1,646,297	(2,143,515)	1,997,019	1,172,220	1,705,586
Total governmental activities	<u>\$ 12,015,246</u>	<u>\$ 10,626,863</u>	<u>\$ 10,598,218</u>	<u>\$ 7,364,243</u>	<u>\$ 8,503,654</u>	<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>
Business-type activities										
Unrestricted investment earnings	\$ 753,807	\$ 604,900	\$ (1,158)	\$ 101,695	\$ 90,602	\$ 41,143	\$ 60,705	\$ 125,701	\$ 187,285	\$ 358,101
Miscellaneous income	67,518	60,323	50,670	30,679	23,638	74,087	42,013	103,241	124,596	148,965
Transfer of capital assets	-	-	-	3,076,765	-	-	-	-	-	-
Transfers	(1,953,168)	(1,907,594)	(1,632,974)	(2,323,202)	(882,914)	(1,646,297)	2,143,515	(1,997,019)	(1,172,220)	(1,705,586)
Total business-type activities	<u>\$ (1,131,843)</u>	<u>\$ (1,242,371)</u>	<u>\$ (1,583,462)</u>	<u>\$ 885,937</u>	<u>\$ (768,674)</u>	<u>\$ (1,531,067)</u>	<u>\$ 2,246,233</u>	<u>\$ (1,768,077)</u>	<u>\$ (860,339)</u>	<u>\$ (1,198,520)</u>
Total primary government	\$ 10,883,403	\$ 9,384,492	\$ 9,014,756	\$ 8,250,180	\$ 7,734,980	\$ 6,871,981	\$ 6,805,833	\$ 6,702,156	\$ 6,664,994	\$ 6,990,297
Change in net position										
Governmental activities	(32,513)	(52,019)	860,106	(1,356,188)	1,086,973	1,687,741	(3,656,487)	(886,153)	(795,103)	2,010,971
Business-type activities	(1,469,287)	3,445,273	4,120,121	16,448,331	16,006,329	8,925,706	5,530,017	(940,072)	5,986,505	(340,530)
Total primary government change in net position	<u>\$ (1,501,800)</u>	<u>\$ 3,393,254</u>	<u>\$ 4,980,227</u>	<u>\$ 15,092,143</u>	<u>\$ 17,093,302</u>	<u>\$ 10,613,447</u>	<u>\$ 1,873,530</u>	<u>\$ (1,826,225)</u>	<u>\$ 5,191,402</u>	<u>\$ 1,670,441</u>

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General fund										
Unassigned	\$ 1,827,338	\$ 1,678,221	\$ 2,083,562	\$ 1,993,240	\$ 2,532,654	\$ 2,746,679	\$ 1,450,260	\$ 1,259,687	\$ -	\$ -
Unreserved	-	-	-	-	-	-	-	-	1,375,034	2,139,230
Total general fund	1,827,338	1,678,221	2,083,562	1,993,240	2,532,654	2,746,679	1,450,260	1,259,687	1,375,034	2,139,230
All other governmental funds										
Reserved	-	-	-	-	-	-	-	-	583,627	506,093
Unreserved, reported in										
Special revenue fund	-	-	-	-	-	-	-	-	860,642	1,096,594
Capital reserve funds	-	-	-	-	-	-	-	-	2,688,148	4,359,108
Nonspendable for long term receivables	-	-	2,553,604	203,916	229,855	241,387	237,186	249,133	-	-
Restricted	7,500,763	9,395,181	6,468,551	5,768,717	5,202,061	3,733,658	3,615,146	3,520,628	-	-
Total all other governmental funds	7,500,763	9,395,181	9,022,155	5,972,633	5,431,916	3,975,045	3,852,332	3,769,761	4,132,417	5,961,795
Total governmental funds	\$ 9,328,101	\$ 11,073,402	\$ 11,105,717	\$ 7,965,873	\$ 7,964,570	\$ 6,721,724	\$ 5,302,592	\$ 5,029,448	\$ 5,507,451	\$ 8,101,025

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)

	2018	2017	2016	2015
REVENUES				
Real estate taxes	\$ 6,165,850	\$ 5,236,759	\$ 5,203,376	\$ 4,640,063
Local enabling taxes	3,461,434	3,309,731	3,523,969	3,500,815
Licenses and permits	416,535	501,057	450,972	380,070
Fines and forfeits	163,076	152,342	162,220	174,703
Investment earnings and unrealized investment gains (losses)	154,467	107,624	4,723	27,537
Intergovernmental	2,436,541	1,753,564	2,949,843	1,939,468
Charges for services	1,839,269	1,881,459	2,078,112	2,016,983
Miscellaneous	310,857	304,994	200,400	212,589
Contributions and donations	-	-	-	71,190
Total revenues	14,948,029	13,247,530	14,573,615	12,963,418
EXPENDITURES				
Current:				
General government	1,757,702	1,585,185	1,872,101	1,512,044
Public safety				
Police department	4,722,850	4,915,151	4,502,431	4,480,390
Emergency services	4,656,601	3,852,942	3,948,697	3,741,239
Planning and zoning	611,478	580,913	556,019	527,330
General health and ambulance service	-	-	-	-
Public works				
Highways	3,393,966	2,348,063	2,943,465	2,405,159
Parking, traffic control, and transit system	-	-	-	-
Culture and recreation	1,859,422	1,368,958	1,509,699	1,486,241
Community development	175,058	90,258	664,353	258,376
Debt service	141,071	68,724	-	-
Total expenditures	17,318,148	14,810,194	15,996,765	14,410,779
Excess (deficiency) of revenues over expenditures	(2,370,119)	(1,562,664)	(1,423,150)	(1,447,361)
OTHER FINANCING SOURCES (USES)				
Issuance of long term financing	-	-	2,500,000	-
Bond premium	-	-	26,457	-
Bond reallocation	(1,177,163)			
Transfers in (out)	1,801,981	1,530,349	2,332,546	1,880,728
Total other financing sources and uses	624,818	1,530,349	4,859,003	1,880,728
Net change in fund balances	\$ (1,745,301)	\$ (32,315)	\$ 3,435,853	\$ 433,367
Debt service as a percentage of non-capital expenditures	0.98%	0.52%	0.00%	0.00%
Debt service as a percentage of total expenditures	0.81%	0.46%	0.00%	0.00%

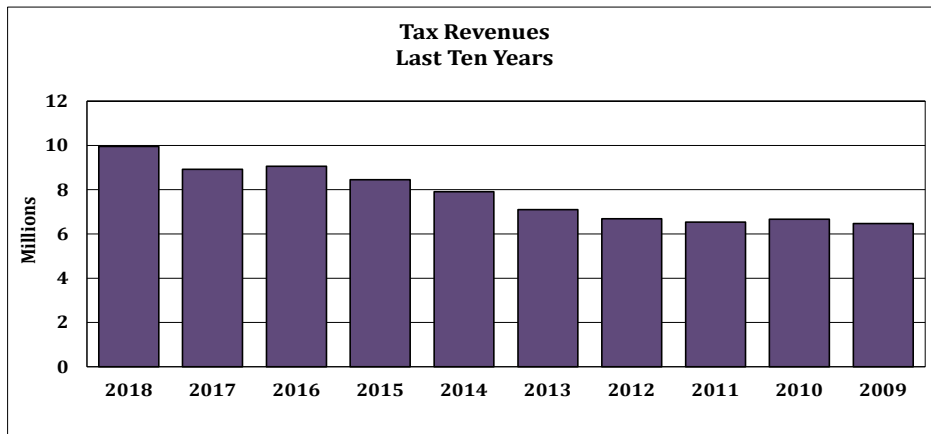
	2014	2013	2012	2011	2010	2009
\$	4,698,871	\$ 3,991,164	\$ 3,783,960	\$ 3,754,875	\$ 3,732,778	\$ 3,710,125
	2,970,211	2,780,009	2,588,481	2,602,256	2,620,238	2,438,571
	332,478	381,972	349,126	320,776	357,550	329,480
	182,691	169,126	147,438	122,283	130,940	127,416
	13,914	7,363	12,817	22,777	37,461	130,960
	3,357,515	3,674,830	2,055,872	2,418,840	2,045,106	1,854,862
	2,062,651	1,844,936	1,840,196	1,638,809	1,792,542	1,551,711
	187,075	257,232	220,524	297,500	212,953	217,277
	4,636	349,025	124,660	134,832	79,094	392,826
	<u>13,810,042</u>	<u>13,455,657</u>	<u>11,123,074</u>	<u>11,312,948</u>	<u>11,008,662</u>	<u>10,753,228</u>
	1,321,670	1,287,815	1,098,876	1,106,857	1,265,367	1,039,126
	4,175,714	3,980,135	4,065,329	4,230,668	4,597,965	4,105,028
	3,581,379	3,396,910	3,210,618	2,412,176	2,056,357	1,790,115
	432,463	474,599	329,461	537,731	455,054	371,105
	-	-	-	1,053,206	1,184,088	1,086,075
	2,591,445	2,396,425	1,442,803	1,447,497	2,107,854	2,168,345
	-	-	-	476,187	990,662	684,238
	1,508,108	1,220,489	1,164,260	1,555,752	1,803,470	1,394,860
	237,696	681,306	521,509	568,877	487,577	559,625
	-	-	-	-	-	-
	<u>13,848,475</u>	<u>13,437,679</u>	<u>11,832,856</u>	<u>13,388,951</u>	<u>14,948,394</u>	<u>13,198,517</u>
	<u>(38,433)</u>	<u>17,978</u>	<u>(709,782)</u>	<u>(2,076,003)</u>	<u>(3,939,732)</u>	<u>(2,445,289)</u>
	-	-	-	-	-	-
	-	-	-	-	-	-
	<u>1,281,279</u>	<u>1,401,154</u>	<u>982,926</u>	<u>1,598,000</u>	<u>1,346,158</u>	<u>1,330,307</u>
	<u>1,281,279</u>	<u>1,401,154</u>	<u>982,926</u>	<u>1,598,000</u>	<u>1,346,158</u>	<u>1,330,307</u>
\$	<u>1,242,846</u>	<u>\$ 1,419,132</u>	<u>\$ 273,144</u>	<u>\$ (478,003)</u>	<u>\$ (2,593,574)</u>	<u>\$ (1,114,982)</u>
	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Function/Program										
Governmental activities										
General government	\$ 552,302	\$ 611,628	\$ 571,757	\$ 509,291	\$ 394,215	\$ 488,079	\$ 366,191	\$ 1,297,380	\$ 2,029,383	\$ 635,089
Public safety	2,657,455	2,739,885	3,255,179	2,641,513	3,274,261	3,204,865	2,639,445	2,095,069	2,190,353	1,937,743
Public works	804,633	667,308	951,794	777,088	1,442,069	1,763,380	564,311	4,860	261,626	2,870,251
Culture and recreation	328,588	307,425	546,375	510,254	444,977	501,333	550,572	675,646	413,090	425,909
Community development	806,842	232,274	461,744	226,889	555,391	691,367	606,940	841,156	473,646	598,806
Subtotal governmental activities	<u>5,149,820</u>	<u>4,558,520</u>	<u>5,786,849</u>	<u>4,665,035</u>	<u>6,110,913</u>	<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>
Business-type activities										
Electric	29,852,876	28,520,022	29,439,209	30,362,435	31,747,722	31,982,784	32,759,537	32,517,943	35,088,796	32,316,324
Gas	7,802,151	6,903,776	5,522,223	6,301,368	9,182,534	8,388,751	7,530,410	7,913,084	8,405,864	9,488,238
Water	4,065,500	3,688,443	3,633,235	3,285,875	3,176,857	3,222,033	3,481,859	3,174,372	4,022,392	4,420,697
Sewer	6,700,742	8,568,501	12,701,697	17,022,054	16,925,664	7,925,879	7,933,656	6,235,990	5,243,703	4,958,834
Swimming pool	604,354	3,084	-	-	-	-	-	-	-	-
Sanitation	3,121,790	3,128,892	3,007,119	2,682,626	2,545,943	2,476,723	2,034,451	2,112,945	2,153,694	2,095,168
Parking, traffic and street lights	664,566	165,662	344,294	221,309	223,252	182,815	177,834	191,473	142,077	137,306
Storm sewer	796,512	693,219	373,644	295,362	-	-	-	-	-	-
Subtotal business type activities	<u>53,608,491</u>	<u>51,671,599</u>	<u>55,021,421</u>	<u>60,171,029</u>	<u>63,801,972</u>	<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>
Total primary government	<u>\$ 58,758,311</u>	<u>\$56,230,119</u>	<u>\$60,808,270</u>	<u>\$64,836,064</u>	<u>\$69,912,885</u>	<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>

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

Fiscal Year		Real Estate	Fire Tax	Rec Tax	Real Estate Transfer	Earned Income	Local Services Tax	Cable TV Franchise Fees	Payments in Lieu of Taxes	Total
2018	(2)	\$ 4,810,476	\$ 693,708	\$ 570,381	\$ 527,862	\$ 2,085,361	\$ 848,211	\$ 327,440	\$ 91,285	\$ 9,954,724
2017		4,642,262	503,527	-	467,067	2,007,026	835,638	370,183	90,970	8,916,673
2016		4,618,625	502,633	-	649,324	2,047,354	827,291	328,660	82,118	9,056,005
2015		4,079,891	485,197	-	779,004	1,933,081	788,730	306,487	74,975	8,447,365
2014	(1)	4,170,114	467,938	-	317,334	1,879,124	773,753	246,599	60,819	7,915,681
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



(1) Beginning in 2014, the Borough assessed the Fire Tax.
(2) Beginning in 2018, the Borough assessed the Rec and Ambulance 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

<-----Direct Rate----->					<-----Overlapping Debt----->			
Tax Year		General Real Estate Tax	Fire Tax	Rec Tax	Total Direct	Chambersburg Area Sch Dist	Franklin County	Franklin County Library
2018	(2)	24.00	3.50	3.00	30.50	109.65	27.60	1.05
2017		23.00	2.50	0.00	25.50	105.94	27.60	1.05
2016		23.00	2.50	0.00	25.50	101.38	27.60	1.05
2015		21.00	2.50	0.00	23.50	98.43	25.65	1.05
2014	(1)	21.00	2.50	0.00	23.50	96.12	25.65	1.05
2013		20.00	0.00	0.00	20.00	93.69	25.65	1.05
2012		20.00	0.00	0.00	20.00	92.76	25.15	0.8
2011		20.00	0.00	0.00	20.00	92.76	25.15	0.8
2010		20.00	0.00	0.00	20.00	89.62	25.15	0.8
2009		20.00	0.00	0.00	20.00	84.98	24.65	0.8

(1) Beginning in 2014, the Borough assessed the Fire Tax.

(2) Beginning in 2018, the Borough assessed the Rec and Ambulance Tax.

Sources: Borough of Chambersburg Comprehensive Annual Report
Chambersburg Area School District Annual Financial Report

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
2018	\$ 260,750	\$ 102,577,140	\$ 88,126,100	\$ 9,154,210	\$ 2,731,070	\$ 63,312,530	\$ 266,161,800	\$ 202,849,270	30.50
2017	260,750	101,871,080	87,433,470	9,154,210	2,694,580	63,321,240	264,735,330	201,414,090	25.50
2016	260,750	101,261,800	85,226,210	9,157,860	2,516,020	62,793,580	261,216,220	198,422,640	25.50
2015	261,890	100,769,600	84,626,080	9,781,880	2,354,460	51,816,300	249,610,210	197,793,910	23.50
2014	261,890	99,169,650	84,175,730	9,647,700	2,609,820	51,635,840	247,500,630	195,864,790	23.50
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

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

Schedule 9
Borough of Chambersburg, PA
Principal Taxpayers
12/31/2018 and 12/31/2009

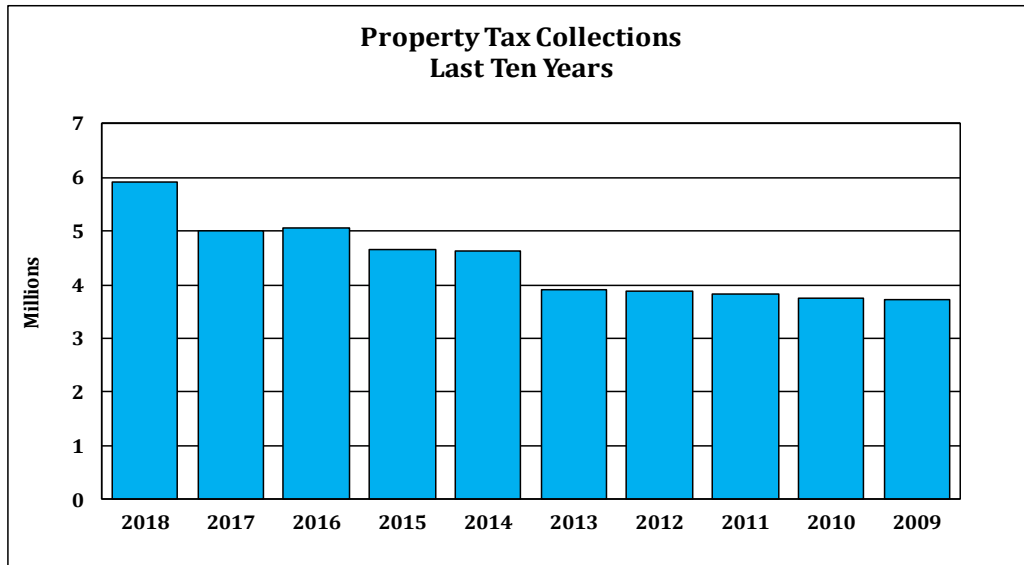
December 31, 2018			
Taxpayer	Estimated Actual Values of Real Property (1)	Rank	Percentage of Assessed Valuation
Chbg Health Srv/Chbg Hospital	\$ 18,739,550	1	9.24%
Menno Haven	5,526,830	2	2.72%
Chambersburg MZL LLC	4,946,620	3	2.44%
Exeter (formerly Icon Chambg)	3,626,640	4	1.79%
Wilsey/Holsum LLC (Ventura)	2,849,540	5	1.40%
ProLogis	2,199,600	6	1.08%
Wayne Avenue Plaza	1,628,060	7	0.80%
Cabot III	1,558,460	8	0.77%
Chambersburg Cold Storage LP	1,491,010	9	0.75%
Tanya K. Nitterhouse	1,490,760	10	0.73%
	<u>\$ 44,057,070</u>		<u>21.65%</u>
Total Taxable Assessed Valuation	<u>\$ 202,849,270</u>		

December 31, 2009			
Taxpayer	Estimated Actual Values of Real Property (1)	Rank	Percentage of Assessed Valuation
Chbg Health Srv/Chbg Hospital	\$ 6,032,430	1	3.23%
Menno Haven Inc	5,510,570	2	2.95%
Chambersburg Crossing LP	3,356,500	3	1.80%
Wilsey/Holsum LLC (Ventura)	2,219,730	4	1.19%
ProLogis	1,770,950	5	0.95%
Wayne Avenue LLC	1,628,060	6	0.87%
Chambersburg Cold Storage	1,491,010	7	0.80%
Tanya K. Nitterhouse	1,418,560	8	0.76%
Chambersburg Area Development	1,354,350	9	0.73%
Chambersburg Business Park	1,147,500	10	0.61%
	<u>\$ 25,929,660</u>		<u>13.89%</u>
Total Taxable Assessed Valuation	<u>\$ 186,647,340</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
2018 (4)	\$ 6,228,091	\$ 5,894,675	94.65%	\$ -	\$ 5,894,675	94.65%
2017	5,148,320	4,874,759	94.69%	134,147	5,008,906	97.29%
2016 (3)	5,078,752	4,819,617	94.90%	241,719	5,061,336	99.66%
2015	4,663,215	4,377,257	93.87%	281,234	4,658,491	99.90%
2014 (1)(2)	4,617,616	4,387,275	95.01%	227,128	4,614,403	99.93%
2013	3,897,692	3,650,686	93.66%	244,921	3,895,607	99.95%
2012	3,872,274	3,593,392	92.80%	277,924	3,871,316	99.98%
2011	3,821,341	3,523,898	92.22%	296,613	3,820,511	99.98%
2010	3,747,723	3,527,832	94.13%	219,298	3,747,130	99.98%
2009	3,732,947	3,521,879	94.35%	211,068	3,732,947	100.00%



- (1) The Borough's property tax mill rate increased from 20.0 to 21.0, an increase of 5.00%.
- (2) Beginning in 2014, the Borough assessed the Fire Tax.
- (3) The Borough's property tax mill rate increased from 21.0 to 23.0, an increase of 9.52%.
- (4) Beginning in 2018, the Borough assessed the Rec and Ambulance Tax.

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
2018	1.00%	\$ 2,110,276	\$ 72,465	\$ 2,037,812
2017	1.00%	2,027,449	75,103	1,952,345
2016	1.00%	2,076,926	84,475	1,992,451
2015	1.00%	1,900,774	57,461	1,843,314
2014	1.00%	1,900,071	60,254	1,839,818
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

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	2017 (1)	2016	2015	2014	2013	2012	2011	2010	2009	2008
> \$1,000,000	2	1	3	0	1	1	0	0	0	0
\$500,000 - 999,999	12	14	8	14	6	15	12	12	17	16
\$200,000 - 499,000	64	66	55	67	58	45	64	65	45	44
\$100,000 - 199,000	287	270	211	232	187	183	192	198	163	148
\$50,000 - 99,000	1,800	1,780	1,466	1,583	1,347	1,365	1,453	1,442	1,216	1,148
<\$49,999	7,933	7,918	6,811	8,238	7,046	7,135	6,923	6,445	6,941	7,455
Total	<u>10,098</u>	<u>10,049</u>	<u>8,554</u>	<u>10,134</u>	<u>8,645</u>	<u>8,744</u>	<u>8,644</u>	<u>8,162</u>	<u>8,382</u>	<u>8,811</u>
% of total earned income taxes paid										
Income Range	2017 (1)	2016	2015	2014	2013	2012	2011	2010	2009	2008
> \$1,000,000	0.73%	0.59%	1.27%	0.00%	0.37%	0.61%	0.00%	0.00%	0.00%	0.00%
\$500,000 - 999,999	2.17%	2.93%	1.83%	3.11%	1.53%	3.21%	2.76%	2.95%	3.76%	3.54%
\$200,000 - 499,000	5.21%	5.88%	6.19%	6.73%	6.75%	5.07%	6.85%	6.96%	4.98%	4.88%
\$100,000 - 199,000	10.63%	10.20%	9.45%	9.31%	8.73%	8.63%	8.64%	9.15%	7.80%	7.10%
\$50,000 - 99,000	35.26%	35.07%	34.48%	32.69%	32.73%	32.89%	32.50%	33.05%	29.12%	27.73%
<\$49,999	46.00%	45.33%	46.78%	48.16%	49.89%	49.59%	49.25%	47.89%	54.34%	56.75%
Total	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
Total Personal Income	<u>\$336,932,927</u>	<u>\$282,437,017</u>	<u>\$319,408,262</u>	<u>\$306,751,179</u>	<u>\$310,489,463</u>	<u>\$296,903,258</u>	<u>\$286,781,775</u>	<u>\$273,204,270</u>	<u>\$270,954,117</u>	<u>\$263,147,886</u>

(1) Information for year ended 12/31/2018 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

Fiscal Year	Governmental Activities (1)		Business Type Activities (1)										Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Administrative Services General Obligation Notes	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)	Sanitation Department General Obligation Notes	Swimming Pool General Obligation Bonds	Administrative Services General Obligation Notes				
2018	\$ 1,266,583	\$ 2,432,984	\$ 5,885,427	\$1,221,769	\$ -	\$ -	\$ 5,258,231	\$ -	\$ 849,160	\$8,264,034	\$ 7,198,783	\$32,376,971	6.337%	1,540	
2017	2,524,117	736,651	7,290,599	1,282,103	-	-	5,517,897	-	922,420	7,319,938	2,137,971	\$27,731,696	5.962%	1,328	
2016	2,526,457	-	8,996,973	1,342,437	-	185,081	5,777,562	-	993,365	7,326,725	-	\$27,148,600	6.296%	1,312	
2015	-	-	10,361,612	1,402,771	-	358,388	6,037,228	-	1,487,213	-	-	\$19,647,212	4.529%	950	
2014	-	-	11,188,200	1,463,106	-	766,800	6,296,894	-	614,202	-	-	\$20,329,202	4.732%	987	
2013	-	-	12,220,000	1,508,357	38,417	1,315,000	58,667	2,463,360	-	-	-	\$17,603,801	4.220%	858	
2012	-	-	13,217,900	27,467	38,417	1,847,100	58,667	2,649,126	-	-	-	\$17,838,677	4.209%	873	
2011	-	-	14,095,208	-	-	2,364,792	-	2,640,542	-	-	-	\$19,100,542	4.542%	942	
2010	-	-	15,033,600	-	-	2,866,400	-	2,845,376	-	-	-	\$20,745,376	4.933%	1,024	
2009	-	-	15,941,300	-	-	3,353,700	-	2,370,233	-	-	-	\$21,665,233	6.292%	1,213	

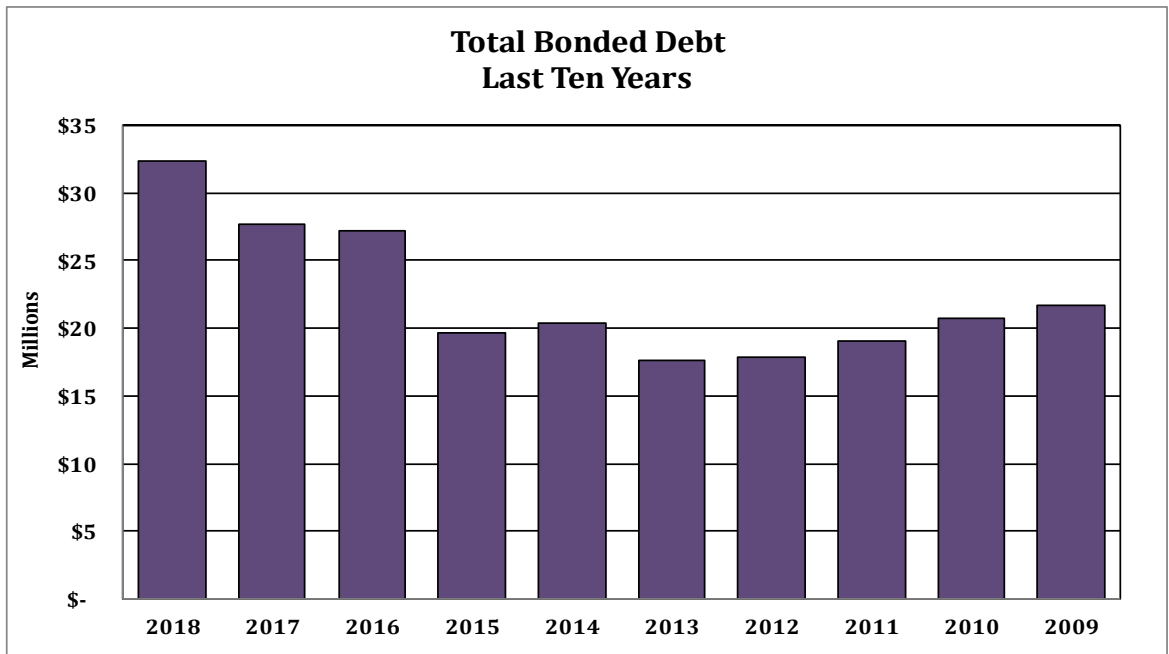
(1) Details regarding the Borough's outstanding debt can be found in the Note 5 in the current financial statements.

(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
2018	\$ 32,376,971	\$ -	\$ 32,376,971	15.96%	\$ 1,540
2017	27,731,696	-	27,731,696	13.77%	1,328
2016	27,148,600	-	27,148,600	13.68%	1,312
2015	19,647,212	-	19,647,212	9.93%	950
2014	20,329,202	-	20,329,202	10.38%	987
2013	17,603,801	-	17,603,801	9.06%	858
2012	17,838,677	-	17,838,677	9.25%	873
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%	1,213



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 %
2018	\$ 64,522,316	\$ 161,305,789	\$ 32,376,971	\$ 128,928,818	79.93%
2017	62,572,053	156,430,133	27,731,696	128,698,437	82.27%
2016	62,459,273	156,148,183	27,148,600	128,999,583	82.61%
2015	60,905,538	152,263,844	19,647,212	132,616,632	87.10%
2014	59,486,469	148,716,173	20,329,202	128,386,971	86.33%
2013	58,000,270	145,000,675	17,603,801	127,396,874	87.86%
2012	58,064,147	145,160,368	17,838,677	127,321,691	87.71%
2011	57,836,427	144,591,068	19,100,542	125,490,526	86.79%
2010	56,923,585	142,308,963	20,745,376	121,563,587	85.42%
2009	54,295,910	135,739,774	21,665,233	114,074,541	84.04%

(1) Legal Debt Margin: (12/31/2018)

a	Average revenues past 3 yrs	64,522,316	(\$193,566,948 / 3)
b	Legal debt limit (2.5 time average rev)	161,305,789	
c	Debt outstanding @ 12/31/2018	(32,376,971)	
	Legal Debt Margin (b-c)	\$ 128,928,818	

Source: Borough of Chambersburg Finance Department

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

Schedule 16
Borough of Chambersburg, PA
Computation of Direct and Overlapping Debt
December 31, 2018

Jurisdiction	Total Debt Outstanding	Estimated Percentage Applicable (a)	Amount Applicable to Borough of Chambersburg
Direct			
Borough of Chambersburg (Governmental Activities)	\$ 3,699,567		\$ 3,699,567
Overlapping			
Chambersburg School Dist	143,335,000	28.4512%	40,780,500
County of Franklin	76,011,000	13.5957%	10,334,226
Total overlapping debt	219,346,000		51,114,726
Total	\$ 223,045,567		\$ 54,814,293

(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	
2014	(2)	\$ 3,131,530	\$ 3,364,685	\$ (233,155)	\$ 2,463,360	\$ (3,618)	-0.09
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

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

(2) During 2014, the outstanding balance of the Pennvest loan was paid in full.

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)
2018	21,029	\$ 24,297	\$ 57,246	\$ 45,846	35.4	23.40%	4,595	6.90%	\$ 158,100	\$ 202,849,270	(4)
2017	20,878	22,278	52,895	42,432	35.9	21.10%	4,644	8.30%	156,700	201,414,090	338,462,263
2016	20,691	20,839	51,243	41,751	35.6	22.30%	4,722	8.00%	157,300	198,422,640	336,932,927
2015	20,691	20,967	50,937	40,936	36.3	21.50%	4,548	7.70%	158,200	197,793,910	282,437,017
2014	20,602	20,851	49,388	39,960	36.2	21.30%	4,532	9.40%	159,200	195,864,790	319,408,262
2013	20,508	20,342	48,383	39,491	36.1	19.90%	4,738	8.50%	156,500	194,240,400	306,751,179
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

- (1) American Fact Finder (5-year estimate) based on latest information available
- (2) Franklin County Assessor's Office
- (3) Franklin County Area Tax Bureau
- (4) Information for year ended 12/31/2018 not yet available

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

Employer	2018			2009		
	Employees	Rank	Percentage of Total Borough Employment	Employees	Rank	Percentage of Total Borough Employment
Summit Health Services	3,700	1	11.44%	2,968	1	11.01%
Chambersburg School District	1,190	2	3.68%	1,075	2	3.99%
County of Franklin	710	3	2.20%	912	3	3.38%
Menno Haven, Inc	650	4	2.01%	565	4	2.10%
Ventura Foods	650	5	2.01%	382	5	1.42%
Staples Direct	350	6	1.08%	220	9	0.82%
Farmers & Merchants Trust Co.	275	7	0.85%	275	6	1.02%
Knouse Foods	246	8	0.76%	213	10	0.79%
T.B. Woods, Inc	225	9	0.70%	230	8	0.85%
Borough of Chambersburg	224	10	0.82%	210		0.78%
K-Mart Regional Specialty Center	----		----	268	7	0.99%
Total	8,220		31.11%	7,318		27.14%
Total employees	32,340	(1)		26,964		

(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	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General government:										
Administration	2	2	2	2	2	2	2	2	2	3
Clerical	13	13	14	14	12	11	10	11	11	11
Code enforcement	1	1	1	1	1	2	2	2	4	4
Community development	2	1	1	1	1	1	1	1	1	1
Engineering	5	5	5	4	4	4	4	4	4	4
Finance	23	23	22	22	19	19	20	20	22	20
Information technology	5	5	5	5	5	5	5	5	5	5
Personnel	4	4	3	3	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	3	3	4	3	3	2	2	2	2
Central garage	4	4	4	3	3	3	3	4	4	4
Labor/maintenance	6	6	6	6	6	5	6	6	6	6
Sanitation	11	10	10	12	12	11	11	11	11	11
Recreation:										
Administration	2	2	2	2	2	2	2	2	2	2
Labor/maintenance	6	3	3	3	3	3	3	3	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	25	24	21	21	21	21	21	21	21	21
Police administration	1	1	1	1	1	1	1	1	1	1
Police personnel	35	35	35	34	32	33	31	31	33	33
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	12	12	12	11	11	11	11	9	9	9
Electric system maintenance	1	1	1	1	1	1	1	1	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	2	2	2	2	2	3	3	3	4	3
Water treatment plant	7	7	7	7	7	6	6	7	7	8
Sewer collection/conveyance	6	7	6	5	5	5	4	4	4	4
Sewer treatment plant	13	13	11	11	11	10	10	10	10	10
Traffic signal/street lights	2	2	2	1	1	1	0	0	0	0
Storm sewer	1	1	1	1	0	0	0	0	0	0
Totals	224	219	212	209	199	197	193	194	201	200

Source: Borough of Chambersburg Human Resources Department

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

Function/Program	2018	2017	2016	2015
General government:				
Lien letter & tax certification requests	81	227	244	185
Community development:				
Building permits issued	578	533	556	516
Estimated value of construction	\$ 15,134,264	\$ 10,996,813	\$ 52,165,922	\$ 17,519,123
Occupancy permits issued	269	130	156	98
Number of planning commission Agenda items	24	22	29	24
Public works:				
Roads resurfaced (linear feet)	13,995	7,630	3,795	3,611
Roads reconstructed (linear feet)	3,592	7,115	16,495	9,490
Tons of snow melting salt used	648	347	223	919
Recreation:				
Pool attendance	68,448	0	26,000	24,900
Number of utilization events (1)	15,000	1,681	1,720	1,750
Number of consumers served	111,480	105,337	90,800	95,200
Number of seasonal programs	201	229	278	309
Police:				
Calls for service	23,548	20,784	19,784	21,392
Total arrests	1,177	1,139	1,214	1,264
Part I offenses reported (major offenses)	898	906	1,002	1,047
Part I offenses cleared (percentage)	41.0%	41.0%	42.0%	41.0%
Part II offenses reported (major offenses)	1,704	1,753	1,906	2,045
Part II offenses cleared (percentage)	39.0%	39.0%	36.0%	33.0%
DUI arrests	116	128	157	155
Fire:				
Total number of responses	1,228	926	1,044	978
Responses involving loss	1	5	5	7
Structure fires	36	30	37	49
Volunteer hours	71,420	73,093	72,989	79,484
False alarms/false calls	165	118	115	130
Total calls for assistance	4,211	4,260	4,167	4,113
Utilities:				
Electric department				
Units billed (kwh)	317,159,888	300,587,452	312,197,885	319,635,858
Billed revenue	\$ 29,021,633	\$ 27,648,682	\$ 28,589,395	\$ 29,135,014
Gas department				
Units billed (100 cu. ft.)	12,071,013	10,152,671	9,905,831	11,130,033
Billed revenue	\$ 7,883,850	\$ 6,525,268	\$ 5,263,898	\$ 6,600,376
Water department				
Units billed (10 cu. ft.)	13,720,268	13,428,778	13,869,496	14,230,754
Billed revenue	\$ 3,005,145	\$ 2,877,281	\$ 2,891,533	\$ 2,870,909
Sewer treatment plant department				
Units billed (10 cu. ft.)	27,974,980	24,569,839	23,805,582	23,047,321
Billed revenue	\$ 6,432,192	\$ 6,212,330	\$ 5,604,837	\$ 5,457,716
Storm sewer department				
Fees billed	8,339	8,254	8,226	8,170
Billed revenue	\$ 399,544	\$ 395,872	\$ 295,134	\$ 293,302
Sanitation department				
Units billed (cu. yds.)	147,474	144,863	142,116	140,519
Billed revenue	\$ 1,311,329	\$ 1,296,451	\$ 1,268,049	\$ 1,139,021

	2014	2013	2012	2011	2010	2009
	65	70	90	91	87	73
	444	444	384	351	342	337
\$	8,397,058	\$ 6,108,000	\$ 40,002,841	\$ 14,890,487	\$ 75,907,998	\$ 19,856,490
	53	59	73	54	70	91
	15	8	11	14	15	34
	2,671	5,053	1,402	9,605	2,725	4,500
	1,932	149	5,237	0	6,700	2,550
	1,322	775	482	595	675	336
	17,300	21,500	32,035	34,111	28,783	30,700
	1,702	1,791	1,773	1,977	2,199	1,714
	87,600	104,100	97,131	75,265	76,426	69,813
	232	231	240	151	153	91
	14,650	14,639	13,743	13,847	13,235	13,439
	1,478	1,520	1,520	1,567	1,614	1,587
	1,089	1,171	1,176	1,102	1,158	1,260
	44.0%	39.0%	38.0%	35.0%	39.0%	40.0%
	1,866	1,904	1,829	2,079	1,898	1,826
	37.0%	40.0%	40.0%	35.0%	36.0%	36.0%
	141	145	153	141	136	112
	869	626	861	925	892	947
	6	6	0	5	3	7
	39	46	20	32	29	30
	83,503	83,731	81,597	85,009	86,180	87,190
	101	99	132	118	147	148
	3,992	3,772	3,503	3,529	3,680	3,626
	319,544,389	310,888,474	295,123,824	299,890,758	297,488,630	283,303,708
\$	29,951,885	\$ 30,869,982	\$ 31,174,432	\$ 31,751,606	\$ 34,534,887	\$ 29,658,637
	11,519,811	10,144,132	8,995,037	9,933,703	9,490,142	9,331,406
\$	9,315,187	\$ 7,996,195	\$ 7,260,743	\$ 8,034,808	\$ 8,355,397	\$ 9,546,728
	13,660,004	13,680,994	13,796,641	13,706,080	14,755,234	14,573,232
\$	2,827,392	\$ 2,850,251	\$ 2,862,527	\$ 2,842,906	\$ 2,903,732	\$ 2,855,138
	24,803,706	25,504,521	25,712,303	24,620,125	23,970,170	23,577,112
\$	5,276,763	\$ 5,392,759	\$ 4,968,169	\$ 4,917,654	\$ 4,386,674	\$ 3,805,662
	0	0	0	0	0	0
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
	141,880	142,169	141,130	146,364	149,709	150,805
\$	2,377,421	\$ 2,378,282	\$ 1,946,578	\$ 1,975,707	\$ 1,989,396	\$ 1,994,205

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

Function/Program	2018	2017	2016	2015
General government:				
Square footage occupied	76,646	45,912	45,912	45,912
Inspection vehicles	6	4	2	1
Other departmental vehicles	8	8	8	8
Public works:				
Number of traffic signals	48	48	48	47
Street lights	2,067	2,021	1,971	1,917
Vehicles	11	12	12	12
Recreation:				
Number of parks	16	16	16	16
Acreage 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	7	5	5	5
Ball fields	2	3	3	3
Skate parks	2	2	2	2
Vehicles	4	4	3	3
Public safety:				
Square footage of emergency services dept	24,817	24,817	24,817	18,947
Square footage of police department	15,048	15,048	15,048	15,048
Fire vehicles/ambulances	12	13	13	13
Police vehicles	14	14	14	14
Utilities:				
Electric department				
Value of plant in service	\$ 77,690,452	\$ 76,740,625	\$ 76,184,145	\$ 76,197,067
Vehicles	13	13	12	11
Gas department				
Value of plant in service	\$ 16,318,923	\$ 15,257,796	\$ 14,778,760	\$ 15,273,846
Vehicles	10	10	9	9
Water department				
Value of plant in service	\$ 20,848,324	\$ 20,725,371	\$ 20,641,646	\$ 32,739,259
Vehicles	9	8	8	7
Sewer treatment plant department				
Value of plant in service	\$ 87,414,623	\$ 87,225,919	\$ 44,262,120	\$ 44,269,756
Vehicles	8	7	7	6
Storm sewer department				
Value of plant in service	5,175,399	4,683,484	4,238,363	4,158,828
Vehicles	1	1	1	1
Sanitation department				
Value of plant in service	\$ 1,905,403	\$ 1,905,403	\$ 1,912,132	\$ 1,913,367
Vehicles	11	11	11	11

2014	2013	2012	2011	2010	2009
45,912	45,912	45,912	45,912	45,912	16,571
1	1	1	1	2	2
7	6	6	5	5	5
47	45	45	45	45	45
1,862	2,166	2,166	2,163	2,162	2,161
12	12	12	12	11	11
16	16	16	16	16	16
88	88	88	88	88	88
1	1	1	1	1	1
19,975	19,975	19,975	19,975	19,975	20,154
5	5	5	5	5	5
3	4	4	4	4	4
2	2	2	2	2	2
3	3	3	3	3	3
18,947	18,947	18,947	18,947	18,947	9,526
15,048	15,048	15,048	15,048	15,048	10,726
13	12	11	12	11	9
14	14	14	15	15	13
\$ 74,814,439	\$ 73,507,952	\$ 69,699,796	\$ 69,529,818	\$ 68,795,448	\$ 60,896,827
12	11	11	9	9	9
\$ 14,762,161	\$ 13,627,925	\$ 12,489,239	\$ 12,395,373	\$ 12,039,244	\$ 10,825,895
9	9	9	9	10	10
\$ 32,414,692	\$ 32,266,422	\$ 28,401,148	\$ 28,410,834	\$ 28,341,731	\$ 25,690,405
8	7	7	7	7	7
\$ 44,061,410	\$ 43,816,263	\$ 42,412,493	\$ 42,407,403	\$ 42,040,874	\$ 38,313,773
6	6	6	6	6	6
-	-	-	-	-	-
-	-	-	-	-	-
\$ 634,126	\$ 572,435	\$ 528,551	\$ 528,449	\$ 520,425	\$ 555,737
11	11	11	10	8	8

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



Single Audit Section

BOROUGH OF CHAMBERSBURG
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2018

Federal Grantor/Pass-through Grantor/ Program or Cluster Title	Source Code	Federal CFDA Number	Pass Through Grantor's Number	Grant Year	Applicant Identifier Contract	Cash Receipts	Accrual Expenditures	Total Passed- Through to Subrecipients
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT								
Passed through the Pennsylvania Department of Community and Economic Development								
Community Development Block Grant	I	14.228	C000059081	2013	N/A	\$ 54,000	\$ 54,000	-
Community Development Block Grant	I	14.228	C000061759	2014	N/A	40,470	63,192	-
Community Development Block Grant	D	14.228	N/A	2015	B-15-MC-42-0024	263,388	105,913	-
Community Development Block Grant	D	14.228	N/A	2016	B-16-MC-42-0024	286,587	288,067	973.00
Community Development Block Grant	D	14.228	N/A	2017	B-17-MC-42-0024	229,124	254,867	-
Community Development Block Grant	D	14.228	N/A	2018	B-18-MC-42-0024	-	33,920	-
Total Community Development Block Grant Cluster						<u>873,569</u>	<u>799,959</u>	
Total U.S. Department of Housing and Urban Development Program						<u>873,569</u>	<u>799,959</u>	
U.S. ENVIRONMENTAL PROTECTION AGENCY								
Passed through the Chesapeake Bay Trust								
Chesapeake Bay Implementation	I	66.640	96336601	2016	13920	<u>10,374</u>	<u>103,700</u>	-
Total U.S. Environmental Protection Agency						<u>10,374</u>	<u>103,700</u>	
U.S. DEPARTMENT OF TRANSPORTATION FEDERAL HIGHWAY ADMINISTRATION								
Passed through the Pennsylvania Department of Transportation								
Highway Planning and Construction	I	20.205	139034	2016	08A504	<u>11,408</u>	<u>49,045</u>	-
Total U.S. Department of Transportation Federal Highway Administration						<u>11,408</u>	<u>49,045</u>	
Total Expenditures of Federal Awards						<u>\$ 895,351</u>	<u>\$ 952,704</u>	

BOROUGH OF CHAMBERSBURG
Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2018

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 SIGNIFICANT ACCOUNTING POLICIES

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.

Indirect Cost Rate

The Borough has elected not to use the 10% de minimis indirect cost rate for its federal programs.

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
Community Development Block Grant	14.228	\$ 799,959	84.0%
Chesapeake Bay Implementation	66.640	103,700	10.9%
Highway Planning and Construction	20.205	<u>49,045</u>	<u>5.1%</u>
		<u>\$ 952,704</u>	<u>100.0%</u>



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 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, 2018, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements, and have issued our report thereon dated September 27, 2019.

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.

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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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 have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as 2018-001 that we consider 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 from 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 the 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.

A handwritten signature in black ink that reads "Smith & Elliott Keams Company, LLC". The signature is written in a cursive, flowing style.

Chambersburg, Pennsylvania
September 27, 2019



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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 *OMB 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, 2018. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 for 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, 2018.

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 the 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 types of 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 an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Chambersburg, Pennsylvania
September 27, 2019

BOROUGH OF CHAMBERSBURG
Schedule of Findings and Questioned Costs
December 31, 2018

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 2 CFR section 200.516? Yes No

Identification of the major program(s):

CFDA Number(s)	Name of Federal Program
14.228	Community Development Block Grant

Dollar threshold used to distinguish between type A and type B programs \$ 750,000

Auditee qualified as low-risk auditee? Yes No

Section II - Financial Statement Findings

A. Material Weakness in Internal Control

Finding Reference: 2018-001 – Lack of Review or Reconciliation of Accounts

Criteria: There were a number of transactions not properly recorded in the general ledger system. In addition, account reconciliations were not completed for all accounts or were not completed accurately and therefore did not agree to the general ledger.

Condition: Internal control processes should include procedures to ensure internal accounts are properly reconciled, supported by appropriate documentation, and adjusted to reflect the correct balances for presentation in accordance with generally accepted accounting principles for external financial reporting.

Cause: Reconciliations of year-end balances were not performed properly in certain circumstances.

Effect: Without significant analysis and resulting adjustments made subsequent to year-end, the financial statements would have been materially misstated.

Recommendation: All significant accounts should be reconciled on a regular basis with adjusting journal entries made as needed to properly adjust balances for presentation in external financial statements. In addition, we recommend that the Borough implement a process at year-end to reconcile balances to supporting documentation.

*Views of Responsible
Officials and Planned
Corrective Actions:*

Overseen by the Staff Accountant, Accounting Staff will reconcile accounts monthly, and the Accounting Technician will make adjusting journal entries when necessary. To ensure accuracy of year-end balances, the Accounting Technician will reconcile general ledger account balances to adequate supporting documentation. Year-end journal entries will require approval by the Staff Accountant prior to the Accounting Technician posting to the general ledger.

B. Compliance Findings

There were no compliance findings related 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 related to the major federal awards as required to be reported in accordance with the Uniform Guidance by 2 CFR Section 200.516.



Borough of Chambersburg

*A full service municipality in Franklin County
celebrating over 65 years of consumer owned natural gas service
over 120 years of community electric and a
regional wastewater, water, and municipal solid waste utility*

Summary Schedule of Prior Audit Findings December 31, 2018

A single audit in accordance with the Uniform Guidance was not performed in the prior year.