

*Borough of Chambersburg
Pennsylvania*



*Comprehensive Annual
Financial Report*

*For the Year Ended
December 31, 2010*

Prepared By the Department of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Borough of Chambersburg
Pennsylvania

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

TABLE OF CONTENTS

I. INTRODUCTORY SECTION

Letter of Transmittal	IV
Borough of Chambersburg Organization Chart	X
Mayor and Town Council	XI
List of Borough Officers and Officials	XII

II. FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	3 - 14

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statement of net assets	15
Statement of activities	16

FUND FINANCIAL STATEMENTS

Balance sheet – governmental funds	17
Reconciliation of the governmental funds - balance sheet to the statement of net assets	18
Statement of revenues, expenditures and changes in fund balance - governmental funds	19
Reconciliation of the governmental funds - statement of revenues, expenditures, and changes in fund balance to the statement of activities	20
Statement of net assets - proprietary funds	21
Statement of revenues, expenses, and changes in fund net assets - proprietary funds	22
Statement of cash flows - proprietary funds	23
Statement of fiduciary net assets	24
Statement of changes in fiduciary net assets	25

NOTES TO FINANCIAL STATEMENTS 26 - 48

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

Unaudited required schedule of funding progress - pension	50
Unaudited required schedule of employer contributions - pension	51
Unaudited required schedule of funding progress - OPEB	52
Budgetary comparison schedule - general fund	53
Budgetary comparison schedule – special revenue fund - grant programs	54

OTHER SUPPLEMENTARY INFORMATION 55

OTHER GOVERNMENTAL FUNDS 56

Combining balance sheet – other governmental funds	57
Combining statement of revenues, expenditures, and changes in fund balances – other governmental funds	58
Budgetary comparison schedule – special revenue liquid fuels fund	59
Budgetary comparison schedule – capital reserve fund	60

OTHER ENTERPRISE FUNDS 61

Combining statement of net assets – other enterprise funds	62
Combining statement of revenues, expenses and changes in net assets – other enterprise funds	63
Combining statement of cash flows – other enterprise funds	64

TABLE OF CONTENTS (CONTINUED)

INTERNAL SERVICE FUNDS	65
Combining statement of net assets - internal service funds	66
Combining statement of revenues, expenses and changes in fund net assets - internal service funds	67
Combining statement of cash flows - pension trust funds	68
TRUST AND AGENCY FUNDS	69
Combining statement of fiduciary net assets – pension trust funds	70
Combining statement of changes in fiduciary net assets - pension trust funds	71
Combining statement of fiduciary net assets - private purpose trust funds	72
Combining statement of changes in fiduciary net assets – private purpose trust funds	73
Combining statement of changes in assets and liabilities – all agency funds	74
Schedule of real estate taxes receivable – general fund	75
III. STATISTICAL SECTION	
Schedule 1 - Net Assets by Component	76
Schedule 2 - Changes in Net Assets	77 - 78
Schedule 3 - Fund Balances - Governmental Funds	79
Schedule 4 - Changes in Fund Balances - Governmental Funds	80
Schedule 5 - Program Revenues by Function	81
Schedule 6 - Tax Revenues by Source - Governmental Funds	82
Schedule 7 - Property Tax Rates - Direct and Overlapping Governments	83
Schedule 8 - Assessed Value and Actual Value of Taxable Property	84
Schedule 9 - Principal Taxpayers	85
Schedule 10 - Property Tax Levies and Collections	86
Schedule 11 - Municipal Earned Income Tax Revenue Base and Collections	87
Schedule 12 - Earned Income Tax Statistics	88
Schedule 13 - Ratios of Outstanding Debt by Type	89
Schedule 14 - Ratios of General Bonded Debt Outstanding	90
Schedule 15 - Legal Debt Margin Information	91
Schedule 16 - Computation of Direct and Overlapping Debt	92
Schedule 17 - Debt Capacity Information - Pledged-Revenue Coverage	93
Schedule 18 - Demographic and Economic Statistics	94
Schedule 19 - Principal Employers	95
Schedule 20 - Full-Time Equivalent Municipal Employees by Function/Program	96
Schedule 21 - Operating Indicators by Function/Program	97
Schedule 22 - Capital Asset Statistics by Function/Program	98
IV. SINGLE AUDIT SECTION	
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	100 – 101
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	102 - 103
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	104
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	105
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	106 – 107
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS	108



Introductory Section



Borough of Chambersburg

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

Letter of Transmittal for 2010 Comprehensive Annual Financial Report

June 17, 2011

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

The Comprehensive Annual Financial Report of the Borough of Chambersburg for the year ended December 31, 2010, is hereby submitted for your review. This report represents the commitment of the Borough of Chambersburg to adhere to nationally recognized standards of excellence in financial reporting.

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

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

Please review the Management's Discussion and Analysis (MD&A) which is also located in the Financial Section of the CAFR. The MD&A became a requirement of the financial statements with the institution of the Governmental Accounting Standards Board (GASB) Statement 34 reporting model. The adoption of GASB 34 was required by the Borough of Chambersburg for the year ended 12/31/2003.

The MD&A is management's analysis of the municipality's financial position based on currently known facts as of the date of the auditor's report. It is required to precede the financial statements and provide the following analysis:

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

THE BOROUGH OF CHAMBERSBURG

General Information

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

According to the U.S. Bureau of the Census, the Borough's population increased from 17,862 to 20,268 between 2000 and 2010, an increase of 13.5 percent during the period.

Municipal Services and Facilities

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

The Borough is unique in Pennsylvania in that it owns and operates electric, gas, water, sewer, sanitation and parking facilities. The Borough is the largest and only electricity producing consumer-owned municipal electric system in the Commonwealth of Pennsylvania. The Chambersburg Electric Department is in its eleventh 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. The citizens of Chambersburg voted on August 20, 1875 in favor of a bond issue to construct a water system. The sewer service was initiated on August 1, 1912.

Governmental Organization

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

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

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

The Director of Finance, who is appointed by the Borough Manager, is the chief financial officer of the Borough. The Director of Finance exercises the powers otherwise granted to the Borough Treasurer position under the laws of the Commonwealth of Pennsylvania. As such, the Director of Finance is charged with the responsibility of receiving, disbursing, and maintaining custody of all funds of the Borough and serves as Pension Funds Chief Administrative Officer. The position also includes the duties of serving as department head of the Administrative Services Fund, an internal service fund which is

responsible for computer services, cashing, accounting and the Parking Department as well as the custodial services and maintenance of City Hall. 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 Water 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, we focused on the Chambersburg Ambulance Service. This year's report highlights our Water Department. The history of the Water Department has been chronicled by our very own Mr. J. Gordon Cree who served as Manager of Utilities for the Borough from 1948 to 1972.

A good source of water has always been essential to the well being and survival of communities throughout civilization. It is no wonder that the original Colonel Benjamin Chambers fort was built over the Falling Spring to provide a good source of water for the use of the inhabitants as well for fire protection. The Chambersburg Water Company was organized around 1818. A waterwheel was employed to pump water from the Falling Spring to a reservoir sited on the current Chambersburg Hospital land. Water then flowed to customers through hollowed pine logs which were joined "end to end". It is estimated that the cost of this undertaking was approximately \$40,000.

The water system was improved and expanded in 1871 with the development of the Borough's first utility enterprise, the Birkinbine Reservoir which consisted of a 300,000 brick reservoir near the intersection of Reservoir and Franklin Streets (Reservoir Hill). A steam engine powered pumping station along the Conococheague Creek lifted the water from the creek into the reservoir. Over six miles of cast iron pipe was installed to transport the water to the reservoir and then distribute it to the North Main Street area as well as to the center of town. From these mains, smaller pipes distributed water to the populace. The water was taken from the creek with little regard to the fact that raw sewerage was being piped into the creek about a mile above the pumping station.

In January of 1891, the C. B. Gish flour mill at what is now called "Siloam" was purchased. It consisted of a mill dam and the impounding area above it. An additional land purchase gave rise to the possibility of a 2 million gallon reservoir. Initially, it was expected that the mill's wheel would force water to the new reservoir known as Horst Reservoir. The experiment was less than successful and steam driven pumps were implemented. In 1905, a Worthington steam driven pump was successfully installed with the plant producing about 1.5 million gallons per day in 1907. Unfortunately, the water from the Conococheague Creek flowed through miles of pastures and fields making it a less than an agreeable source of water.

In 1909, the Burgess, Mr. A.W. Zacharias, prompted the locals to work on the "water situation of the Borough". By 1910, Town Council decided to look to the east of the Borough and develop the town's main water source, the Conococheague creek, in the valley above Caledonia Park east of town in the South Mountain. This system would eventually provide the Borough with pure water from a gravity fed water system eliminating the costs of pumping water. To obtain the State Department of Health's approval, the Borough agreed to install the first sanitary sewer system along with a sewerage treatment plant. The Borough issued a \$150,000 bond package in 1910 to construct the stream intake facilities, a 2 million gallon reservoir east of town and a fourteen inch pipeline into town terminating at South Sixth Street.

The first water from the new source arrived on July 3, 1911 and was of sufficient purity that no chemical treatment was necessary for many years. Water hardness was measured at four units per million, as contrasted with sixteen units per million from the same stream collected at the Siloam Dam. The elevation at the center of Chambersburg was about 975 feet below that of the intake dam providing water pressure of fifty to eighty pounds per square inch throughout the town. In later years, chlorine was utilized to treat the water for microorganisms and fluoride compounds were added to help protect the residents' teeth. In the early 1930's, a reinforced concrete dam was constructed across the Birch Run creating a storage capacity of 3.9 million gallons.

In the late 1960's, the Borough decided to enlarge its water storage reserve and improve other facilities. A new dam called the Long Pine Run Dam was constructed upstream from the Birch Run Dam creating a lake with a surface of 150 acres and storing 1.8 billion gallons of water. Additionally, a new water treatment plant with a daily flow capacity of six million gallons was constructed. Also, a three million gallon "ground based steel water storage tank" was built at the former Birkenbine open reservoir site on Reservoir Hill. In 1967 and 1969, bond issues were floated for a total of \$8,325,000 to cover the \$7,41,850 cost of these projects. Up until that time, this was the largest utility project ever initiated by the Borough of Chambersburg. Since that time the Borough has initiated many projects that have enhanced the quality of service to the customers of the Borough's water department.

Currently, the Borough water department serves approximately 870 commercial, 7600 residential and 19 industrial customers. Additionally the Borough provides water to one municipal customer. In 2011, the Borough's water department will operate with an operating budget of approximately \$3.8 million which includes transfers (\$1.3 million) to the general and capital reserve funds. While providing high quality water to its diverse customer base, the Borough's water department has consistently kept its rates (cost per unit) at one of lowest levels in the region. No rate increase is anticipated for 2011.

Economic Environment - Historical

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

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

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

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

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

Economic Environment - Today

The construction of the interstate highway system in the 1960's resulted in Interstate 81 being on the eastern edge of the Borough. Chambersburg has become a magnet for distribution warehouses to facilitate the flow of goods on the East Coast. Authorities are examining their options on how Interstate 81 can be improved to handle the abundant truck traffic that transverses the highway daily. This access

to major highways and railroads coupled with Chambersburg's location has created opportunities for our continued prosperity. Other factors that make the Borough a good place to do business are competitively low utility rates, good municipal services, ample power supplies, affordable housing, a skilled and diversified workforce, a low crime rate and a progressive school district.

The 10 largest employers operating in the Borough in 2010 were:

EMPLOYER	PRIMARY BUSINESS	AVERAGE NUMBER OF EMPLOYEES
Summit Health	Health Care	2,874
Chambersburg Area School District	Public Education	1,050
County of Franklin	Government	926
Menno Haven, Inc.	Retirement Community	553
Ventura Foods	Food Packaging	395
Staples	Retailing	308
T B Woods, Inc.	Power Transmission Equipment	281
F & M Trust Company	Financial Services	278
K-Mart Regional Specialty Center	Distribution Warehousing	250
Borough of Chambersburg	Municipal Government	201

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

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

EMPLOYER	PRIMARY BUSINESS	AVERAGE NUMBER OF EMPLOYEES
Letterkenny Army Depot/Tenants	Repair Military Vehicles and Missiles/Misc.	3,715
Target Distribution Center	Distribution Warehousing	600
Martins Famous Pastry Shop	Potato Bread and Rolls	485
Ingram Book Group Inc.	Book Distribution	440
WalMart	Retailing	425
Valley Quarries	Stone and Asphalt Products	260

FINANCIAL INFORMATION

Borough management has taken the initiative to prepare a Comprehensive Annual Financial Report (CAFR) starting with fiscal year ending 12/31/04 and thereafter. The CAFR provides readers of our financial statements with much additional information relating to the financial condition of the Borough of Chambersburg. Among these include information regarding our local taxpayers, employers and a plethora of similar information encompassing the past ten years. We are honored and pleased that our efforts have resulted in our receiving the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association (GFOA) for the four previous reports. 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.

CHANGES IN FINANCIAL POLICIES

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

INDEPENDENT AUDIT

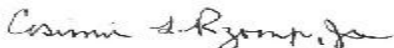
The independent accounting firm, Smith Elliott Kearns & Company, LLC, audited the basic financial statement of the Borough of Chambersburg for fiscal year 2010. The financial statements have received an unqualified opinion indicating that, in all material respects, the Borough's basic financial statements are presented fairly and in conformity with accounting principles generally accepted in the United States of America. Auditing standards generally accepted in the United States of America and the standards set forth in the General Accounting Office's Government Auditing Standards were used by the auditors in conducting the engagement. The auditors' report on internal controls and compliance with applicable laws and regulations can be found in the report.

ACKNOWLEDGMENTS

The preparation of this "in depth" financial report has been made possible by the diligent and persistent efforts of the very capable members of our Finance Department. I have always been impressed with the dedication and professionalism that they provide every day. We will continue to strive for improvement in the methods that we employ in serving the residents of the Borough of Chambersburg.

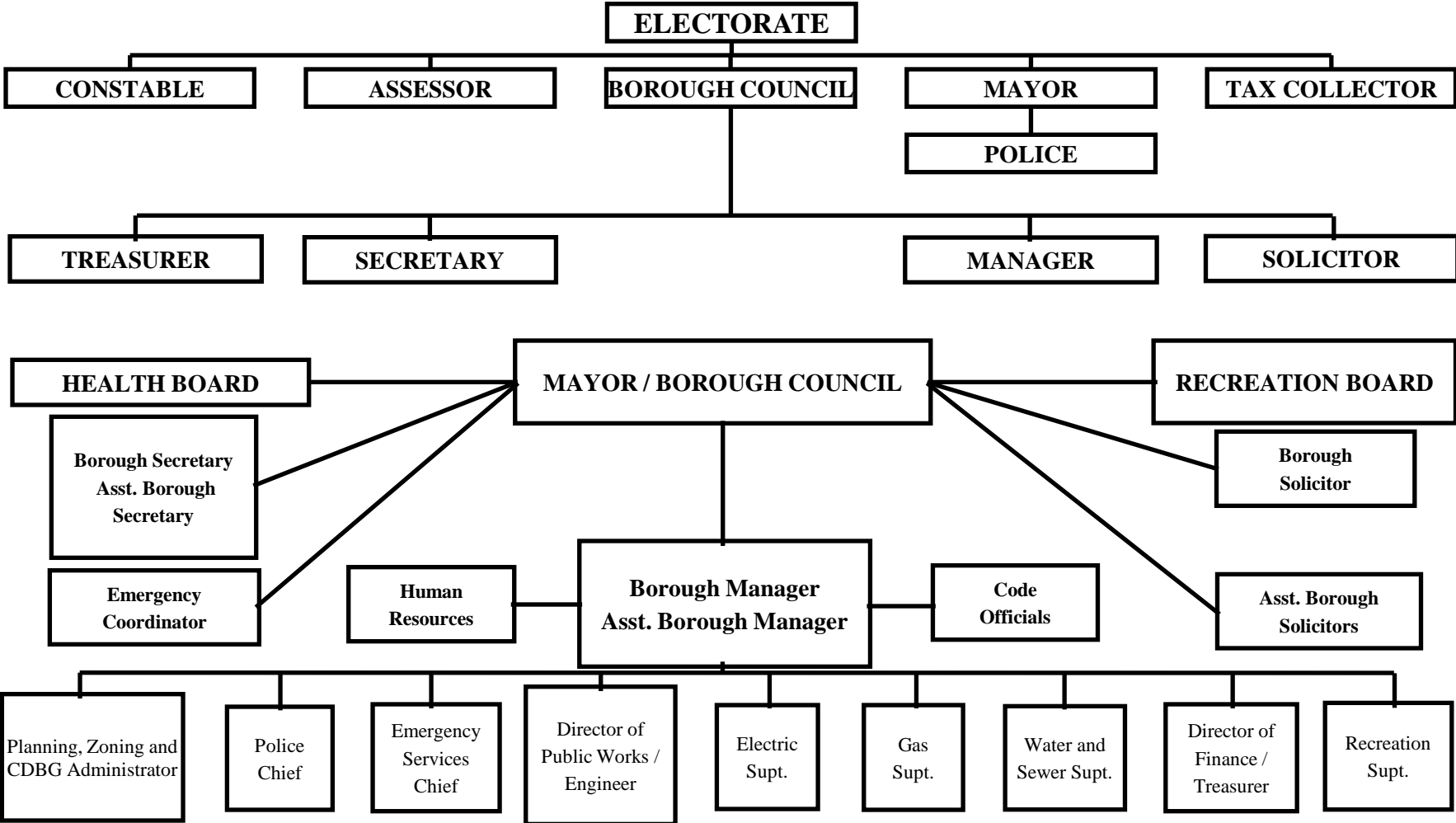
I would also like to thank our Borough Manager, Jeffrey Stonehill, for the confidence and support that he has provided. He definitely thinks "outside the box" and is very well versed in leading a complex organization such as the Borough of Chambersburg. I would also like to express my appreciation to the Mayor and members of Borough Council for their leadership and expectation of excellence. Their guidance and support promotes the high standards of achievement that we have been able to attain.

Respectfully submitted,



Casimir L. Rzomp, Jr.
Director of Finance

BOROUGH OF CHAMBERSBURG



X

**2011-2012 ROSTER
MAYOR AND MEMBERS OF TOWN COUNCIL
OF THE BOROUGH OF CHAMBERSBURG, PENNSYLVANIA**

MAYOR

Peter Lagiovane
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2010 - 2013
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Vice President of Council
Fifth Ward 2008-2011
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Heath Talhelm
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Regular Public: 2nd and 4th Mondays - Council Chambers

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(r) = residence

(b) = business

(c) = cell



Financial Section



INDEPENDENT AUDITOR'S REPORT

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

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, as of and for the year ended December 31, 2010, which collectively comprise the Borough's financial statements, as listed in the table of contents. These financial statements are the responsibility of the Borough of Chambersburg's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 as of December 31, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2011 on our consideration of the Borough of Chambersburg's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 14, the schedules of historical pension information and funding progress -OPEB on pages 50 through 52, and budgetary comparison schedules on pages 53 through 54 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.



To the Mayor and Borough Council
Borough of Chambersburg

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Chambersburg's financial statements as a whole. 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 financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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.

Smith Elliott Kearns & Company, LLC

Chambersburg, Pennsylvania
June 17, 2011

BOROUGH OF CHAMBERSBURG, PENNSYLVANIA

Management's Discussion and Analysis for the Year Ended December 31, 2010 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, 2010. Readers should also review the basic financial statements and related footnotes on pages 15-48 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 Assets 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 Assets and Statement of Activities

These government-wide statements answer the question "How did the Borough as a whole do financially during 2010?" They are prepared on the accrual basis of accounting, much the same way as for 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 Assets.* This statement (page 15) reports all assets and liabilities of the Borough as of December 31, 2010. The difference between total assets and total liabilities is reported as "net assets". Increases in net assets generally indicate an improvement in financial position while decreases may indicate a deterioration of financial position.
- *The Statement of Activities.* This statement (page 16) 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, 2010. Changes in net assets 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 26 to 35 in the Notes to the Financial Statements.

BOROUGH OF CHAMBERSBURG, PENNSYLVANIA

Management's Discussion and Analysis

for the Year Ended December 31, 2010

Unaudited

Reporting on the Borough of Chambersburg's Most Significant Funds

Fund financial statements

These statements provide 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, Electric Fund, Gas Fund, Water Fund, and Sewer Fund. The creation of some funds is mandated by law and 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 Assets and the Statement of Activities) in reconciliations presented on pages 18 and 20.

The Borough of Chambersburg maintains separate governmental funds. The governmental fund financial statements on pages 17 through 20 separately display the governmental funds considered to be major funds. All other governmental funds - the "non-major" funds - are combined into a single column. Detailed financial data for each of the non-major governmental funds is provided in combining statements in the supplementary information section of this report.

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

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

The Borough of Chambersburg's Electric, Gas, Water, and Sewer Funds are all considered to be major funds and are displayed separately in the proprietary fund statements on pages 21 through 23. The Borough has two other proprietary funds, Sanitation and Parking, 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 government entity that uses 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.

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 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 24 - 25 of this report.

BOROUGH OF CHAMBERSBURG, PENNSYLVANIA

*Management's Discussion and Analysis
for the Year Ended December 31, 2010
Unaudited*

Other Information

Notes to the basic financial statements

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

Required supplementary information

In addition to the basic financial statements and notes, this report also contains required supplementary information (RSI). RSI includes schedules of historical pension information OPEB required schedule of funding progress and budgetary schedules for the general fund and grant programs fund. This data is on pages 49 through 54 of this report.

The Borough of Chambersburg as a Whole

The following table presents condensed information on net assets as of December 31, 2010 and 2009.

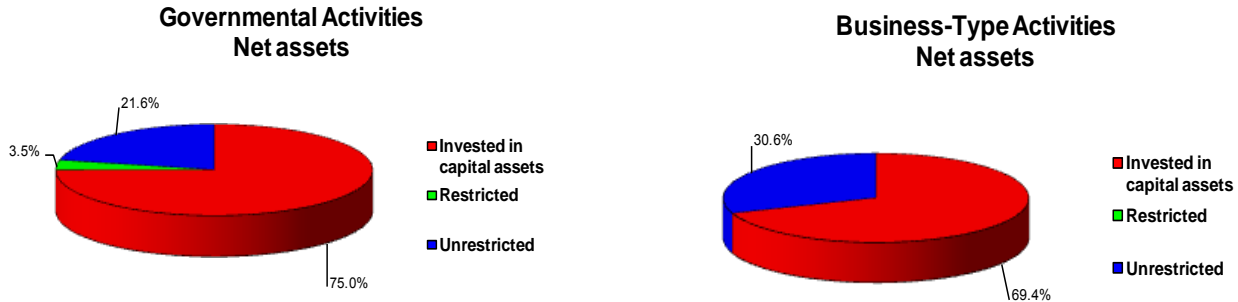
Net Assets
December 31, 2010 and 2009

	2010 Governmental Activities	2009 Governmental Activities	2010 Business-Type Activities	2009 Business-Type Activities	2010 Total	2009 Total
<u>Assets:</u>						
Current and other assets	\$ 10,234,270	\$ 12,990,582	\$ 36,491,702	\$ 33,244,797	\$ 46,725,972	\$ 46,235,379
Capital assets	26,005,674	24,030,856	96,906,050	96,147,042	122,911,724	120,177,898
Total assets	<u>36,239,944</u>	<u>37,021,438</u>	<u>133,397,752</u>	<u>129,391,839</u>	<u>169,637,696</u>	<u>166,413,277</u>
<u>Liabilities:</u>						
Current liabilities	836,740	969,970	5,521,597	6,584,842	6,358,337	7,554,812
Other liabilities	838,240	691,401	19,556,507	20,473,854	20,394,747	21,165,255
Total liabilities	<u>1,674,980</u>	<u>1,661,371</u>	<u>25,078,104</u>	<u>27,058,696</u>	<u>26,753,084</u>	<u>28,720,067</u>
<u>Net Assets:</u>						
Invested in capital assets, net of debt	25,907,241	24,030,856	75,126,828	74,790,451	101,034,069	98,821,307
Restricted	1,193,916	1,452,889	0	0	1,193,916	1,452,889
Unrestricted	7,463,807	9,876,322	33,192,820	27,542,692	40,656,627	37,419,014
Total net assets	<u>\$ 34,564,964</u>	<u>\$ 35,360,067</u>	<u>\$ 108,319,648</u>	<u>\$ 102,333,143</u>	<u>\$ 142,884,612</u>	<u>\$ 137,693,210</u>

BOROUGH OF CHAMBERSBURG, PENNSYLVANIA

*Management's Discussion and Analysis
for the Year Ended December 31, 2010
Unaudited*

The breakdown of net assets is as follows at December 31, 2010:



In total, combined net assets were at \$142.9 million at December 31, 2010.

The following tables present condensed information on the changes in net assets for the years ended December 31, 2010 and 2009.

Changes in Net Assets
For the Year Ended December 31, 2010

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Activities</u>
<u>Revenues</u>			
Program Revenues:			
Charges for services	\$ 2,374,671	\$ 53,029,601	\$ 55,404,272
Operating grants and contributions	1,874,440	706,484	2,580,924
Capital Grants and contributions	1,118,987	1,320,441	2,439,428
General revenues:			
Property taxes	3,732,778	0	3,732,778
Real estate transfer tax	240,954	0	240,954
Earned income tax	1,524,001	0	1,524,001
Local services tax	757,564	0	757,564
Payments in lieu of taxes	13,408	0	13,408
Investment earnings	60,048	187,285	247,333
Miscellaneous income	24,360	124,956	148,956
Total revenues	<u>\$ 11,721,211</u>	<u>\$ 55,368,767</u>	<u>\$ 67,089,618</u>

BOROUGH OF CHAMBERSBURG, PENNSYLVANIA*Management's Discussion and Analysis**for the Year Ended December 31, 2010**Unaudited***Changes in Net Assets (Continued)**
For the Year Ended December 31, 2010

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Activities</u>
<u>Expenses</u>			
General government	\$ 1,143,438	\$ 0	\$ 1,143,438
Public safety	8,186,805	0	8,186,805
Public services	2,113,662	0	2,113,662
Community development	313,210	0	313,210
Parks and recreation	1,931,419	0	1,931,419
Electric	0	30,413,576	30,413,576
Gas	0	7,311,796	7,311,796
Water	0	2,617,711	2,617,711
Sewer	0	5,630,067	5,630,067
Other business-type activities	0	2,236,532	2,236,532
Total expenses	<u>13,688,534</u>	<u>48,209,682</u>	<u>61,898,216</u>
Excess before transfers	(1,967,323)	7,159,085	5,191,762
Transfers	1,172,220	(1,172,220)	0
Change in net assets	<u>(\$ 795,103)</u>	<u>\$ 5,986,865</u>	<u>\$ 5,191,762</u>

BOROUGH OF CHAMBERSBURG, PENNSYLVANIA*Management's Discussion and Analysis
for the Year Ended December 31, 2010
Unaudited***Changes in Net Assets**
For the Year Ended December 31, 2009

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Activities</u>
<u>Revenues</u>			
Program Revenues:			
Charges for services	\$ 2,151,858	\$ 49,848,258	\$ 52,000,116
Operating grants and contributions	1,414,482	168,207	1,582,689
Capital Grants and contributions	2,901,458	3,928,852	6,830,310
General revenues:			
Property taxes	3,710,125	0	3,710,125
Real estate transfer tax	272,005	0	272,005
Earned income tax	1,390,053	0	1,390,053
Local services tax	860,057	0	860,057
Payments in lieu of taxes	12,616	0	12,616
Investment earnings	181,223	358,101	539,324
Miscellaneous income	57,152	148,965	206,117
Total revenues	<u>12,951,029</u>	<u>54,452,383</u>	<u>67,403,412</u>
<u>Expenses</u>			
General government	1,380,277	0	1,380,277
Public safety	7,372,746	0	7,372,746
Public services	1,963,186	0	1,963,186
Community development	475,765	0	475,765
Parks and recreation	1,453,670	0	1,453,670
Electric	0	33,623,997	33,623,997
Gas	0	8,694,454	8,694,454
Water	0	2,831,476	2,831,476
Sewer	0	5,152,404	5,152,404
Other business-type activities	0	2,256,246	2,256,246
Total expenses	<u>12,645,644</u>	<u>52,558,577</u>	<u>65,204,221</u>
Excess before transfers	305,385	1,893,806	2,199,191
Transfers	1,705,586	(1,705,586)	0
Change in net assets	<u><u>\$ 2,010,971</u></u>	<u><u>\$ 188,220</u></u>	<u><u>\$ 2,199,191</u></u>

Net assets increased by \$5.19M in 2010 for "total activities" compared to an increase of \$2.20M in 2009 for the same "total activities". This is a \$2.99M increase in overall performance for 2010 compared to 2009 and is the result of a decrease in revenues of \$.31M with a corresponding decrease in expenses of \$3.31M. There was \$3.2M increase in charges for services in business-type activities with a corresponding decrease of \$4.35M in expenses. Within the business-type activities, the electric department alone experienced an increase in billed revenues of \$3.98M in 2010 while also experiencing a \$3.21M decrease in expenses. This situation which amounts to an increase of \$7.19M in performance can be primarily attributed to a continued and significant instability in the electric markets resulting in a corresponding decrease in electric purchase costs for 2010 from 2009.

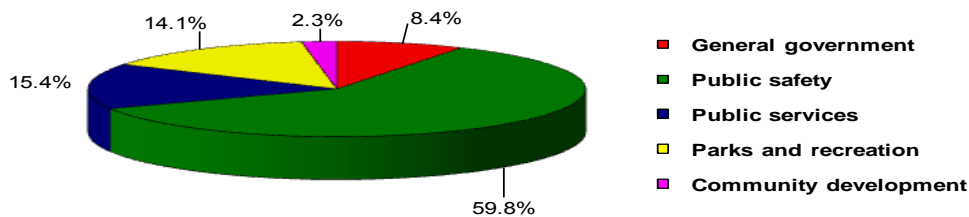
BOROUGH OF CHAMBERSBURG, PENNSYLVANIA

*Management's Discussion and Analysis
for the Year Ended December 31, 2010
Unaudited*

The Borough's governmental activities' largest revenue source, real estate taxes, increased by \$22,653 or .6% in 2010. This was a smaller increase than the 2.3% increase for the year ended December 31, 2009. The increase in real estate revenues was mainly due to an increase in the taxable assessed value of .4% for year ended 2010. There was no increase in the mill rate for 2010. Even in light of continued dismal economic conditions, the earned income tax receipts increased \$133,948 or 9.64% in 2010 while the real estate transfer tax decreased \$31,051 or 11.42% in 2010.

Expenses of governmental activities break down as follows:

**Governmental Expenses by Program
2010**



Total governmental expenses for 2010 were \$13.7 million. Public safety, which consisted primarily of police, fire and ambulance services, comprised 59.8% of the total governmental expenses. Public service expenses, which include streets overlaying and repairs, were 15.4%. Leisure time activities represented by the parks and recreation portion of expenses were 14.1% of the total. General government expenses were 8.4%. Community development comprised 2.3% 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 table and graph summarize the net cost of each program:

**Expenses and Program Revenue - Governmental Activities
Year Ended December 31, 2010**

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Governmental activities					
General government	\$ 1,143,438	\$ 544,572	\$ 573,290	\$ 911,521	\$ 885,945
Public safety	8,186,805	1,414,129	689,829	86,395	(5,996,452)
Public services	2,113,662	2,880	158,675	100,071	(1,852,036)
Parks and recreation	1,931,419	413,090	0	0	(1,518,329)
Community development	313,210	0	452,646	21,000	160,436
Total Governmental Activities	\$ 13,688,534	\$ 2,374,671	\$ 1,874,440	\$ 1,118,987	(\$ 8,320,436)

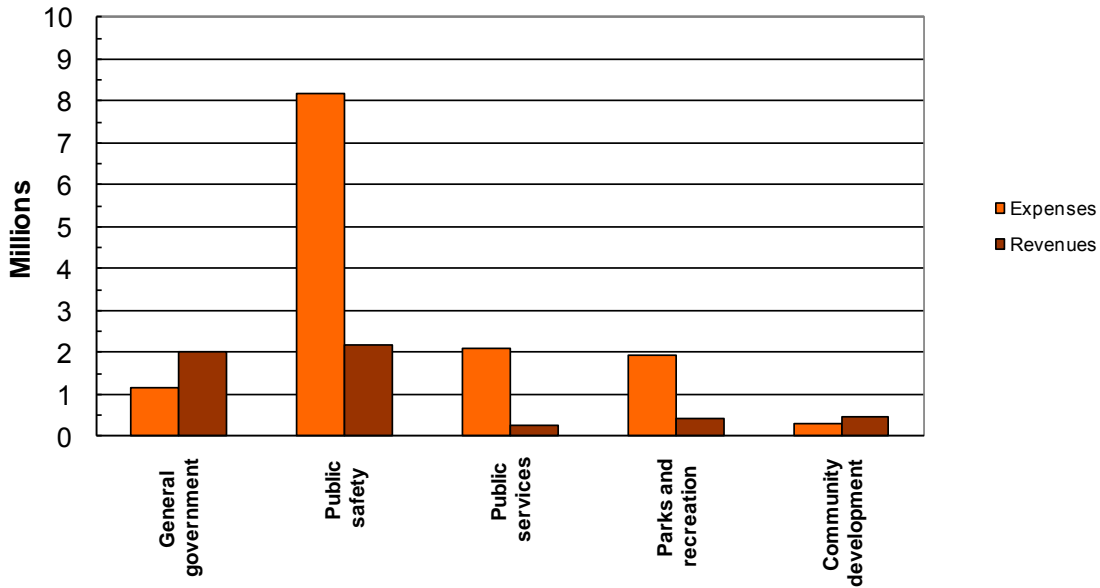
BOROUGH OF CHAMBERSBURG, PENNSYLVANIA

*Management's Discussion and Analysis
for the Year Ended December 31, 2010
Unaudited*

**Expenses and Program Revenue - Governmental Activities
Year Ended December 31, 2009**

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Governmental activities					
General government	\$ 1,380,277	\$ 455,042	\$ 55,189	\$ 124,858	\$ (745,188)
Public safety	7,372,746	1,274,477	661,482	1,784	(5,435,003)
Public services	1,963,186	3,366	99,005	2,767,880	907,065
Parks and recreation	1,453,670	418,973	0	6,936	(1,027,761)
Community development	475,765	0	598,806	0	123,041
Total Governmental Activities	\$ 12,645,644	\$ 2,151,858	\$ 1,414,482	\$ 2,901,458	(\$ 6,177,846)

**Expenses and Program Revenue - Governmental Activities
2010**



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

Business-type activities

Business-type net assets increased \$5,986,505 in 2010. Each business-type activity, except for electric and sewer had a decrease in revenues. Electric revenues increased 12.9%, gas revenues decreased 11.6%, water revenues decreased 5.3%, sewer revenues increased 11.6%, sanitation revenues decreased .3% and parking department revenues decreased .4%. The total increase in billed revenues was \$3,181,343 or 6.38%.

BOROUGH OF CHAMBERSBURG, PENNSYLVANIA

Management's Discussion and Analysis

for the Year Ended December 31, 2010

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, 2010**

	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Electric	\$30,413,576	\$34,765,216	\$ 51,364	\$ 272,216	\$ 4,675,220
Gas	7,311,796	8,323,329	22,875	59,660	1,094,068
Water	2,617,711	3,196,140	487,552	338,700	1,404,681
Sewer	5,630,067	4,570,569	23,269	649,865	(386,364)
Sanitation	2,070,085	2,039,950	113,744	0	83,609
Parking	166,447	134,397	7,680	0	(24,370)
Total business-type activities	<u>\$48,209,682</u>	<u>\$53,029,601</u>	<u>\$ 706,484</u>	<u>\$ 1,320,441</u>	<u>\$ 6,846,844</u>

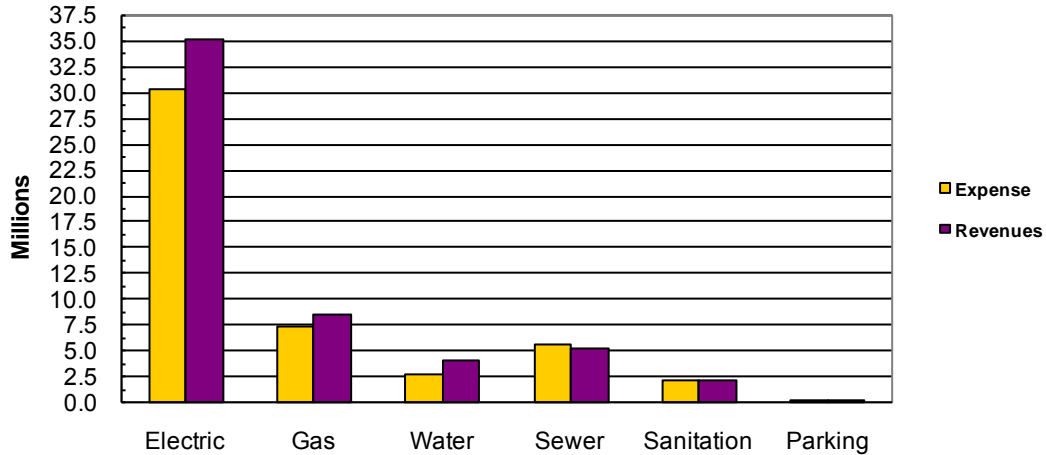
**Expenses and Program Revenue - Business-type Activities
For Year Ended December 31, 2009**

	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Electric	\$33,623,997	\$30,785,021	\$ 47,303	\$ 1,484,000	(\$ 1,307,673)
Gas	8,694,454	9,410,294	20,684	57,260	793,784
Water	2,831,476	3,375,869	26,880	1,097,373	1,668,646
Sewer	5,152,404	4,096,262	21,678	1,290,219	255,755
Sanitation	2,092,023	2,045,885	49,283	0	3,145
Parking	164,223	134,927	2,379	0	(26,917)
Total business-type activities	<u>\$52,558,577</u>	<u>\$49,848,258</u>	<u>\$ 168,207</u>	<u>\$ 3,928,852</u>	<u>\$ 1,386,740</u>

BOROUGH OF CHAMBERSBURG, PENNSYLVANIA

Management's Discussion and Analysis for the Year Ended December 31, 2010 Unaudited

Expenses and Program Revenue - Business-Type Activities 2010



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 at December 31, 2010 were \$5.5 million as compared to \$8.1 million at December 31, 2009.

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 decreased from \$2,139,230 to \$1,375,034.

Budget variations

Operations for the Borough's general fund resulted in an overall favorable net budget variance of \$54,199 for the year ended December 31, 2010. That means that we had \$54,199 more in net cash inflows than was budgeted. We budgeted a **net excess of expenditures over net revenues of \$818,395** (negative) but finished the year with a **net excess of expenditures over revenues of \$764,196** (negative). Total expenditures exceeded total revenues by \$2,198,196 and net interfund transfers from other Borough funds amounted to \$1,434,000 creating the overall negative results of (\$764,196) for net receipts.

We had an unfavorable budget variance of \$363,027 or 3.15% of total **budgeted expenditures** (\$11,507,595). We also had a favorable budget variance of \$436,226 or 4.7% of total budgeted revenues (\$9,236,200). Also, we transferred \$12,000 more than budgeted or \$1,984,000 from the enterprise departments into the general fund. We originally budgeted \$1,972,000 to be transferred from the enterprise funds into the general fund, but transferred \$1,984,000 which is \$12,000 more. Additionally, we transferred \$31,000 from the general fund into the general capital reserve fund on behalf of the recreation department which was not budgeted.

BOROUGH OF CHAMBERSBURG, PENNSYLVANIA

Management's Discussion and Analysis for the Year Ended December 31, 2010 Unaudited

Of the favorable revenue variance (\$436,226), **the lion's share or \$458,226 (over 100%)**, was due to an underestimate in the budgeted amount of charges for services to other Borough departments. We had an overestimate in tax revenues of \$80,484 whereas we budgeted receipts of taxes at \$6,433,500 and had receipts of \$6,353,016 resulting in the unfavorable variance in tax receipts. Local economic activity is apparently still at a lower level than was predicted during budget preparations.

On the expenditure side, of the unfavorable variance (\$363,027), **74.0 % (\$268,652)** can be attributed to under budgeting expenditures for the general health and ambulance service activities. Additionally, **48.18% (\$174,899)** can be attributed to under budgeting for expenditures for general government. The under budgeting in these two departments accounted for 122% (\$443,551) of the total unfavorable expenditure variance.

Changes in fund equity

The fund balance in the *general fund* decreased by \$764,196 in 2010. This was because current expenditures (\$11,870,622) exceeded total revenues (\$9,672,426) by \$2,198,196. Net transfers (\$1,434,000) from other operating departments offset a large portion of the deficiency leaving \$764,196 as the net decrease in fund balance for the general fund. The primary underlying reason for the decrease in resources available to the general fund was basically an increase in expenditures of \$1,117,117 (10.4%). Even with an increase of \$612,015 (6.8%) in revenues, we ended the year with a deficit of \$882,781. The deficit reduced the fund balance in the general fund to \$1,375,034 in 2010 from \$2,139,230 in 2009. In effect, the fund balance decreased by 35.7% in 2010.

The fund balance in the *grants programs fund* increased by \$85,154 in 2010. Revenues increased by \$19,878 to \$830,243 in 2010 while expenditures decreased by \$107,652 to \$658,800. This increase in resources provided an overall increase in the fund balance of \$85,154 for 2010 while we had an increase in fund balance of \$49,340 for 2009.

The net assets in the *enterprise funds* increased by \$5,333,060 or 5.72% in 2010 compared to a decrease of \$393,518 or .42% for 2009. Most of the increase for 2010 can be attributed to the electric department, whose fund balance increased by \$3,682,215 or 11.02% in 2010. Operating revenues for the electric department increased substantially by \$3,943,805 or 12.82% to \$34,706,856 while operating expenses decreased by \$3,058,229 or 9.25 % to \$29,987,609. The fund balance for the electric department increased by \$3,682,215 or 11.02%, to a total of \$37,095,053. A major element in the decrease in expenditures in 2010 for the electric department was the ability to produce and sell a larger quantity of electricity on the open market than in 2009. This reduced the net cost of electricity by \$2,188,492 or 8.79% and contributed substantially to a much better performance for the electric fund in 2010.

Also, the net assets in the gas department increased by \$634,000 or 5.87% over 2009. The fund balance for the water department increased by \$1,393,013 or 5.36% over 2009. The fund balance for the sewer department decreased by \$353,855 or 1.65% to \$21,070,518 in 2010 from \$21,424,373 in 2009. Lastly, the fund balance in the "other enterprise funds" (sanitation and parking) decreased by \$22,313 or 1.37% to \$1,611,018.

The net assets in the *internal services funds* increased by a total of \$685,039 or 4.99% compared to an increase of \$558,061 or 4.23% in 2009. Operating revenues totaled \$4,462,290, increasing by 2.54% over last year's operating revenues of \$4,351,667. Operating expenditures totaled \$4,025,525 decreasing by 4.39% over last year's operating expenditures of \$4,210,485.

Capital asset and debt administration

Capital asset activity

The Borough continued to make investment in infrastructure and equipment upgrades in 2010 by utilizing capital reserve accounts. The Borough spent \$369k on the reconstruction of Edgar Avenue, Horst Avenue, Hudson Avenue and Ohio Avenue; along with thousands of dollars in utility maintenance work to gas lines, sewer lines and water lines, prior to the construction. Additionally, the Borough spent \$128k on the overlay of ten streets. The Borough also spent \$210k installing a new traffic signal at Norland Avenue and Edgar Avenue. In addition, the Borough's

BOROUGH OF CHAMBERSBURG, PENNSYLVANIA

*Management's Discussion and Analysis
for the Year Ended December 31, 2010
Unaudited*

electric department completed the upgrade of the Commerce Street substation for \$104k along with thousands of dollars of in-house engineering and related electric system upgrades. The Borough water department began an upgrade of the plant instrumentation, control and renovation for the Julio D. Lecuona Water Treatment Plant, in the total bid amount of \$1.55m. The Borough's highway department contracted for the design and construction of a new salt storage facility at a cost of \$119k not including the additional cost of constructing a fence around the facility or installing a paved driveway. Also, the Borough purchased a number of new vehicles in 2010: a new 2009 Ford F-450 Type 1, a 4-WD Modular J&J Road Rescue Ambulance for \$177k; a new 2010 JCB 460B Compact Wheel Loader for the electric department for \$50k; two new 2010 Ford Escape Hybrid vehicles for the police department for \$61k; a new 2011 Ford F-350 4WD enclosed Utility Body Truck for the gas department for \$34k; a new 2010 Case 580 Loader / Backhoe for the gas department for \$80k; a new 2011 Ford F-250 4WD Crew Cab Pickup Truck w/Plow for the fire department for \$32k; and a new 2011 Ford F-350 2WD Utility Body Truck being for the water/sewer department for \$33k. Finally, the gas and water & sewer departments continued to replace and upgrade many service laterals and valves in order to stay ahead of significant capital needs.

Additional detail on the capital asset activity for the year ended December 31, 2010 is presented in the Notes to the Basic Financial Statements in note 4.

Debt

A summary of outstanding debt at December 31, 2010 and 2009 is as follows:

	<u>General Obligation Bonds</u>	
	<u>December 31, 2010</u>	<u>December 31, 2009</u>
Governmental activities	\$ 0	\$ 0
Business-type activities	17,900,000	19,295,000
	<u>Pennsylvania ("Pennvest" Water Projects)</u>	
Governmental activities	0	0
Business-type activities	2,845,376	2,370,233
Total outstanding debt	<u>\$20,745,376</u>	<u>\$21,665,233</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 ASSETS
December 31, 2010

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets			
Cash and equity in pooled cash and investments	\$ 8,212,504	\$ 27,351,605	\$ 35,564,109
Taxes receivable, net of allowance	272,033	0	272,033
Accounts receivable, net of allowance	233,772	6,294,917	6,528,689
Due from other governments	732,912	169,341	902,253
Other receivables	121,135	79,720	200,855
Inventories	401,822	2,551,444	2,953,266
Prepaid expenses	771	44,675	45,446
Total current assets	<u>9,974,949</u>	<u>36,491,702</u>	<u>46,466,651</u>
Noncurrent assets			
Noncurrent receivables	259,321	0	259,321
Deferred charges	0	142,949	142,949
Capital assets not being depreciated:			
Land	402,857	836,191	1,239,048
Construction in progress	1,073,404	3,635,053	4,708,457
Capital assets net of accumulated depreciation:			
Utility plant in service	0	89,504,106	89,504,106
Land improvements	1,884,386	27,505	1,911,891
Buildings and improvements	1,454,037	246,456	1,700,493
Machinery, equipment and furniture	1,981,879	2,513,790	4,495,669
Infrastructure	19,209,111	0	19,209,111
Total noncurrent assets	<u>26,264,995</u>	<u>96,906,050</u>	<u>123,171,045</u>
Total assets	<u>\$ 36,239,944</u>	<u>\$ 133,397,752</u>	<u>\$ 169,637,696</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 226,689	\$ 3,074,076	\$ 3,300,765
Accrued wages and withholdings	73,003	85,723	158,726
Accrued interest expense	0	212,351	212,351
Unearned revenues	100,908	73,422	174,330
Long-term liabilities: Due within one year			
Bonds and notes payable	0	1,593,908	1,593,908
Compensated absences	369,373	343,256	712,629
Liability for self-insured losses	66,767	138,861	205,628
Total current liabilities	<u>836,740</u>	<u>5,521,597</u>	<u>6,358,337</u>
Noncurrent liabilities			
Long-term liabilities: Due in more than one year			
Bonds and notes payable	0	18,733,517	18,733,517
Compensated absences	267,100	472,050	739,150
Net OPEB obligation	437,861	73,750	511,611
Liability for self-insured losses	133,279	277,190	410,469
Total noncurrent liabilities	<u>838,240</u>	<u>19,556,507</u>	<u>20,394,747</u>
Total liabilities	<u>1,674,980</u>	<u>25,078,104</u>	<u>26,753,084</u>
NET ASSETS			
Invested in capital assets, net of related debt	25,907,241	75,126,828	101,034,069
Restricted for:			
Loans and liquid fuels	1,193,916	0	1,193,916
Unrestricted	7,463,807	33,192,820	40,656,627
Total net assets	<u>34,564,964</u>	<u>108,319,648</u>	<u>142,884,612</u>
Total liabilities net assets	<u>\$ 36,239,944</u>	<u>\$ 133,397,752</u>	<u>\$ 169,637,696</u>

The Notes to Financial Statements are an integral part of this statement.

BOROUGH OF CHAMBERSBURG

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government							
Governmental activities							
General government	\$ 1,143,438	\$ 544,572	\$ 573,290	\$ 911,521	\$ 885,945	\$ 0	\$ 885,945
Public safety	8,186,805	1,414,129	689,829	86,395	(5,996,452)	0	(5,996,452)
Public works	2,113,662	2,880	158,675	100,071	(1,852,036)	0	(1,852,036)
Culture and recreation	1,931,419	413,090	0	0	(1,518,329)	0	(1,518,329)
Community development	313,210	0	452,646	21,000	160,436	0	160,436
Total governmental activities	<u>13,688,534</u>	<u>2,374,671</u>	<u>1,874,440</u>	<u>1,118,987</u>	<u>(8,320,436)</u>	<u>0</u>	<u>(8,320,436)</u>
Business-type activities							
Electric	30,413,576	34,765,216	51,364	272,216	0	4,675,220	4,675,220
Gas	7,311,796	8,323,329	22,875	59,660	0	1,094,068	1,094,068
Water	2,617,711	3,196,140	487,552	338,700	0	1,404,681	1,404,681
Sewer	5,630,067	4,570,569	23,269	649,865	0	(386,364)	(386,364)
Sanitation	2,070,085	2,039,950	113,744	0	0	83,609	83,609
Parking	166,447	134,397	7,680	0	0	(24,370)	(24,370)
Total business-type activities	<u>48,209,682</u>	<u>53,029,601</u>	<u>706,484</u>	<u>1,320,441</u>	<u>0</u>	<u>6,846,844</u>	<u>6,846,844</u>
Total primary government	<u>\$ 61,898,216</u>	<u>\$ 55,404,272</u>	<u>\$ 2,580,924</u>	<u>\$ 2,439,428</u>	<u>(\$ 8,320,436)</u>	<u>\$ 6,846,844</u>	<u>(\$ 1,473,592)</u>
General revenues and transfers:							
Taxes:							
Property taxes, levied for general purposes					\$ 3,732,778	\$ 0	\$ 3,732,778
Real estate transfer tax					240,954	0	240,954
Earned income tax					1,524,001	0	1,524,001
Local services tax					757,564	0	757,564
Other taxes					13,408	0	13,408
Unrestricted investment earnings					60,048	187,285	247,333
Miscellaneous income					24,360	124,596	148,956
Transfers					<u>1,172,220</u>	<u>(1,172,220)</u>	<u>0</u>
Total general revenues and transfers					<u>7,525,333</u>	<u>(860,339)</u>	<u>6,664,994</u>
Change in net assets					(795,103)	5,986,505	5,191,402
Net assets - beginning, as restated					<u>35,360,067</u>	<u>102,333,143</u>	<u>137,693,210</u>
Net assets - ending					<u>\$ 34,564,964</u>	<u>\$ 108,319,648</u>	<u>\$ 142,884,612</u>

The Notes to Financial Statements are an integral part of this statement.

BOROUGH OF CHAMBERSBURG

**BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2010**

	General Fund	Special Revenue Fund - Grant Programs	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and equity in pooled cash and investments	\$ 816,258	\$ 176,530	\$ 3,630,841	\$ 4,623,629
Taxes receivable, net	272,033	0	0	272,033
Receivable from other governments	553,390	57,154	0	610,544
Other receivables, net	205,988	174,381	214,401	594,770
Total assets	<u>\$ 1,847,669</u>	<u>\$ 408,065</u>	<u>\$ 3,845,242</u>	<u>\$ 6,100,976</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 93,323	\$ 21,785	\$ 98,433	\$ 213,541
Deferred revenue	313,389	73	0	313,462
Accrued wages, benefits and withholdings	65,923	599	0	66,522
Total liabilities	<u>472,635</u>	<u>22,457</u>	<u>98,433</u>	<u>593,525</u>
Fund balances				
Reserved for long term loans	0	61,302	198,019	259,321
Reserved for grant programs	0	324,306	0	324,306
Unreserved - special revenue liquid fuels	0	0	860,642	860,642
Unreserved - capital reserve	0	0	2,688,148	2,688,148
Unreserved	1,375,034	0	0	1,375,034
Total fund balances	<u>1,375,034</u>	<u>385,608</u>	<u>3,746,809</u>	<u>5,507,451</u>
Total liabilities and fund balances	<u>\$ 1,847,669</u>	<u>\$ 408,065</u>	<u>\$ 3,845,242</u>	<u>\$ 6,100,976</u>

The Notes to Financial Statements are an integral part of this statement.

BOROUGH OF CHAMBERSBURG

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
December 31, 2010**

Total fund balance - governmental funds \$ 5,507,451

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

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

Cost of assets	36,529,723	
Accumulated depreciation	(11,521,229)	
		25,008,494

Taxes receivable are not available soon enough to pay for the current period's expenditures, and therefore are not recorded in the fund financial statements. 334,922

Net Other Post Employment Benefits (OPEB) obligation does not require the use of current financial resources and, therefore, is not reported as a liability in the governmental funds. (432,098)

Internal service funds are used by management to charge the costs of certain activities, such as insurance, motor equipment, engineering, and others, to individual funds. A portion of these assets and liabilities of the internal service funds are included in the governmental activities and are allocated based on the usage of those funds by the governmental funds. 4,680,386

Long-term liabilities are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of compensated absences. (534,191)

Total net assets - governmental activities \$ 34,564,964

BOROUGH OF CHAMBERSBURG

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS**

For the Year Ended December 31, 2010

	General Fund	Special Revenue Fund - Grant Programs	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 6,353,016	\$ 0	\$ 0	\$ 6,353,016
Licenses and permits	326,171	0	31,379	357,550
Fines and forfeits	130,940	0	0	130,940
Investment earnings	10,549	95	26,817	37,461
Intergovernmental	915,683	767,504	361,919	2,045,106
Charges for services	1,792,542	0	0	1,792,542
Contributions and donations	0	0	79,094	79,094
Miscellaneous	143,525	62,643	6,785	212,953
Total revenues	<u>9,672,426</u>	<u>830,242</u>	<u>505,994</u>	<u>11,008,662</u>
EXPENDITURES				
Current:				
General government	1,027,749	62,997	59,818	1,150,564
Public Safety				
Police department	4,335,754	17,128	245,083	4,597,965
Fire department	1,965,251	2,500	88,606	2,056,357
General health and ambulance service	1,163,752	0	20,336	1,184,088
Planning and zoning	455,054	0	0	455,054
Public works				
Highways	1,005,448	125,467	976,939	2,107,854
Other	474,173	0	516,489	990,662
Culture and recreation	1,340,074	20,287	443,109	1,803,470
Community development	0	418,985	68,592	487,577
Miscellaneous expenditures	103,367	11,436	0	114,803
Total expenditures	<u>11,870,622</u>	<u>658,800</u>	<u>2,418,972</u>	<u>14,948,394</u>
Excess (deficiency) of revenues over expenditures	<u>(2,198,196)</u>	<u>171,442</u>	<u>(1,912,978)</u>	<u>(3,939,732)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,984,000	107	598,553	2,582,660
Transfers out	<u>(550,000)</u>	<u>(86,395)</u>	<u>(600,107)</u>	<u>(1,236,502)</u>
Total other financing sources and uses	<u>1,434,000</u>	<u>(86,288)</u>	<u>(1,554)</u>	<u>1,346,158</u>
Net change in fund balances	<u>(764,196)</u>	<u>85,154</u>	<u>(1,914,532)</u>	<u>(2,593,574)</u>
Fund balances - beginning	<u>2,139,230</u>	<u>300,454</u>	<u>5,661,341</u>	<u>8,101,025</u>
Fund balances - ending	<u>\$ 1,375,034</u>	<u>\$ 385,608</u>	<u>\$ 3,746,809</u>	<u>\$ 5,507,451</u>

The Notes to Financial Statements are an integral part of this statement.

BOROUGH OF CHAMBERSBURG

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2010**

Net change in fund balances - total governmental funds: (\$ 2,593,574)

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	(1,246,439)	
Capital outlays	<u>3,253,514</u>	2,007,075

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

(1,237)

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.

(84,311)

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

(17,526)

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

(137,124)

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.

31,594

Change in net assets - governmental activities (\$ 795,103)

BOROUGH OF CHAMBERSBURG

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2010**

	Enterprise Funds		
	Electric Fund	Gas Fund	Water Fund
ASSETS			
Current assets			
Cash and equity in pooled cash and investments	\$ 4,301,833	\$ 2,134,613	\$ 10,312,735
Accounts receivable, net	3,421,269	1,407,210	294,969
Due from other funds	0	0	0
Receivables from other governments	0	0	59,171
Other receivables	13,614	6,757	32,551
Inventories	622,653	948,318	58,910
Prepaid expenses	33,387	2,261	2,571
Total current assets	<u>8,392,756</u>	<u>4,499,159</u>	<u>10,760,907</u>
Noncurrent assets			
Deferred charges	113,899	0	0
Capital assets			
Land	447,512	37,716	206,068
Buildings and system	67,798,364	11,814,533	27,856,584
Improvements other than buildings	39,099	2,158	2,158
Machinery and equipment	510,472	184,836	276,923
Construction in progress	587,771	497,599	2,292,315
Less accumulated depreciation	(23,601,943)	(4,710,443)	(10,929,669)
Total capital assets	<u>45,781,275</u>	<u>7,826,399</u>	<u>19,704,379</u>
Total noncurrent assets	<u>45,895,174</u>	<u>7,826,399</u>	<u>19,704,379</u>
Total assets	<u>\$ 54,287,930</u>	<u>\$ 12,325,558</u>	<u>\$ 30,465,286</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 1,923,185	\$ 742,148	\$ 116,051
Accrued wages payable	20,280	21,562	10,823
Accrued interest payable	177,514	0	7,644
Due to other funds	0	0	0
Unearned revenue	17,405	56,017	0
Compensated absences - current	89,280	37,113	46,852
Liability for self insured losses - current	0	0	0
Bonds, notes and loans payable - current	916,107	0	204,834
Total current liabilities	<u>3,143,771</u>	<u>856,840</u>	<u>386,204</u>
Noncurrent liabilities			
Compensated absences	134,264	24,820	51,234
Liability for self insured losses	0	0	0
Net OPEB obligation	22,130	9,673	12,575
Bonds, notes and loans payable	13,892,712	0	2,640,542
Total noncurrent liabilities	<u>14,049,106</u>	<u>34,493</u>	<u>2,704,351</u>
Total liabilities	<u>17,192,877</u>	<u>891,333</u>	<u>3,090,555</u>
NET ASSETS			
Invested in capital assets, net of related debt	29,970,150	7,815,411	16,693,719
Unrestricted	7,124,903	3,618,814	10,681,012
Total net assets	<u>37,095,053</u>	<u>11,434,225</u>	<u>27,374,731</u>
Total liabilities and net assets	<u>\$ 54,287,930</u>	<u>\$ 12,325,558</u>	<u>\$ 30,465,286</u>

Enterprise Funds			Internal Service Funds
Sewer Fund	Other Enterprise Funds	Total	
\$ 1,713,935	\$ 1,424,468	\$ 19,887,584	\$ 11,052,896
1,019,940	127,921	6,271,309	24,967
0	0	0	0
110,170	0	169,341	0
5,423	4,515	62,860	34,959
85,868	0	1,715,749	1,237,517
3,847	1,006	43,072	2,374
<u>2,939,183</u>	<u>1,557,910</u>	<u>28,149,915</u>	<u>12,352,713</u>
29,050	0	142,949	0
24,299	111,153	826,748	13,984
41,749,615	75,529	149,294,625	159,681
2,158	47,156	92,729	0
264,802	571,526	1,808,559	0
257,368	0	3,635,053	7,160,126
(21,102,512)	(623,945)	(60,968,512)	(4,262,712)
<u>21,195,730</u>	<u>181,419</u>	<u>94,689,202</u>	<u>3,071,079</u>
<u>21,224,780</u>	<u>181,419</u>	<u>94,832,151</u>	<u>3,071,079</u>
<u>\$ 24,163,963</u>	<u>\$ 1,739,329</u>	<u>\$ 122,982,066</u>	<u>\$ 15,423,792</u>
\$ 242,632	\$ 22,716	\$ 3,046,732	\$ 40,492
10,715	8,863	72,243	19,961
27,193	0	212,351	0
0	0	0	0
0	0	73,422	0
52,580	35,614	261,439	121,156
0	0	0	205,628
472,967	0	1,593,908	0
<u>806,087</u>	<u>67,193</u>	<u>5,260,095</u>	<u>387,237</u>
76,944	53,882	341,144	193,849
0	0	0	410,469
10,151	7,236	61,765	17,748
<u>2,200,263</u>	<u>0</u>	<u>18,733,517</u>	<u>0</u>
<u>2,287,358</u>	<u>61,118</u>	<u>19,136,426</u>	<u>622,066</u>
<u>3,093,445</u>	<u>128,311</u>	<u>24,396,521</u>	<u>1,009,303</u>
18,392,230	180,702	73,052,212	3,071,079
<u>2,678,288</u>	<u>1,430,316</u>	<u>25,533,333</u>	<u>11,343,410</u>
<u>21,070,518</u>	<u>1,611,018</u>	<u>98,585,545</u>	<u>14,414,489</u>
<u>\$ 24,163,963</u>	<u>\$ 1,739,329</u>	<u>\$ 122,982,066</u>	<u>\$ 15,423,792</u>

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

9,734,103

Net assets of business-type activities

\$ 108,319,648

The Notes to Financial Statements are an integral part of this statement.

BOROUGH OF CHAMBERSBURG

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS**

For the Year Ended December 31, 2010

	Enterprise Funds		
	Electric Fund	Gas Fund	Water Fund
OPERATING REVENUES			
Charges for services	\$ 34,119,974	\$ 8,292,530	\$ 2,892,699
Miscellaneous	586,882	30,799	97,967
Total operating revenues	<u>34,706,856</u>	<u>8,323,329</u>	<u>2,990,666</u>
OPERATING EXPENSES			
Production, gathering, treatment and transmission	3,202,432	531,956	1,510,417
Operation and maintenance	0	0	0
Collection and disposal	0	0	0
Purchase of energy for sale	22,710,210	5,700,988	0
Customer accounting and administrative	2,183,861	845,667	618,924
Claim payments and special services	0	0	0
Increase (decrease) in expected unpaid losses	0	0	0
Depreciation and amortization	1,891,106	290,448	453,403
Total operating expenses	<u>29,987,609</u>	<u>7,369,059</u>	<u>2,582,744</u>
Operating income (loss)	<u>4,719,247</u>	<u>954,270</u>	<u>407,922</u>
NONOPERATING REVENUES (EXPENSES)			
Connection fees	0	0	178,633
Interest and investment revenue	32,355	20,750	63,134
Gain (loss) on sale of assets	(629)	(2,009)	(1,671)
Reimbursement of prior year expense	0	0	0
Other nonoperating revenues	65,122	1,296	84,702
Intergovernmental revenues	51,364	22,875	30,022
Interest expense	(584,618)	0	(84,117)
Total nonoperating revenues (expenses)	<u>(436,406)</u>	<u>42,912</u>	<u>270,703</u>
Income (loss) before contributions and transfers	4,282,841	997,182	678,625
Capital contributions and grants	272,216	59,660	796,230
Transfers in	2,158	2,158	2,158
Transfers out	(875,000)	(425,000)	(84,000)
Change in net assets	3,682,215	634,000	1,393,013
Total net assets - beginning, as restated	<u>33,412,838</u>	<u>10,800,225</u>	<u>25,981,718</u>
Total net assets - ending	<u>\$ 37,095,053</u>	<u>\$ 11,434,225</u>	<u>\$ 27,374,731</u>

Enterprise Funds			Internal Service Funds
Sewer Fund	Other Enterprise Funds	Total	
\$ 4,255,187	\$ 2,096,009	\$ 51,656,399	\$ 4,459,179
<u>222,722</u>	<u>78,022</u>	<u>1,016,392</u>	<u>3,111</u>
<u>4,477,909</u>	<u>2,174,031</u>	<u>52,672,791</u>	<u>4,462,290</u>
2,950,158	0	8,194,963	0
0	88,822	88,822	3,026,949
748,916	1,873,054	2,621,970	0
0	0	28,411,198	0
512,879	333,289	4,494,620	337,802
0	0	0	188,344
0	0	0	(24,048)
<u>1,334,278</u>	<u>15,366</u>	<u>3,984,601</u>	<u>496,478</u>
<u>5,546,231</u>	<u>2,310,531</u>	<u>47,796,174</u>	<u>4,025,525</u>
(1,068,322)	(136,500)	4,876,617	436,765
92,660	0	271,293	0
12,874	11,197	140,310	69,562
(908)	0	(5,217)	8,786
0	0	0	74,768
54,269	4,408	209,797	0
23,269	121,424	248,954	43,106
(119,720)	0	(788,455)	0
<u>62,444</u>	<u>137,029</u>	<u>76,682</u>	<u>196,222</u>
(1,005,878)	529	4,953,299	632,987
649,865	0	1,777,971	0
452,158	0	458,632	200,000
(450,000)	(22,842)	(1,856,842)	(147,948)
(353,855)	(22,313)	5,333,060	685,039
<u>21,424,373</u>	<u>1,633,331</u>	<u>93,252,485</u>	<u>13,729,450</u>
<u>\$ 21,070,518</u>	<u>\$ 1,611,018</u>	<u>\$ 98,585,545</u>	<u>\$ 14,414,489</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

653,445

Change in net assets of business-type activities

\$ 5,986,505

The Notes to Financial Statements are an integral part of this statement.

BOROUGH OF CHAMBERSBURG
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2010

	Enterprise Funds		
	Electric Fund	Gas Fund	Water Fund
Cash flows from operating activities:			
Receipts from customers/interfund services provided	\$ 35,340,070	\$ 8,395,571	\$ 3,313,059
Payments to suppliers	(26,543,295)	(6,300,274)	(1,012,619)
Payments to and on behalf of employees	(2,048,264)	(870,415)	(1,226,082)
Net cash provided (used) by operating activities	6,748,511	1,224,882	1,074,358
Cash flows from capital and related financing activities:			
Grants and reimbursements received	0	0	581,824
Proceeds from capital debt	0	0	688,807
Purchase of capital assets	(1,727,071)	(536,741)	(1,473,754)
Proceeds from sale of assets	0	0	0
Proceeds from tap fees	0	0	178,633
Principal paid on capital debt	(678,399)	0	(213,664)
Interest and fiscal charges paid on capital debt	(495,043)	0	(82,840)
Net cash provided (used) by capital and related financing activities	(2,900,513)	(536,741)	(320,994)
Cash flows from non-capital financing activities:			
Transfer from other funds	2,158	2,158	2,158
Transfer to other funds	(875,000)	(425,000)	(84,000)
Refund received for health insurance	0	0	0
Grants received	51,364	22,875	30,022
Net cash provided (used) by non-capital financing activities	(821,478)	(399,967)	(51,820)
Cash flows from investing activities:			
Interest and dividends received	24,278	22,086	72,705
Net cash provided (used) by investing activities	24,278	22,086	72,705
Net increase (decrease) in cash and cash equivalents	3,050,798	310,260	774,249
Cash and cash equivalents - beginning of the year	1,251,035	1,824,353	9,538,486
Cash and cash equivalents - end of the year	\$ 4,301,833	\$ 2,134,613	\$ 10,312,735
Reconciliation of income from operations to net cash provided (used) by operating activities			
Operating income (loss)	\$ 4,719,247	\$ 954,270	\$ 407,922
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization expense	1,891,106	290,448	453,403
Miscellaneous nonoperating income	65,122	1,296	84,702
(Increase) decrease in:			
Accounts receivable	576,982	83,733	237,691
Inventories	17,114	(37,134)	8,601
Prepaid expenses	460	(1)	(5)
Increase (decrease) in:			
Accounts payable and accrued expenses	(519,647)	(54,943)	(117,956)
Unearned revenue	(1,873)	(12,787)	0
Net cash provided (used) by operating activities	\$ 6,748,511	\$ 1,224,882	\$ 1,074,358
Non-cash investing, capital and non-capital financing activities			
Donated assets from developers	\$ 272,216	\$ 59,660	\$ 338,700

Enterprise Funds				Internal Service Funds
Sewer Fund	Other Enterprise Funds	Total		
\$ 4,293,976	\$ 2,154,247	\$ 53,496,923	\$ 4,462,966	
(2,929,717)	(1,379,928)	(38,165,833)	(1,295,072)	
(1,291,450)	(906,211)	(6,342,422)	(2,167,509)	
<u>72,809</u>	<u>(131,892)</u>	<u>8,988,668</u>	<u>1,000,385</u>	
340,011	0	921,835	0	
0	0	688,807	0	
43,449	(22,395)	(3,716,512)	(529,949)	
0	0	0	7,800	
92,660	0	271,293	0	
(716,601)	0	(1,608,664)	0	
(159,448)	0	(737,331)	0	
<u>(399,929)</u>	<u>(22,395)</u>	<u>(4,180,572)</u>	<u>(522,149)</u>	
452,158	0	458,632	200,000	
(450,000)	(22,842)	(1,856,842)	(147,948)	
0	0	0	74,768	
<u>23,269</u>	<u>121,424</u>	<u>248,954</u>	<u>43,106</u>	
<u>25,427</u>	<u>98,582</u>	<u>(1,149,256)</u>	<u>169,926</u>	
<u>16,301</u>	<u>13,198</u>	<u>148,568</u>	<u>80,320</u>	
<u>16,301</u>	<u>13,198</u>	<u>148,568</u>	<u>80,320</u>	
(285,392)	(42,507)	3,807,408	728,482	
<u>1,999,327</u>	<u>1,466,975</u>	<u>16,080,176</u>	<u>10,324,414</u>	
<u>\$ 1,713,935</u>	<u>\$ 1,424,468</u>	<u>\$ 19,887,584</u>	<u>\$ 11,052,896</u>	
(\$ 1,068,322)	(\$ 136,500)	\$ 4,876,617	\$ 436,765	
1,334,278	15,366	3,984,601	496,478	
54,269	4,408	209,797	0	
(238,202)	(24,192)	636,012	676	
45,500	0	34,081	97,616	
(11)	(294)	149	(1,372)	
(54,703)	9,320	(737,929)	(29,778)	
0	0	(14,660)	0	
<u>72,809</u>	<u>(131,892)</u>	<u>8,988,668</u>	<u>1,000,385</u>	
<u>\$ 554,629</u>	<u>\$ 0</u>	<u>\$ 1,225,205</u>	<u>\$ 0</u>	

The Notes to Financial Statements are an integral part of this statement.

BOROUGH OF CHAMBERSBURG

STATEMENT OF FIDUCIARY NET ASSETS

December 31, 2010

	Pension Trust Funds	Private Purpose Trust Funds	Agency Funds
ASSETS			
Cash and equity in pooled cash and investments	\$ 1,723,713	\$ 39,981	\$ 776,388
Mutual funds - U.S. Securities	7,453,153	0	0
Mutual funds - Stocks	17,476,947	0	0
Mutual funds - Real estate securities	912,469	0	0
Other receivables	0	34	2,454
Total assets	<u>\$ 27,566,282</u>	<u>\$ 40,015</u>	<u>\$ 778,842</u>
LIABILITIES			
Consumer deposits	0	0	778,842
Total liabilities	<u>0</u>	<u>0</u>	<u>778,842</u>
NET ASSETS			
Held in trust for benefits and other purposes	<u>27,566,282</u>	<u>40,015</u>	<u>0</u>
Total liabilities and net assets	<u>\$ 27,566,282</u>	<u>\$ 40,015</u>	<u>\$ 778,842</u>

The Notes to Financial Statements are an integral part of this statement.

BOROUGH OF CHAMBERSBURG

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
For the Year Ended December 31, 2010

	Pension Trust Funds	Private Purpose Trust Funds
ADDITIONS		
Contributions		
Employer - contributions	\$ 1,079,917	\$ 0
Public contributions and other revenue	0	8,079
Total contributions	<u>1,079,917</u>	<u>8,079</u>
Investment income:		
Net appreciation (depreciation) in fair value of investments and gain (loss) on sale of investments	2,748,605	0
Interest, dividends, and other	<u>559,152</u>	<u>108</u>
Total net investment earnings	<u>3,307,757</u>	<u>108</u>
Total additions	<u>4,387,674</u>	<u>8,187</u>
DEDUCTIONS		
Benefits	1,690,641	0
Administrative expenses	7,529	13,000
Miscellaneous expenses	0	3,006
Total deductions	<u>1,698,170</u>	<u>16,006</u>
Change in net assets	2,689,504	(7,819)
Net assets - beginning	<u>24,876,778</u>	<u>47,834</u>
Net assets - ending	<u>\$ 27,566,282</u>	<u>\$ 40,015</u>

The Notes to Financial Statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

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. These standards require that the reporting entity include (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

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

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

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

The Municipal Authority of the Borough of Chambersburg (the "Authority") is governed by a Board appointed by Borough Council. The Authority had no financial activity during 2010. See Note 11 for additional information.

Fund Accounting

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

Note 1. Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

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 is used to account for the majority of the grants obtained by the Borough for the governmental activities.

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

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

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

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

Proprietary Funds

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

The Borough's enterprise funds consist of:

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.

Note 1. Summary of Significant Accounting Policies (Continued)

Proprietary Funds (Continued)

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.

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

Parking Department – Regulates and controls vehicle parking throughout the Borough of Chambersburg.

The Borough's Electric, Gas, Water, and Sewer departments are considered major enterprise funds. The Sanitation and Parking departments are considered non-major enterprise funds.

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

- **Operating Revenues** - Operating revenues include activities that have the characteristics of exchange transactions, such as (1) utility billings; (2) penalties and late charges; and (3) other miscellaneous sales.
- **Nonoperating Revenues** - Nonoperating revenues include activities that have the characteristics of non-exchange transactions (in which the Borough receives value without directly giving equal value in return), such as contributions and grants, and other revenues that are defined as nonoperating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting* and GASB No. 34, 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.

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 disbursement of inventory which is used to support the construction and maintenance functions of the Borough utilities.

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

Proprietary Funds (Continued)

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

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

Fiduciary Fund Types

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

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

The Borough's fiduciary funds consist of:

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

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

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

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

Basis of Presentation

Government-wide Financial Statements – The statement of net assets 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.

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. The net assets restricted for program expenditures are restricted by external grantors and contributors, or laws or regulations of other governments.

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

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

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. 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 assets (total assets less total liabilities) are used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased net assets. Depreciation is charged as expense against current operations and accumulated depreciation is reported on the statement of net assets. 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 deferred revenues until earned. 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.

When both restricted and unrestricted resources are available for use, it is the Borough's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets

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

Use of Estimates

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

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 assets as "cash and equity in pooled cash and investments".

Note 1. Summary of Significant Accounting Policies (Continued)

Cash, Cash Equivalents and Investments (Continued)

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 assets 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 assets and in the respective fund.

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Borough or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Interfund Transactions

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

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

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 assets (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 assets. This same treatment also applies to proprietary fund financial statements.

Bond premium and discounts, loss on refinancing, as well as issuance 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 and loss on refinancing. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Note 1. Summary of Significant Accounting Policies (Continued)

Pension Trust Funds

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

Deferred Compensation Plan

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

Compensated Absences

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

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

- ⇒ **Administrative and Bargaining Unit** - 1% per year of service of unused sick leave up to a maximum of 90 days pay for employees with at least five (5) years of continuous employment.
- ⇒ **Police** - any sick leave accumulated in excess of 100 days at \$ 30-\$ 40 per day.
- ⇒ **Fire** - 15% to 27.5% of accumulated sick leave, up to a maximum of 1,012.8 hours.

Other Postemployment Benefits Other Than Pension

The Borough provides post retirement 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 post employment benefits for Borough employees.

Statement of Cash Flows - Proprietary Fund

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

Deficit Net Assets

The Administrative Services Fund and Worker's Compensation Fund (internal service funds) have deficit net asset balances of \$ 269,727 and \$ 4,762, respectively, at December 31, 2010.

Note 1. Summary of Significant Accounting Policies (Continued)

Recently Issued Accounting Standards

In February 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Governments are required to classify and report amounts in the appropriate fund balance classifications by applying their accounting policies that determine whether restricted, committed, assigned, and unassigned amounts are considered to have been spent. Disclosure of the policies in the notes to the financial statements is required. Governments are also required to disclose information about the processes through which constraints are imposed on amounts in the committed and assigned classifications. Statement No. 54 also provides guidance for classifying stabilization amounts on the face of the balance sheet and requires disclosure of certain information about stabilization arrangements in the notes to the financial statements. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.

The requirements of Statement No. 54 are effective for financial statements for periods beginning after June 15, 2010. Fund balance reclassifications made to conform to the provisions of this Statement should be applied retroactively by restating fund balances for all prior periods presented. While earlier application of the Statement is encouraged, the Borough has not completed the process of evaluating the impact of Statement No. 54 on its financial statements.

Note 2. Cash and Cash Equivalents

The Borough is authorized to invest in the following:

- U.S. Treasury Bills.
- Short-term obligations of the U.S. Government or its agencies.
- Deposits in savings accounts or certificates of deposit insured by the FDIC or NCUSIF to the extent that such accounts are so insured and for any amounts above the insured maximum, provided that approved collateral as provided by law shall be pledged by the depository.
- Obligations of the U.S. Government, Commonwealth of Pennsylvania, or any agency, instrumentality, or political subdivision thereof, backed by the full faith and credit of the applicable government.
- Pennsylvania Local Government Investment Trust (PLGIT) Funds.
- Pennsylvania Treasury's INVEST program which is similar in concept to money market funds.

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, 2010, the Borough has a bank balance of \$ 1,307,733. Of this balance, \$ 458,643 is covered by FDIC insurance and the remaining balance of \$ 849,090 is collateralized by securities held by the pledging financial institution.

Note 2. Cash and Cash Equivalents (Continued)

Investments

As of December 31, 2010, the Borough's investments were as follows:

Investment Type	Fair Value	Credit Quality Rating
PLGIT/PLGIT PLUS	\$ 10,254,431	AAAm
PLGIT - CDs	23,916,000	AAAm
PA Invest Program	1,434,462	AAAm

Credit Risk – Investments

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

Included in cash and cash equivalents on the statement of net assets are pooled investments in the Pennsylvania Local Government (PLGIT) of \$ 10,254,431. These funds are basically mutual funds that consist of short-term money market instruments and seek to maintain a constant net asset value of \$ 1 per share.

Interest Rate Risk – Investments

The following investments are subject to interest rate risk:

	Total Fair Value	Investment Maturities (in Years)	
		Less Than 1	1-5
PLGIT - CDs	\$ 23,916,000	\$ 9,628,141	\$ 14,287,859

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

Municipal Pension Plans

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

	Total Fair Value	Investment Maturities
Investment		
Money Market Funds	\$ 2,302,380	N/A
Open End Mutual Funds	<u>25,263,902</u>	N/A
Total	<u>\$ 27,566,282</u>	

Credit Risk

The Borough does not have a formal policy pertaining to credit risk. For the investments that have a credit quality rating, they were all rated Aaa by Standard & Poors.

Note 2. Cash and Cash Equivalents (Continued)

Foreign Securities and Currencies Risk

Foreign securities prices may decline or fluctuate because of economic or political actions of foreign governments or the possibility that foreign currency will fluctuate in value against the U. S. dollar. Included in the \$ 25,263,902 of Open End Mutual Funds shown above are International Mutual Funds with a fair value of \$ 3,846,638. The International Mutual Funds may be subject to foreign securities and currencies risk.

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, 2010 for the Borough's governmental activities, including the applicable allowances for uncollectible accounts are as follows:

Real estate	\$	272,033
Earned income tax		647,240
Real estate transfer tax		11,611
Ambulance billings		213,057
Loans receivable		380,020
Grants receivable		57,154
Other		180,017
Allowance for uncollectible accounts	(	<u>141,959</u>)
Receivables - full accrual basis		1,619,173
Taxes not receivable within 60 days and allocation of internal service funds not recorded in fund financial statements	(	<u>141,826</u>)
Receivables - modified accrual basis	\$	<u>1,477,347</u>

Note 4. Capital Assets

Capital asset activity for the Borough consists of the following as of and for the year ended December 31, 2010:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Cost:				
Capital assets not being depreciated				
Land	\$ 402,857	\$ 0	\$ 0	\$ 402,857
Construction-in-progress	2,330,408	734,378	(1,991,382)	1,073,404
Capital assets				
Land improvements	2,314,009	708,206	0	3,022,215
Buildings	4,527,920	49,337	(1,971)	4,575,286
Machinery and equipment	4,667,415	471,316	(50,664)	5,088,067
Infrastructure - roads	13,092,920	3,453,732	0	16,546,652
Infrastructure - railroads	2,478,702	0	0	2,478,702
Infrastructure - other	5,723,821	0	0	5,723,821
Total cost	<u>35,538,052</u>	<u>5,416,969</u>	<u>(2,044,017)</u>	<u>38,911,004</u>
Less accumulated depreciation:				
Land improvements	(1,033,672)	(104,157)	0	(1,137,829)
Buildings	(3,014,471)	(106,778)	0	(3,121,249)
Machinery and equipment	(2,798,554)	(359,032)	51,398	(3,106,188)
Infrastructure - railroads	(1,239,350)	(99,148)	0	(1,338,498)
Infrastructure - highways	(2,755,158)	(536,454)	0	(3,291,612)
Infrastructure - other	(708,198)	(201,756)	0	(909,954)
Total accumulated depreciation	<u>(11,549,403)</u>	<u>(1,407,325)</u>	<u>51,398</u>	<u>(12,905,330)</u>
Capital assets, net	<u>\$ 23,988,649</u>	<u>\$ 4,009,644</u>	<u>(\$ 1,992,619)</u>	<u>\$ 26,005,674</u>
Business-Type Activities:				
Cost:				
Capital assets not being depreciated				
Land	\$ 826,192	\$ 9,999	\$ 0	\$ 836,191
Construction-in-progress	3,034,253	2,111,049	(1,510,249)	3,635,053
Capital assets				
Utility plant in service	145,088,372	3,944,041	(214,044)	148,818,369
Land improvements	84,800	7,610	(10,471)	81,939
Buildings	581,097	5,392	(2,400)	584,089
Machinery and equipment	6,292,488	486,226	(124,268)	6,654,446
Total cost	<u>155,907,202</u>	<u>6,564,317</u>	<u>(1,861,432)</u>	<u>160,610,087</u>
Less accumulated depreciation:				
Utility plant in service	(55,648,657)	(3,876,299)	210,693	(59,314,263)
Land improvements	(54,553)	(852)	971	(54,434)
Buildings	(328,232)	(11,798)	2,397	(337,633)
Machinery and equipment	(3,846,746)	(425,753)	131,843	(4,140,656)
Total accumulated depreciation	<u>(59,878,188)</u>	<u>(4,314,702)</u>	<u>345,904</u>	<u>(63,846,986)</u>
Capital assets, net	<u>\$ 96,029,014</u>	<u>\$ 2,249,615</u>	<u>(\$ 1,515,528)</u>	<u>\$ 96,763,101</u>

Note 4. Capital Assets (Continued)

See Note 10 for project commitments.

Depreciation expense for the year ended December 31, 2010 was charged to expense functions, including the internal service fund allocations, as follows:

	Governmental Activities	Business-Type Activities
General government	\$ 321,252	\$ 0
Public Safety	260,722	0
Public Services	677,522	0
Parks and recreation	147,829	0
Electric	0	2,031,181
Gas	0	342,574
Water	0	498,096
Sewer	0	1,362,128
Sanitation	0	70,076
Parking	0	10,647
	<u>\$ 1,407,325</u>	<u>\$ 4,314,702</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 (32%) and the business-type activities (68%). These allocations were changed in 2010, compared to 2009, 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.

Note 5. Long-term Liabilities

The changes in long-term liabilities during the year ended December 31, 2010 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Unamortized Bond Loss/Discount	Current Portion	Long-term Portion
Governmental Activities:							
Liability for self-insured losses	\$ 216,753	\$ 120,460	(\$ 137,167)	\$ 200,046	\$ 0	\$ 66,767	\$ 133,279
Net OPEB obligation	299,081	138,780	0	437,861	0	0	437,861
Compensated Absences	614,269	462,108	(439,904)	636,473	0	369,373	267,100
Total long-term liabilities	<u>\$ 1,130,103</u>	<u>\$ 721,348</u>	<u>(\$ 577,071)</u>	<u>\$ 1,274,380</u>	<u>\$ 0</u>	<u>\$ 436,140</u>	<u>\$ 838,240</u>
Business-Type Activities							
Bonds and notes payable							
(C) Sewer 2009 GO Bond	3,353,700	0	(487,300)	2,866,400	(193,170)	472,967	2,200,263
(B) Electric 2007 GO Bond	9,935,000	0	(35,000)	9,900,000	(174,703)	25,130	9,700,167
(C) Electric 2009 GO Bond	6,006,300	0	(872,700)	5,133,600	(50,078)	890,977	4,192,545
(A) Water PennVest Loan	2,370,233	688,807	(213,664)	2,845,376	0	204,834	2,640,542
Subtotal - bonds and notes	<u>21,665,233</u>	<u>688,807</u>	<u>(1,608,664)</u>	<u>20,745,376</u>	<u>(417,951)</u>	<u>1,593,908</u>	<u>18,733,517</u>
Liability for self-insured losses	423,392	277,935	(285,276)	416,051	0	138,861	277,190
Net OPEB obligation	50,201	23,549	0	73,750	0	0	73,750
Compensated absences	871,409	440,121	(496,224)	815,306	0	343,256	472,050
Total long-term liabilities	<u>\$ 23,010,235</u>	<u>\$ 1,430,412</u>	<u>(\$ 2,390,164)</u>	<u>\$ 22,050,483</u>	<u>(\$ 417,951)</u>	<u>\$ 2,076,025</u>	<u>\$ 19,556,507</u>

The General Fund and Internal Service Funds have been used in prior years to liquidate the liability for compensated absences in the Governmental Activities.

Note 5. Long-term Liabilities (Continued)

Internal Service Fund Allocation

The liability for self-insured losses and compensated absences information shown above for governmental activities and business-type activities includes the allocation of self-insured losses and use of compensated absences of internal services funds. This allocation is based on the applicable usage of each internal service fund by the governmental activities (32%) and the business-type activities (68%).

- (A) Pennvest Loan – On July 27, 2001, the Borough entered into a loan agreement with the Pennsylvania Infrastructure Investment Authority for \$ 4,400,000 to be used to partially finance the construction of a water system in the Borough, and Green and Guilford Townships. Interest rates range from 2.501% to 3.331%. Principal and interest payments are payable monthly, are based on the full amount of the loan and are due through October 2024. The future principal and interest payments shown below are based on this amount.
- (B) General Obligation Bonds – Series of 2007 – On June 1, 2007, the Borough issued General Obligation Bonds in the principal amount of \$10,000,000 to be used for a partial refunding of the General Obligation Bonds, Series of 2002 and 2003 and the costs of issuing the Bonds. Annual installments of the debt are to be paid from the Electric Fund vary from \$ 30,000 to \$1,475,000 and are due through September 1, 2022. Interest rates vary from 3.60% to 4.00%. Interest is payable every March 1 and September 1.
- (C) General Obligation Bonds – Series of 2009 – On March 1, 2009, the Borough issued General Obligation Bonds in the principal amount of \$ 10,000,000 to be used for a full refunding of the General Obligation Bonds, Series of 2002 and 2003, a partial refunding of the General Obligation Bonds, Series of 2004 and the costs of issuing the Bonds. Annual installments of the debt are to be paid from the Electric and Sewer Funds, which vary from \$ 510,000 to \$ 1,530,000 and are due through September 1, 2017. Interest rates vary from 2.50% to 3.00%. Interest is payable every March 1 and September 1.

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, 2010:

	Electric				Sewer		Water		Total
	Series of 2007		Series of 2009		Series of 2009		PennVest Loan		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2011	\$ 40,000	\$ 385,375	\$ 898,400	\$ 145,700	\$ 501,600	\$ 81,355	\$ 204,834	\$ 91,671	\$ 2,348,935
2012	40,000	383,935	927,300	118,740	517,700	66,315	211,762	84,743	2,350,495
2013	40,000	382,475	952,900	90,940	532,100	50,765	218,925	77,580	2,345,685
2014	45,000	381,015	981,800	62,340	548,200	34,815	226,329	70,176	2,349,675
2015	480,000	379,350	731,500	37,800	408,500	21,105	233,985	62,520	2,354,760
2016 - 2020	6,355,000	1,342,795	641,700	28,600	358,300	15,965	1,294,126	188,399	10,224,885
2021 - 2025	2,900,000	175,000	0	0	0	0	455,415	12,714	3,543,129
	<u>\$ 9,900,000</u>	<u>\$ 3,429,945</u>	<u>\$ 5,133,600</u>	<u>\$ 484,120</u>	<u>\$ 2,866,400</u>	<u>\$ 270,320</u>	<u>\$ 2,845,376</u>	<u>\$ 587,803</u>	<u>\$ 25,517,564</u>

Note 6. Interfund Activity

Interfund transfers consisted of the following during 2010:

	Transfers In	Transfers Out
Major Governmental Funds:		
General Fund	\$ 1,984,000	\$ 550,000
Special Revenue Grant Programs	107	86,395
Nonmajor Governmental Funds:		
Special Revenue Liquid Fuels	0	600,000
Capital Reserve	598,553	107
Major Proprietary Funds:		
Electric	2,158	875,000
Gas	2,158	425,000
Water	2,158	84,000
Sewer	452,158	450,000
Nonmajor Proprietary Funds:		
Sanitation	0	22,842
Internal Service Funds:		
Motor Equipment	0	50,000
Engineering	0	25,000
Worker's Compensation	200,000	0
Administrative services	0	72,948
	<u>\$ 3,241,292</u>	<u>\$ 3,241,292</u>

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

Note 7. Pension Plans***Plan Description***

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

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

The Bargaining and Administrative Employees', Paid Firemen, and the Police Officers' plans are generally noncontributory. The Paid Fireman's plan requires employee contributions of 3% as of January 1, 2009. The Borough is required to contribute the remaining amounts necessary to fund the plans, using the actuarial basis specified by the plan.

Note 7. Pension Plans (Continued)

At January 1, 2009, the date of the most recent actuarial valuation, the participation in each plan is as follows:

	General Employees	Police	Firemen
Participants:			
Retirees and beneficiaries	81	15	16
Vested former members	10	2	0
Active employees	142	34	24

Summary of Significant Accounting Policies

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

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

At December 31, 2010, there were no individual investments in excess of 5% of plan net assets. In addition, the plans did not have any investment transactions with related parties during the year.

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

Contributions and Funding Policy

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

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

Annual Pension Cost and Net Pension Obligations

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

Note 7. Pension Plans (Continued)

Three Year Trend Information

Year Ended	Annual Pension Cost (APC)	% of APC Contributed	Net Pension Obligation
<u>General</u>			
12/31/10	472,936	100%	0
12/31/09	454,028	100%	0
12/31/08	418,654	100%	0
<u>Police</u>			
12/31/10	490,641	100%	0
12/31/09	466,941	100%	0
12/31/08	453,071	100%	0
<u>Firemen</u>			
12/31/10	116,340	100%	0
12/31/09	124,682	100%	0
12/31/08	112,021	100%	0

Actuarial Methods and Assumptions

	General Employees	Police	Firemen
Actuarial valuation date	1/1/2009	1/1/2009	1/1/2009
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method	Level Dollar Closed	Level Dollar Closed	Level Dollar Closed
Remaining amortization period	18 years	17 years	16 years
Asset valuation method	Five year smoothed value	Five year smoothed value	Five year smoothed value
Actuarial assumptions:			
Investment rate of return	8%	8%	8%
Projected salary increases	6%	6%	6%
Cost-of-living adjustments	N/A	4%	4%
Inflation Rate	Based on long-term historical average rates	Based on long-term historical average rates	Based on long-term historical average rates

Funded Status and Funding Progress

The following is funded status information for each plan as of January 1, 2009, the most recent actuarial valuation date:

	Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	(Overfunded) Unfunded AAL ("UAAL")	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
General	1/1/2009	15,984,144	17,342,609	1,358,465	92.17%	6,873,071	19.77%
Police	1/1/2009	7,840,209	9,833,514	1,993,305	79.73%	1,824,708	109.24%
Firemen	1/1/2009	3,584,099	4,619,052	1,034,953	77.59%	1,231,786	84.02%

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

Note 7. Pension Plans (Continued)

Financial Statements

The following are financial statements as of December 31, 2010 for the individual pension plans maintained by the Borough:

	Firemen's Pension Fund	Police Pension Fund	Bargaining and Administrative Employees Pension Fund	Total Pension Trust Funds
ASSETS				
Cash and cash equivalents	\$ 192,431	\$ 542,870	\$ 988,412	\$ 1,723,713
Mutual funds - U.S. Securities	1,001,749	2,265,783	4,185,621	7,453,153
Mutual funds - Stocks	2,288,521	5,289,566	9,898,860	17,476,947
Mutual funds - Real estate securities	105,671	275,027	531,771	912,469
Total assets	<u>\$ 3,588,372</u>	<u>\$ 8,373,246</u>	<u>\$ 15,604,664</u>	<u>\$ 27,566,282</u>
NET ASSETS				
Held in trust for benefits and other purposes	<u>\$ 3,588,372</u>	<u>\$ 8,373,246</u>	<u>\$ 15,604,664</u>	<u>\$ 27,566,282</u>

	Firemen's Pension Fund	Police Pension Fund	Bargaining and Administrative Employees Pension Fund	Total Pension Trust Funds
ADDITIONS				
Contributions				
Employer - contributions	\$ 116,340	\$ 490,641	\$ 472,936	\$ 1,079,917
Total contributions	<u>116,340</u>	<u>490,641</u>	<u>472,936</u>	<u>1,079,917</u>
Investment income:				
Net appreciation (depreciation) in fair value of investments and gains (loss) on sale of investments	395,623	808,400	1,544,582	2,748,605
Interest, dividends and other	72,652	167,121	319,379	559,152
Total net investment income/(loss)	<u>468,275</u>	<u>975,521</u>	<u>1,863,961</u>	<u>3,307,757</u>
Total additions	<u>584,615</u>	<u>1,466,162</u>	<u>2,336,897</u>	<u>4,387,674</u>
DEDUCTIONS				
Benefits	230,557	414,786	1,045,298	1,690,641
Administrative expenses	1,021	1,666	4,842	7,529
Total deductions	<u>231,578</u>	<u>416,452</u>	<u>1,050,140</u>	<u>1,698,170</u>
Change in net assets	353,037	1,049,710	1,286,757	2,689,504
Net assets - beginning	<u>3,235,335</u>	<u>7,323,536</u>	<u>14,317,907</u>	<u>24,876,778</u>
Net assets - ending	<u>\$ 3,588,372</u>	<u>\$ 8,373,246</u>	<u>\$ 15,604,664</u>	<u>\$ 27,566,282</u>

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 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).

Note 8. Postemployment Healthcare Plan (Continued)

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

Funding Policy

The Borough funds Plan liabilities on a “pay-as-you-go” basis, and has not established an OPEB trust fund to accumulate assets to fund Plan obligations. The Borough has no statutory or contractual obligation to fund the Plan and only does so at the Borough’s discretion. The Borough funds the implicit rate subsidy through the payment of health insurance premiums. For fiscal year 2010, the Borough contributed \$ 59,487 in the form of additional premiums for active employees based on implicit rates for retired employees to the plan. Plan members receiving benefits also contributed \$ 29,402, or approximately 102% of the total premiums.

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution (ARC)	\$ 227,541
Estimated interest on Net OPEB obligation	15,718
Estimated adjustment to ARC	<u>(21,443)</u>
Annual OPEB Cost	221,816
Employer contributions made	<u>(59,487)</u>
Increase in net OPEB obligation	162,329
Net OPEB obligation – beginning of the year	<u>349,282</u>
Net OPEB obligation – end of the year	<u>\$ 511,611</u>

The Borough’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008-2010 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/10	\$ 221,816	27%	\$ 511,611
12/31/09	\$ 240,938	32%	\$ 349,282
12/31/08	\$ 243,974	24%	\$ 185,254

Note 8. Postemployment Healthcare Plan (Continued)

Funded Status and Funding Progress

As of January 1, 2010, the most recent actuarial valuation date, the plan had the following funding status and progress:

Valuation Date	Actuarial Value of Assets	Actuarial Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2010	\$ 0	\$ 812,880	\$ 812,880	0.00%	\$ 9,425,804	8.62%
1/1/2010	\$ 0	\$ 674,215	\$ 674,215	0.00%	\$ 10,934,753	6.17%

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

Actuarial Methods and Assumptions

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

In the January 1, 2010 actuarial valuation, the entry age normal cost method was used. The actuarial assumption included a 4.5 percent investment rate of return (net of administrative expenses), annual salary increases of 6% and an annual healthcare cost trend rate of 7.5 percent in 2010, decreasing .5 percent to an ultimate rate of 5.5% in 2014 with rates gradually decreasing from 5.3% in 2015 to 4.2% in 2099 and later. The actuarial value of assets was based on the fair value of assets, of which there are none. The UAAL is being amortized based on a level dollar 30 year open period.

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, 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.

Note 9. Risk Management (Continued)

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
2010				
Self-insurance fund	\$ 31,725	\$ 74,322	(\$ 4,528)	\$ 101,519
Workers' compensation fund	508,420	182,154	(175,996)	514,578
2009				
Self-insurance fund	\$ 93,804	\$ 67,227	(\$ 29,306)	\$ 131,725
Workers' compensation fund	445,360	355,216	(292,156)	508,420

The Borough is part of the Capital Region Insurance Trust (CRIT). 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 CRIT 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. The reinsurance policy that is purchased through the Pennsylvania Municipal Health Insurance Cooperative is used to pay the 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 CRIT during the year were \$ 2,627,138. During 2010, the Borough received \$ 74,768 from CRIT as a refund for prior premiums paid.

Note 10. Commitments

The Borough has the following projects open at December 31, 2010:

Project Description	Total contractual commitments					General	Costs paid as of 12/31/10	Costs to complete
	Electric	Gas	Water	Sewer				
EPA water project	\$ 0	\$ 0	\$ 275,000	\$ 0	\$ 0	\$ 0	\$ 231,551	\$ 43,449
Construction fund for future traffic related public improvements	0	0	0	0	150,000	0	0	150,000
Upgrade gas mains	0	914,000	0	0	0	0	486,612	427,388
Act 537 sewage plan	0	0	0	150,000	0	0	121,606	28,394
Municipal pool upgrades	0	0	0	0	375,000	0	326,444	48,556
Mill Creek Acres Park	0	0	0	0	228,184	0	209,595	18,589
SCADA Facilities at water plant	0	0	2,000,000	0	0	0	1,887,942	112,058
Raw water system improvements	0	0	400,000	0	0	0	79,106	320,894
Hospital 12KV express	300,000	0	0	0	0	0	276,970	23,030
Upgrade feeder #163	150,000	0	0	0	0	0	12,853	137,147
Addition to Commerce Street substation	225,000	0	0	0	0	0	196,518	28,482
Wastewater treatment plant upgrade (*)	0	0	0	45,000,000	0	0	14,341	44,985,659
Garage at wastewater treatment plant	0	0	0	1,500,000	0	0	0	1,500,000
Installation of flow meters	0	0	0	200,000	0	0	0	200,000
Design and construction of salt storage shed	0	0	0	0	175,000	0	149,557	25,443
Various	108,000	75,000	13,000	0	527,942	0	397,925	326,017
Totals	<u>\$ 783,000</u>	<u>\$ 989,000</u>	<u>\$ 2,688,000</u>	<u>\$ 46,850,000</u>	<u>\$ 1,456,126</u>	<u>\$ 0</u>	<u>\$ 4,391,020</u>	<u>\$ 48,375,106</u>

(*) The Borough will be reimbursed by the Townships for approximately 70% of the total cost.

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, 2010 outstanding note balances under conduit debt arrangements were as follows:

Wilson College	\$ 31,180,000
Lutheran Homes	2,553,757
Children's Aid Society	1,717,365
Franklin County Library	590,000

Note 12. Restatement

A restatement was necessary in the Water and Sewer Funds to correct receivables related to grant expenditures at December 31, 2009.

	Water Fund	Sewer Fund	Business-Type Activities
Net Assets - December 31, 2009, as originally stated	\$ 25,902,293	\$ 20,975,048	\$ 101,804,393
To properly state receivables at December 31, 2009	<u>79,425</u>	<u>449,325</u>	<u>528,750</u>
Restated Net Assets - December 31, 2009	<u>\$ 25,981,718</u>	<u>\$ 21,424,373</u>	<u>\$ 102,333,143</u>
Change in net assets, as originally stated	\$ 1,536,786	(\$ 122,121)	(\$ 340,530)
Restatement for receivables	<u>79,425</u>	<u>449,325</u>	<u>528,750</u>
Change in net assets, as restated	<u>\$ 1,616,211</u>	<u>\$ 327,204</u>	<u>\$ 188,220</u>

REQUIRED SUPPLEMENTARY INFORMATION

**BOROUGH OF CHAMBERSBURG
PENSION TRUST FUNDS**

UNAUDITED REQUIRED SCHEDULE OF FUNDING PROGRESS

	Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	(Overfunded) Unfunded AAL ("UAAL")	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
General:	1/1/2001	14,964,894	11,296,029 (	3,668,865)	132.50%	4,535,055 (	80.90%)
	1/1/2003	13,634,556	12,130,524 (	1,504,032)	112.40%	4,950,432 (	30.40%)
	1/1/2005	14,503,660	13,918,831 (	584,829)	104.20%	5,708,522 (	10.20%)
	1/1/2007	16,163,230	15,456,281 (	706,949)	104.60%	6,172,381 (	11.50%)
	1/1/2009	15,984,144	17,342,609	1,358,465	92.17%	6,873,071	19.77%
Police:	1/1/2001	6,261,463	5,482,624 (	778,839)	114.20%	1,209,026 (	64.40%)
	1/1/2003	5,659,347	6,562,832	903,485	86.20%	1,307,425	69.10%
	1/1/2005	6,240,158	7,671,322	1,431,164	81.30%	1,431,559	100.00%
	1/1/2007	7,351,019	8,637,360	1,286,341	85.10%	1,558,754	82.50%
	1/1/2009	7,840,209	9,833,514	1,993,305	79.73%	1,824,708	109.24%
Firemen:	1/1/2001	3,511,706	2,691,998 (	819,708)	130.40%	687,557 (	119.20%)
	1/1/2003	3,081,688	2,933,945 (	147,743)	105.00%	728,352 (	20.30%)
	1/1/2005	3,209,245	3,382,444	173,199	94.90%	925,075	18.70%
	1/1/2007	3,546,426	3,672,003	125,577	96.60%	867,312	14.50%
	1/1/2009	3,584,099	4,619,052	1,034,953	77.59%	1,231,786	84.02%

**BOROUGH OF CHAMBERSBURG
PENSION TRUST FUNDS**

UNAUDITED REQUIRED SCHEDULE OF EMPLOYER CONTRIBUTIONS

Calendar Year	----- General -----			----- Police -----			----- Firemen -----		
	Annual Required Contribution	Contributions From Employer	Percentage Contributed	Annual Required Contribution	Contributions From Employer	Percentage Contributed	Annual Required Contribution	Contributions From Employer	Percentage Contributed
2005	346,427	346,427	100.0%	380,106	380,106	100.0%	102,524	102,524	100.0%
2006	351,368	351,368	100.0%	404,176	404,176	100.0%	109,004	109,004	100.0%
2007	438,129	438,129	100.0%	454,641	454,641	100.0%	131,129	131,129	100.0%
2008	418,654	418,654	100.0%	453,071	453,071	100.0%	112,021	112,021	100.0%
2009	454,028	454,028	100.0%	466,941	466,941	100.0%	124,682	124,682	100.0%
2010	454,028	454,028	100.0%	466,941	466,941	100.0%	124,682	124,682	100.0%

BOROUGH OF CHAMBERSBURG
OPEB (Other Postemployment Benefit Plan)

UNAUDITED REQUIRED SCHEDULE OF FUNDING PROGRESS

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2008	\$ 0	\$ 812,880	\$ 812,880	0.00%	\$ 9,425,804	8.62%
1/1/2010	\$ 0	\$ 674,215	\$ 674,215	0.00%	\$ 10,934,753	6.17%

This schedule will be expanded to show multi-year trend information as additional actuarial valuations are performed in the future.

BOROUGH OF CHAMBERSBURG
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the year ended December 31, 2010

	Original/Final Budget	Actual (Budgetary/GAAP Basis)	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes	\$ 6,433,500	\$ 6,353,016	(\$ 80,484)
Licenses and permits	307,000	326,171	19,171
Fines and forfeits	124,000	130,940	6,940
Investment earnings	30,000	10,549	(19,451)
Intergovernmental	847,700	915,683	67,983
Departmental charges for services	1,334,500	1,792,542	458,042
Miscellaneous	159,500	143,525	(15,975)
Total revenues	<u>9,236,200</u>	<u>9,672,426</u>	<u>436,226</u>
EXPENDITURES			
General government	852,850	1,027,749	(174,899)
Police department	4,287,825	4,335,754	(47,929)
Fire department	2,080,670	1,965,251	115,419
General health and ambulance service	895,100	1,163,752	(268,652)
Planning and zoning	417,750	455,054	(37,304)
Highways	1,029,000	1,005,448	23,552
Other	463,950	474,173	(10,223)
Culture and recreation	1,356,950	1,340,074	16,876
Miscellaneous expense	123,500	103,367	20,133
Total expenditures	<u>11,507,595</u>	<u>11,870,622</u>	<u>(363,027)</u>
Excess (deficiency) of revenues over expenditures	<u>(2,271,395)</u>	<u>(2,198,196)</u>	<u>73,199</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	1,972,000	1,984,000	12,000
Transfers out	<u>(519,000)</u>	<u>(550,000)</u>	<u>(31,000)</u>
Total other financing sources and uses	<u>1,453,000</u>	<u>1,434,000</u>	<u>(19,000)</u>
Net change in fund balances	<u>(\$ 818,395)</u>	<u>(764,196)</u>	<u>\$ 54,199</u>
Fund balances - beginning		<u>2,139,230</u>	
Fund balances - ending		<u>\$ 1,375,034</u>	

BOROUGH OF CHAMBERSBURG

**BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND GRANT PROGRAMS
For the year ended December 31, 2010**

	Original/Final Budget	Actual (Budgetary/GAAP Basis)	Variance with Final Budget Positive (Negative)
REVENUES			
Investment earnings	\$ 0	\$ 95	\$ 95
Intergovernmental	2,522,700	767,504	(1,755,196)
Miscellaneous	<u>0</u>	<u>62,643</u>	<u>62,643</u>
Total revenues	<u>2,522,700</u>	<u>830,242</u>	<u>(1,692,458)</u>
EXPENDITURES (by department)			
General government	0	62,997	62,997
Public Safety			
Police department	3,000	17,128	14,128
Fire department	0	2,500	2,500
Public works			
Highways	0	125,467	125,467
Culture and recreation	3,000	20,287	17,287
Community development	2,595,300	418,985	(2,176,315)
Miscellaneous expenditures	<u>0</u>	<u>11,436</u>	<u>11,436</u>
Total expenditures	<u>2,601,300</u>	<u>658,800</u>	<u>(1,942,500)</u>
Excess (deficiency) of revenues over expenditures	<u>(78,600)</u>	<u>171,442</u>	<u>250,042</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	6,000	107	(5,893)
Transfers out	<u>0</u>	<u>(86,395)</u>	<u>(86,395)</u>
Total other financing sources and uses	<u>6,000</u>	<u>(86,288)</u>	<u>(92,288)</u>
Net change in fund balances	<u>(\$ 72,600)</u>	85,154	<u>\$ 157,754</u>
Fund balances - beginning		<u>300,454</u>	
Fund balances - ending		<u>\$ 385,608</u>	

OTHER SUPPLEMENTARY INFORMATION

OTHER GOVERNMENTAL FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

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

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

BOROUGH OF CHAMBERSBURG

**COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
December 31, 2010**

	Special Revenue Liquid Fuels Fund	Capital Reserve Fund	Total - Other Governmental Funds
ASSETS			
Cash and equity in pooled cash and investments	\$ 860,642	\$ 2,770,199	\$ 3,630,841
Other receivables	0	214,401	214,401
Total assets	<u>\$ 860,642</u>	<u>\$ 2,984,600</u>	<u>\$ 3,845,242</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 0	\$ 98,433	\$ 98,433
Accrued wages, benefits and withholdings	0	0	0
Total liabilities	<u>0</u>	<u>98,433</u>	<u>98,433</u>
Fund balances			
Reserved for:			
Long term loans	0	198,019	198,019
Unreserved	860,642	2,688,148	3,548,790
Total fund balances	<u>860,642</u>	<u>2,886,167</u>	<u>3,746,809</u>
Total liabilities and fund balances	<u>\$ 860,642</u>	<u>\$ 2,984,600</u>	<u>\$ 3,845,242</u>

BOROUGH OF CHAMBERSBURG

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
For the Year Ended December 31, 2010**

	Special Revenue Liquid Fuels Fund	Capital Reserve Fund	Total - Other Governmental Funds
REVENUES			
Investment earnings	\$ 2,129	\$ 24,688	\$ 26,817
Intergovernmental	361,919	0	361,919
Licenses and permits	0	31,379	31,379
Contributions and donations	0	79,094	79,094
Miscellaneous	0	6,785	6,785
Total revenues	<u>364,048</u>	<u>141,946</u>	<u>505,994</u>
EXPENDITURES			
General government	0	59,818	59,818
Public Safety			
Fire department	0	88,606	88,606
Police department	0	245,083	245,083
Ambulance	0	20,336	20,336
Public works			
Highways	0	976,939	976,939
Other	0	516,489	516,489
Culture and recreation	0	443,109	443,109
Community development	0	68,592	68,592
Total expenditures	<u>0</u>	<u>2,418,972</u>	<u>2,418,972</u>
Excess (deficiency) of revenues over expenditures	<u>364,048</u>	<u>(2,277,026)</u>	<u>(1,912,978)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	0	598,553	598,553
Transfers out	<u>(600,000)</u>	<u>(107)</u>	<u>(600,107)</u>
Total other financing sources and uses	<u>(600,000)</u>	<u>598,446</u>	<u>(1,554)</u>
Net change in fund balances	<u>(235,952)</u>	<u>(1,678,580)</u>	<u>(1,914,532)</u>
Fund balances - beginning	<u>1,096,594</u>	<u>4,564,747</u>	<u>5,661,341</u>
Fund balances - ending	<u>\$ 860,642</u>	<u>\$ 2,886,167</u>	<u>\$ 3,746,809</u>

BOROUGH OF CHAMBERSBURG
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND - LIQUID FUELS
For the year ended December 31, 2010

	Original/Final Budget	Actual (Budgetary/GAAP Basis)	Variance with Final Budget Positive (Negative)
REVENUES			
Investment earnings	\$ 4,500	\$ 2,129	(\$ 2,371)
Intergovernmental	<u>400,000</u>	<u>361,919</u>	<u>(38,081)</u>
Total revenues	<u>\$ 404,500</u>	<u>\$ 364,048</u>	<u>(\$ 40,452)</u>
EXPENDITURES			
	<u>0</u>	<u>0</u>	<u>0</u>
Excess (deficiency) of revenues over expenditures	<u>404,500</u>	<u>364,048</u>	<u>(40,452)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	0	0	0
Transfers out	<u>(600,000)</u>	<u>(600,000)</u>	<u>0</u>
Total other financing sources and uses	<u>(600,000)</u>	<u>(600,000)</u>	<u>0</u>
Net change in fund balances	<u>(\$ 195,500)</u>	<u>(235,952)</u>	<u>(\$ 40,452)</u>
Fund balances - beginning		<u>1,096,594</u>	
Fund balances - ending		<u>\$ 860,642</u>	

BOROUGH OF CHAMBERSBURG

BUDGETARY COMPARISON SCHEDULE

CAPITAL RESERVE FUND

For the year ended December 31, 2010

	Original/Final Budget	Actual (Budgetary/GAAP Basis)	Variance with Final Budget Positive (Negative)
REVENUES			
Investment earnings	\$ 60,000	\$ 24,688	(\$ 35,312)
Licenses and permits	0	31,379	31,379
Contributions and donations	100,000	79,094	(20,906)
Miscellaneous	17,600	6,785	(10,815)
Total revenues	<u>177,600</u>	<u>141,946</u>	<u>(35,654)</u>
EXPENDITURES			
General government	50,000	59,818	(9,818)
Police department	135,000	245,083	(110,083)
Fire department	15,000	88,606	(73,606)
Ambulance	26,000	20,336	5,664
Highways	375,000	976,939	(601,939)
Other public works	135,000	516,489	(381,489)
Culture and recreation	615,000	443,109	171,891
Miscellaneous expense	72,000	68,592	3,408
Total expenditures	<u>1,423,000</u>	<u>2,418,972</u>	<u>(995,972)</u>
Excess (deficiency) of revenues over expenditures	<u>(1,245,400)</u>	<u>(2,277,026)</u>	<u>(1,031,626)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	473,000	598,553	125,553
Transfers out	0	(107)	(107)
Total other financing sources and uses	<u>473,000</u>	<u>598,446</u>	<u>125,446</u>
Net change in fund balances	<u>(\$ 772,400)</u>	<u>(1,678,580)</u>	<u>(\$ 906,180)</u>
Fund balances - beginning		<u>4,564,747</u>	
Fund balances - ending		<u>\$ 2,886,167</u>	

OTHER ENTERPRISE FUNDS

BOROUGH OF CHAMBERSBURG

**COMBINING STATEMENT OF NET ASSETS
OTHER ENTERPRISE FUNDS
December 31, 2010**

	Sanitation Fund	Parking Fund	Total Other Enterprise Funds
ASSETS			
Current assets			
Cash and equity in pooled cash and investments	\$ 1,262,517	\$ 161,951	\$ 1,424,468
Accounts receivable, net	127,531	390	127,921
Other receivables	4,000	515	4,515
Prepaid expenses	1,006	0	1,006
Total current assets	<u>1,395,054</u>	<u>162,856</u>	<u>1,557,910</u>
Noncurrent assets			
Capital assets			
Land	0	111,153	111,153
Buildings and system	75,529	0	75,529
Improvements other than buildings	2,158	44,998	47,156
Machinery and equipment	443,454	128,072	571,526
Less accumulated depreciation	<u>(474,708)</u>	<u>(149,237)</u>	<u>(623,945)</u>
Total capital assets	<u>46,433</u>	<u>134,986</u>	<u>181,419</u>
Total noncurrent assets	<u>46,433</u>	<u>134,986</u>	<u>181,419</u>
Total assets	<u>\$ 1,441,487</u>	<u>\$ 297,842</u>	<u>\$ 1,739,329</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 22,100	\$ 616	\$ 22,716
Accrued wages payable	8,433	430	8,863
Compensated absences - current	32,887	2,727	35,614
Total current liabilities	<u>63,420</u>	<u>3,773</u>	<u>67,193</u>
Noncurrent liabilities			
Compensated absences	47,761	6,121	53,882
Net OPEB obligation	6,126	1,110	7,236
Total non-current liabilities	<u>53,887</u>	<u>7,231</u>	<u>61,118</u>
Total liabilities	<u>117,307</u>	<u>11,004</u>	<u>128,311</u>
NET ASSETS			
Invested in capital assets, net of related debt	45,716	134,986	180,702
Unrestricted	1,278,464	151,852	1,430,316
Total net assets	<u>1,324,180</u>	<u>286,838</u>	<u>1,611,018</u>
Total liabilities and net assets	<u>\$ 1,441,487</u>	<u>\$ 297,842</u>	<u>\$ 1,739,329</u>

BOROUGH OF CHAMBERSBURG

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
OTHER ENTERPRISE FUNDS
For the Year Ended December 31, 2010**

	Sanitation Fund	Parking Fund	Total Other Enterprise Funds
REVENUES			
Charges for services	\$ 1,992,398	\$ 103,611	\$ 2,096,009
Miscellaneous	47,552	30,470	78,022
Total operating revenues	<u>2,039,950</u>	<u>134,081</u>	<u>2,174,031</u>
OPERATING EXPENSES			
Operation and maintenance	0	88,822	88,822
Collection and disposal	1,873,054	0	1,873,054
Customer accounting and administrative	254,131	79,158	333,289
Depreciation	10,567	4,799	15,366
Total operating expenses	<u>2,137,752</u>	<u>172,779</u>	<u>2,310,531</u>
Operating income (loss)	<u>(97,802)</u>	<u>(38,698)</u>	<u>(136,500)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest and investment revenue	9,872	1,325	11,197
Gain (loss) on sale of assets	0	0	0
Other nonoperating revenues	1,992	2,416	4,408
Intergovernmental revenues	113,744	7,680	121,424
Total nonoperating revenue (expenses)	<u>125,608</u>	<u>11,421</u>	<u>137,029</u>
Income (loss) before contributions and transfers	<u>27,806</u>	<u>(27,277)</u>	<u>529</u>
Transfers in	0	0	0
Transfers out	<u>(22,842)</u>	<u>0</u>	<u>(22,842)</u>
Change in net assets	<u>4,964</u>	<u>(27,277)</u>	<u>(22,313)</u>
Total net assets - beginning	<u>1,319,216</u>	<u>314,115</u>	<u>1,633,331</u>
Total net assets - ending	<u>\$ 1,324,180</u>	<u>\$ 286,838</u>	<u>\$ 1,611,018</u>

BOROUGH OF CHAMBERSBURG
COMBINING STATEMENT OF CASH FLOWS
OTHER ENTERPRISE FUNDS
For the Year Ended December 31, 2010

	Sanitation Fund	Parking Fund	Total Other Enterprise Funds
Cash flows from operating activities:			
Receipts from customers	\$ 2,016,565	\$ 137,682	\$ 2,154,247
Payments to suppliers	(1,262,348)	(117,580)	(1,379,928)
Payments to and on behalf of employees	(852,696)	(53,515)	(906,211)
Net cash provided (used) by operating activities	<u>(98,479)</u>	<u>(33,413)</u>	<u>(131,892)</u>
Cash flows from capital and related financing activities:			
Purchase of capital assets	(17,783)	(4,612)	(22,395)
Net cash provided (used) by capital and related financing activities	<u>(17,783)</u>	<u>(4,612)</u>	<u>(22,395)</u>
Cash flows from non-capital financing activities:			
Transfers to other funds	(22,842)	0	(22,842)
Grants received	113,744	7,680	121,424
Net cash provided (used) by non-capital financing activities	<u>90,902</u>	<u>7,680</u>	<u>98,582</u>
Cash flows from investing activities:			
Interest and dividends received	11,536	1,662	13,198
Net cash provided (used) by investing activities	<u>11,536</u>	<u>1,662</u>	<u>13,198</u>
Net increase (decrease) in cash and cash equivalents	(13,824)	(28,683)	(42,507)
Cash and cash equivalents - beginning of the year	<u>1,276,341</u>	<u>190,634</u>	<u>1,466,975</u>
Cash and cash equivalents - end of the year	<u>\$ 1,262,517</u>	<u>\$ 161,951</u>	<u>\$ 1,424,468</u>
Reconciliation of income from operations to net cash provided			
(used) by operating activities			
Operating income (loss)	(\$ 97,802)	(\$ 38,698)	(\$ 136,500)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization expense	10,567	4,799	15,366
Miscellaneous nonoperating income	1,992	2,416	4,408
(Increase) decrease in:			
Accounts receivable	(25,377)	1,185	(24,192)
Prepaid expenses	(294)	0	(294)
Increase (decrease) in:			
Accounts payable	<u>12,435</u>	<u>(3,115)</u>	<u>9,320</u>
Net cash provided (used) by operating activities	<u>(\$ 98,479)</u>	<u>(\$ 33,413)</u>	<u>(\$ 131,892)</u>

INTERNAL SERVICE FUNDS

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

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

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

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

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

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

BOROUGH OF CHAMBERSBURG

**COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
December 31, 2010**

	Stores Fund	Motor Equipment Fund	Self Insurance Fund
ASSETS			
Current assets			
Cash and equity in pooled cash and investments	\$ 347,584	\$ 4,426,191	\$ 5,562,218
Accounts receivable, net	126	22,364	0
Other receivables	1,098	14,006	17,592
Inventories	1,172,327	65,190	0
Prepaid expenses	<u>132</u>	<u>2,242</u>	<u>0</u>
Total current assets	<u>1,521,267</u>	<u>4,529,993</u>	<u>5,579,810</u>
Noncurrent assets			
Capital Assets			
Land	0	13,984	0
Buildings and system	5,823	153,858	0
Machinery and equipment	5,287	7,108,391	0
Less accumulated depreciation	<u>(8,272)</u>	<u>(4,214,493)</u>	<u>0</u>
Total capital assets	<u>2,838</u>	<u>3,061,740</u>	<u>0</u>
Total assets	<u>\$ 1,524,105</u>	<u>\$ 7,591,733</u>	<u>\$ 5,579,810</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 4,173	\$ 5,212	\$ 0
Salaries payable	1,152	2,994	0
Compensated absences - current	4,341	19,604	0
Liability for self-insured losses - current	<u>0</u>	<u>0</u>	<u>33,883</u>
Total current liabilities	<u>9,666</u>	<u>27,810</u>	<u>33,883</u>
Noncurrent liabilities			
Compensated absences	1,902	36,640	0
Liability for self-insured losses	0	0	67,636
Net OPEB obligation	<u>1,480</u>	<u>2,389</u>	<u>0</u>
Total noncurrent liabilities	<u>3,382</u>	<u>39,029</u>	<u>67,636</u>
Total liabilities	<u>13,048</u>	<u>66,839</u>	<u>101,519</u>
NET ASSETS			
Invested in capital assets, net of related debt	2,838	3,061,740	0
Unrestricted	<u>1,508,219</u>	<u>4,463,154</u>	<u>5,478,291</u>
Total net assets	<u>1,511,057</u>	<u>7,524,894</u>	<u>5,478,291</u>
Total liabilities and net assets	<u>\$ 1,524,105</u>	<u>\$ 7,591,733</u>	<u>\$ 5,579,810</u>

Engineering Fund	Worker's Compensation Fund	Administrative Services Fund	Total Internal Service Funds
\$ 195,944	\$ 520,959	\$ 0	\$ 11,052,896
0	0	2,477	24,967
616	1,647	0	34,959
0	0	0	1,237,517
0	0	0	2,374
<u>196,560</u>	<u>522,606</u>	<u>2,477</u>	<u>12,352,713</u>
0	0	0	13,984
0	0	0	159,681
46,448	0	0	7,160,126
(39,947)	0	0	(4,262,712)
<u>6,501</u>	<u>0</u>	<u>0</u>	<u>3,071,079</u>
<u>\$ 203,061</u>	<u>\$ 522,606</u>	<u>\$ 2,477</u>	<u>\$ 15,423,792</u>
\$ 355	\$ 12,782	\$ 17,970	\$ 40,492
963	8	14,844	19,961
13,586	0	83,625	121,156
0	171,745	0	205,628
<u>14,904</u>	<u>184,535</u>	<u>116,439</u>	<u>387,237</u>
12,739	0	142,568	193,849
0	342,833	0	410,469
682	0	13,197	17,748
<u>13,421</u>	<u>342,833</u>	<u>155,765</u>	<u>622,066</u>
<u>28,325</u>	<u>527,368</u>	<u>272,204</u>	<u>1,009,303</u>
6,501	0	0	3,071,079
168,235	(4,762)	(269,727)	11,343,410
<u>174,736</u>	<u>(4,762)</u>	<u>(269,727)</u>	<u>14,414,489</u>
<u>\$ 203,061</u>	<u>\$ 522,606</u>	<u>\$ 2,477</u>	<u>\$ 15,423,792</u>

BOROUGH OF CHAMBERSBURG

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2010**

	Stores Fund	Motor Equipment Fund	Self Insurance Fund
OPERATING REVENUES			
Charges for services	\$ 169,161	\$ 1,951,976	\$ 0
Miscellaneous	<u>2</u>	<u>0</u>	<u>0</u>
Total operating revenues	<u>169,163</u>	<u>1,951,976</u>	<u>0</u>
OPERATING EXPENSES			
Operation and maintenance	117,686	751,604	0
General and administrative	49,796	101,639	1,381
Claim payments and special services	0	0	7,748
Increase (decrease) in expected unpaid losses	0	0	(30,206)
Depreciation and amortization	<u>146</u>	<u>493,534</u>	<u>0</u>
Total operating expenses	<u>167,628</u>	<u>1,346,777</u>	<u>(21,077)</u>
Operating income (loss)	<u>1,535</u>	<u>605,199</u>	<u>21,077</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest and investment revenue	2,651	26,051	35,169
Gain (loss) on sale of assets	0	7,800	0
Reimbursement of prior year expense	0	0	74,768
Intergovernmental revenue	<u>3,408</u>	<u>6,557</u>	<u>0</u>
Total non-operating revenue (expenses)	<u>6,059</u>	<u>40,408</u>	<u>109,937</u>
Income (loss) before transfers	7,594	645,607	131,014
Transfers in	0	0	0
Transfers out	<u>0</u>	<u>(50,000)</u>	<u>0</u>
Change in net assets	7,594	595,607	131,014
Total net assets - beginning	<u>1,503,463</u>	<u>6,929,287</u>	<u>5,347,277</u>
Total net assets - ending	<u>\$ 1,511,057</u>	<u>\$ 7,524,894</u>	<u>\$ 5,478,291</u>

Engineering Fund	Worker's Compensation Fund	Administrative Services Fund	Total Internal Service Funds
\$ 184,879	\$ 0	\$ 2,153,163	\$ 4,459,179
0	42	3,067	3,111
<u>184,879</u>	<u>42</u>	<u>2,156,230</u>	<u>4,462,290</u>
27,546	0	2,130,113	3,026,949
108,903	76,083	0	337,802
0	180,596	0	188,344
0	6,158	0	(24,048)
2,798	0	0	496,478
<u>139,247</u>	<u>262,837</u>	<u>2,130,113</u>	<u>4,025,525</u>
<u>45,632</u>	<u>(262,795)</u>	<u>26,117</u>	<u>436,765</u>
1,367	4,324	0	69,562
986	0	0	8,786
0	0	0	74,768
1,559	0	31,582	43,106
<u>3,912</u>	<u>4,324</u>	<u>31,582</u>	<u>196,222</u>
49,544	(258,471)	57,699	632,987
0	200,000	0	200,000
(25,000)	0	(72,948)	(147,948)
24,544	(58,471)	(15,249)	685,039
150,192	53,709	(254,478)	13,729,450
<u>\$ 174,736</u>	<u>(\$ 4,762)</u>	<u>(\$ 269,727)</u>	<u>\$ 14,414,489</u>

BOROUGH OF CHAMBERSBURG
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2010

	Stores Fund	Motor Equipment Fund	Self Insurance Fund
Cash flows from operating activities:			
Interfund services provided	\$ 169,526	\$ 1,952,155	\$ 0
Payments to suppliers	38,840	(524,582)	(9,129)
Payments to and on behalf of employees	(119,217)	(347,704)	0
Net cash provided (used) by operating activities	<u>89,149</u>	<u>1,079,869</u>	<u>(9,129)</u>
Cash flows from capital and related financing activities:			
Purchase of capital assets	0	(529,949)	0
Proceeds from sale of capital assets	0	7,800	0
Net cash provided (used) by capital and related financing activities	<u>0</u>	<u>(522,149)</u>	<u>0</u>
Cash flows from non-capital financing activities:			
Transfer from other funds	0	0	0
Transfer to other funds	0	(50,000)	0
Refund received for health insurance	0	0	74,768
Grants received	3,408	6,557	0
Net cash provided (used) by non-capital financing activities	<u>3,408</u>	<u>(43,443)</u>	<u>74,768</u>
Cash flows from investing activities:			
Interest and dividends received	2,672	29,225	41,730
Net cash provided (used) by investing activities	<u>2,672</u>	<u>29,225</u>	<u>41,730</u>
Net increase (decrease) in cash and cash equivalents	<u>95,229</u>	<u>543,502</u>	<u>107,369</u>
Cash and cash equivalents - beginning of the year	<u>252,355</u>	<u>3,882,689</u>	<u>5,454,849</u>
Cash and cash equivalents - end of the year	<u>\$ 347,584</u>	<u>\$ 4,426,191</u>	<u>\$ 5,562,218</u>
Reconciliation of income from operations to net cash provided (used) by operating activities			
Operating income (loss)	\$ 1,535	\$ 605,199	\$ 21,077
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization expense	146	493,534	0
Miscellaneous nonoperating income	0	0	0
(Increase) decrease in:			
Accounts receivable	363	179	0
Inventories	99,599	(1,983)	0
Prepaid expenses	(1)	(1,371)	0
Increase (decrease) in:			
Accounts payable and accrued expenses	(12,493)	(15,689)	(30,206)
Net cash provided (used) by operating activities	<u>\$ 89,149</u>	<u>\$ 1,079,869</u>	<u>(\$ 9,129)</u>

Engineering Fund	Worker's Compensation Fund	Administrative Services Fund	Total
\$ 184,879	\$ 42	\$ 2,156,364	\$ 4,462,966
(29,390)	(230,904)	(539,907)	(1,295,072)
(104,140)	(21,357)	(1,575,091)	(2,167,509)
<u>51,349</u>	<u>(252,219)</u>	<u>41,366</u>	<u>1,000,385</u>
0	0	0	(529,949)
<u>0</u>	<u>0</u>	<u>0</u>	<u>7,800</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>(522,149)</u>
0	200,000	0	200,000
(25,000)	0	(72,948)	(147,948)
0	0	0	74,768
<u>1,559</u>	<u>0</u>	<u>31,582</u>	<u>43,106</u>
<u>(23,441)</u>	<u>200,000</u>	<u>(41,366)</u>	<u>169,926</u>
<u>1,492</u>	<u>5,201</u>	<u>0</u>	<u>80,320</u>
<u>1,492</u>	<u>5,201</u>	<u>0</u>	<u>80,320</u>
<u>29,400</u>	<u>(47,018)</u>	<u>0</u>	<u>728,482</u>
<u>166,544</u>	<u>567,977</u>	<u>0</u>	<u>10,324,414</u>
<u>\$ 195,944</u>	<u>\$ 520,959</u>	<u>\$ 0</u>	<u>\$ 11,052,896</u>
\$ 45,632	(\$ 262,795)	\$ 26,117	\$ 436,765
2,798	0	0	496,478
0	0	0	0
0	0	134	676
0	0	0	97,616
0	0	0	(1,372)
<u>2,919</u>	<u>10,576</u>	<u>15,115</u>	<u>(29,778)</u>
<u>\$ 51,349</u>	<u>(\$ 252,219)</u>	<u>\$ 41,366</u>	<u>\$ 1,000,385</u>

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 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 ASSETS
PENSION TRUST FUNDS
December 31, 2010**

	Firemen's Pension Fund	Police Pension Fund	Bargaining and Administrative Employees Pension Fund	Total Pension Trust Funds
ASSETS				
Cash and cash equivalents	\$ 192,431	\$ 542,870	\$ 988,412	\$ 1,723,713
Mutual funds - U.S. Securities	1,001,749	2,265,783	4,185,621	7,453,153
Mutual funds - Stocks	2,288,521	5,289,566	9,898,860	17,476,947
Mutual funds - Real estate securities	105,671	275,027	531,771	912,469
Total assets	<u>\$ 3,588,372</u>	<u>\$ 8,373,246</u>	<u>\$ 15,604,664</u>	<u>\$ 27,566,282</u>
NET ASSETS				
Held in trust for benefits and other purposes	<u>\$ 3,588,372</u>	<u>\$ 8,373,246</u>	<u>\$ 15,604,664</u>	<u>\$ 27,566,282</u>

BOROUGH OF CHAMBERSBURG

**COMBINING STATEMENT OF CHANGE IN FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
For the Year Ended December 31, 2010**

	Firemen's Pension Fund	Police Pension Fund	Bargaining and Administrative Employees Pension Fund	Total Pension Trust Funds
ADDITIONS				
Contributions				
Employer - contributions	\$ 116,340	\$ 490,641	\$ 472,936	\$ 1,079,917
Total contributions	<u>116,340</u>	<u>490,641</u>	<u>472,936</u>	<u>1,079,917</u>
Investment income:				
Net appreciation (depreciation) in fair value of investments and gains (loss) on sale of investments	395,623	808,400	1,544,582	2,748,605
Interest, dividends and other	<u>72,652</u>	<u>167,121</u>	<u>319,379</u>	<u>559,152</u>
Total net investment income/(loss)	<u>468,275</u>	<u>975,521</u>	<u>1,863,961</u>	<u>3,307,757</u>
Total additions	<u>584,615</u>	<u>1,466,162</u>	<u>2,336,897</u>	<u>4,387,674</u>
DEDUCTIONS				
Benefits	230,557	414,786	1,045,298	1,690,641
Administrative expenses	<u>1,021</u>	<u>1,666</u>	<u>4,842</u>	<u>7,529</u>
Total deductions	<u>231,578</u>	<u>416,452</u>	<u>1,050,140</u>	<u>1,698,170</u>
Change in net assets	353,037	1,049,710	1,286,757	2,689,504
Net assets - beginning	<u>3,235,335</u>	<u>7,323,536</u>	<u>14,317,907</u>	<u>24,876,778</u>
Net assets - ending	<u>\$ 3,588,372</u>	<u>\$ 8,373,246</u>	<u>\$ 15,604,664</u>	<u>\$ 27,566,282</u>

BOROUGH OF CHAMBERSBURG

**COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS**

December 31, 2010

	Citizen's Reward Fund	Sister City Fund	Project Heat Fund	Total Private Purpose Trust Funds
ASSETS				
Cash and equity in pooled cash and investments	\$ 10,902	\$ 19,472	\$ 9,607	\$ 39,981
Other receivables	34	0	0	34
Total assets	<u>\$ 10,936</u>	<u>\$ 19,472</u>	<u>\$ 9,607</u>	<u>\$ 40,015</u>
 NET ASSETS				
Held in trust for other purposes	<u>\$ 10,936</u>	<u>\$ 19,472</u>	<u>\$ 9,607</u>	<u>\$ 40,015</u>

BOROUGH OF CHAMBERSBURG

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

PRIVATE PURPOSE TRUST FUNDS

For the Year Ended December 31, 2010

	Citizen's Reward Fund	Sister City Fund	Project Heat Fund	Total Private Purpose Trust Funds
ADDITIONS				
Interest earnings	\$ 85	\$ 14	\$ 9	\$ 108
Contributions - public	500	100	7,479	8,079
Other revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total additions	<u>585</u>	<u>114</u>	<u>7,488</u>	<u>8,187</u>
DEDUCTIONS				
Payments to sister city committee	0	0	0	0
Administrative expense	0	0	13,000	13,000
Miscellaneous expense	<u>324</u>	<u>2,682</u>	<u>0</u>	<u>3,006</u>
Total deductions	<u>324</u>	<u>2,682</u>	<u>13,000</u>	<u>16,006</u>
Change in net assets	261	(2,568)	(5,512)	(7,819)
Net assets, beginning	<u>10,675</u>	<u>22,040</u>	<u>15,119</u>	<u>47,834</u>
Net assets, ending	<u>\$ 10,936</u>	<u>\$ 19,472</u>	<u>\$ 9,607</u>	<u>\$ 40,015</u>

BOROUGH OF CHAMBERSBURG

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
For the Year Ended December 31, 2010**

	Balance 1/1/10	Additions	Deductions	Balance 12/31/10
<u>Payroll Clearing Fund</u>				
ASSETS				
Cash and cash equivalents	\$ 0	\$ 11,887,377	\$ 11,887,377	\$ 0
Total assets	<u>\$ 0</u>	<u>\$ 11,887,377</u>	<u>\$ 11,887,377</u>	<u>\$ 0</u>
LIABILITIES				
Withholdings	\$ 0	\$ 3,657,393	\$ 3,657,393	\$ 0
Total liabilities	<u>\$ 0</u>	<u>\$ 3,657,393</u>	<u>\$ 3,657,393</u>	<u>\$ 0</u>
<u>Consumer Deposit Fund</u>				
ASSETS				
Cash and cash equivalents	\$ 903,782	300,641	\$ 428,035	\$ 776,388
Other receivables	4,007	7,115	8,668	2,454
Total assets	<u>\$ 907,789</u>	<u>\$ 307,756</u>	<u>\$ 436,703</u>	<u>\$ 778,842</u>
LIABILITIES				
Consumer deposits	\$ 907,789	\$ 328,291	\$ 457,238	\$ 778,842
Total liabilities	<u>\$ 907,789</u>	<u>\$ 328,291</u>	<u>\$ 457,238</u>	<u>\$ 778,842</u>
<u>Total - All Agency Funds</u>				
ASSETS				
Cash and cash equivalents	\$ 903,782	\$ 12,188,018	\$ 12,315,412	\$ 776,388
Other receivables	4,007	7,115	8,668	2,454
Total assets	<u>\$ 907,789</u>	<u>\$ 12,195,133</u>	<u>\$ 12,324,080</u>	<u>\$ 778,842</u>
LIABILITIES				
Withholdings	\$ 0	\$ 3,657,393	\$ 3,657,393	\$ 0
Consumer deposits	907,789	328,291	457,238	778,842
Total liabilities	<u>\$ 907,789</u>	<u>\$ 3,985,684</u>	<u>\$ 4,114,631</u>	<u>\$ 778,842</u>

BOROUGH OF CHAMBERSBURG

**SCHEDULE OF REAL ESTATE TAXES RECEIVABLE - GENERAL FUND
YEAR ENDED DECEMBER 31, 2010**

	General Purpose
Assessed valuation of real property	\$ 187,386,130
Add: Additions	1,806,472
Less: Reductions and exonerations	<u>107,380</u>
Adjusted assessment	189,085,222
Tax rate	<u>20</u> mills
Total tax levied	3,781,704
Add: Penalties	10,965
Less: Discounts	(62,637)
Collections	<u>(3,527,645)</u>
2010 taxes receivable - December 31, 2010	202,387
Prior years' taxes	<u>69,646</u>
Total taxes receivable - December 31, 2010	<u><u>\$ 272,033</u></u>



Statistical Section

STATISTICAL SECTION

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, note disclosures, and required supplementary information says about the municipality's overall financial health.

<u>Contents</u>	<u>Page(s)</u>
Financial Trends	76-82
These schedules contain trend information to help the reader understand how the municipality's financial performance and well-being have changed over time.	
Revenue Capacity	83-88
These schedules contain information to help the reader assess the municipality's most significant local revenues sources, the property tax, and the earned income tax.	
Debt Capacity	89-93
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.	
Demographic and Economic Information	94-95
These schedules offer economic and demographic indicators to help the reader understand the environment within which the municipality's financial activities take place.	
Operating Information	96-98
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.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The borough implemented Statement 34 in 2003; schedules presenting government-wide information include information beginning in that 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 Assets by Component	Schedule 1
Changes in Net Assets	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 Assets By Component
 Last Eight Years
(accrual basis of accounting)

	2010	2009	2008	2007	2006	2005	2004	2003
Governmental Activities								
Invested in capital Assets, Net of related debt	\$25,907,241	\$24,030,856	\$22,103,501	\$20,030,556	\$16,422,498	\$13,745,073	\$9,509,524	\$9,782,731
Restricted	1,193,916	1,452,889	1,168,346	786,100	392,808	613,697	690,381	476,545
Unrestricted	7,463,807	9,876,322	10,751,978	10,030,131	9,157,620	8,434,228	7,735,631	7,225,502
Total governmental activities net assets	34,564,964	35,360,067	34,023,825	30,846,787	25,972,926	22,792,998	17,935,536	17,484,778
Business - Type activities								
Invested in capital Assets, Net of related debt	75,126,828	74,790,451	71,707,129	69,516,503	67,563,288	63,674,212	58,883,260	59,029,207
Restricted								
Unrestricted	33,192,820	27,013,942	30,437,794	31,862,509	23,049,503	23,219,395	20,207,662	20,613,389
Total business -- type activities net assets	108,319,648	101,804,393	102,144,923	101,379,012	90,612,791	86,893,607	79,090,922	79,642,596
Primary Government								
Invested in capital Assets, Net of related debt	101,034,069	98,821,307	93,810,630	89,547,059	83,985,786	77,419,285	68,392,784	\$68,811,938
Restricted	1,193,916	1,452,889	1,168,346	786,100	392,808	613,697	690,381	476,545
Unrestricted	40,656,627	36,890,264	41,189,772	41,892,640	32,207,123	31,653,623	27,943,293	27,838,891
Total primary government net assets	\$142,884,612	\$137,164,460	\$136,168,748	\$132,225,799	\$116,585,717	\$109,686,605	\$97,026,458	\$97,127,374

As per GASB statement number 44, we are reporting government - wide information retroactively to 2003, which is the year of implementation of GASB statement number 34.

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

	2010	2009	2008	2007	2006	2005	2004	2003
Expenses								
Governmental Activities:								
General Government	\$1,143,438	\$1,380,277	\$1,041,494	\$1,466,517	\$1,043,354	\$935,002	\$927,800	\$978,195
Public Safety	8,186,805	7,372,746	7,335,996	7,032,498	6,349,063	5,848,946	5,392,779	5,168,838
Public Services	2,113,662	1,963,186	1,117,850	542,993	1,852,946	876,150	1,472,316	1,409,781
Parks and Recreation	1,931,419	1,453,670	1,469,475	1,237,341	1,019,986	1,019,864	951,250	920,904
Community Development	313,210	475,765	661,485	579,662	467,084	142,451	374,668	434,341
Total governmental activities expenses	13,688,534	12,645,644	11,626,300	10,859,011	10,732,433	8,822,413	9,118,813	8,912,059
Business - Type activities								
Electric	30,413,576	33,623,997	26,899,617	17,036,148	18,523,367	13,715,436	16,542,623	17,457,025
Gas	7,311,796	8,694,454	10,858,357	9,804,046	10,084,205	10,454,000	8,774,060	8,070,655
Water	2,617,711	2,831,476	2,674,069	2,775,409	2,495,541	2,440,826	2,346,858	2,058,695
Sewer	5,630,067	5,152,404	5,372,469	4,435,959	4,165,673	4,002,632	3,910,354	3,722,403
Sanitation	2,070,085	2,092,023	2,045,442	1,900,908	1,875,660	1,791,125	1,745,817	1,557,641
Parking	166,447	164,223	145,482	146,970	164,675	180,746	160,206	167,957
Total business-type activities expense	48,209,682	52,558,577	47,995,436	36,099,440	37,309,121	32,584,765	33,479,918	33,034,376
Total primary government expenses	61,898,216	65,204,221	59,621,736	46,958,451	48,041,554	41,407,178	42,598,731	41,946,435
Program Revenues								
Governmental Activities:								
Charges for Services								
General Government	544,572	455,042	474,050	445,288	491,696	350,807	354,012	307,750
Public Safety	1,414,129	1,274,477	1,234,849	1,270,041	1,119,281	947,182	881,110	885,563
Public Services	2,880	3,366	4,314	10,406	32,156	26,408	35,720	32,351
Parks and Recreation	413,090	418,973	398,106	388,699	366,255	347,757	312,298	314,206
Community Development								
Operating Grants and Contributions	1,874,440	1,414,482	1,775,741	1,488,749	1,200,413	1,403,640	778,856	497,816
Capital Grants and Contributions	1,118,987	2,901,458	2,026,960	2,994,098	2,921,896	4,844,308	693,018	663,615
Total governmental activities program revenues	5,368,098	6,467,798	5,914,020	6,597,281	6,131,697	7,920,102	3,055,014	2,701,301
Business - Type activities								
Charges for Services								
Electric	34,765,216	30,785,021	25,655,849	23,374,049	19,731,687	17,329,059	16,534,958	17,270,856
Gas	8,323,329	9,410,294	10,971,012	10,111,337	10,295,262	11,611,918	9,065,105	8,470,100
Water	3,196,140	3,375,869	3,469,626	3,879,178	3,472,734	3,107,143	2,752,040	2,459,217
Sewer	4,570,569	4,096,262	4,068,865	4,027,596	3,796,020	3,578,237	3,248,861	2,705,203
Sanitation	2,039,950	2,045,885	2,067,715	2,026,588	1,938,838	1,907,319	1,394,234	1,404,794
Parking	134,397	134,927	137,939	145,400	154,740	137,451	132,753	129,007
Operating Grants and Contributions	706,484	168,207	173,335	482,632	178,031	149,268	336,985	65,850
Capital Grants and Contributions	1,320,441	3,400,102	2,619,182	2,537,794	1,481,518	1,678,368	110,623	128,639
Total business-type activities program revenues	55,056,526	53,416,567	49,163,523	46,584,574	41,048,830	39,498,763	33,575,559	32,633,666
Total primary government program revenues	\$60,424,624	\$59,884,365	\$55,077,543	\$53,181,855	\$47,180,527	\$47,418,865	\$36,630,573	\$35,334,967

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

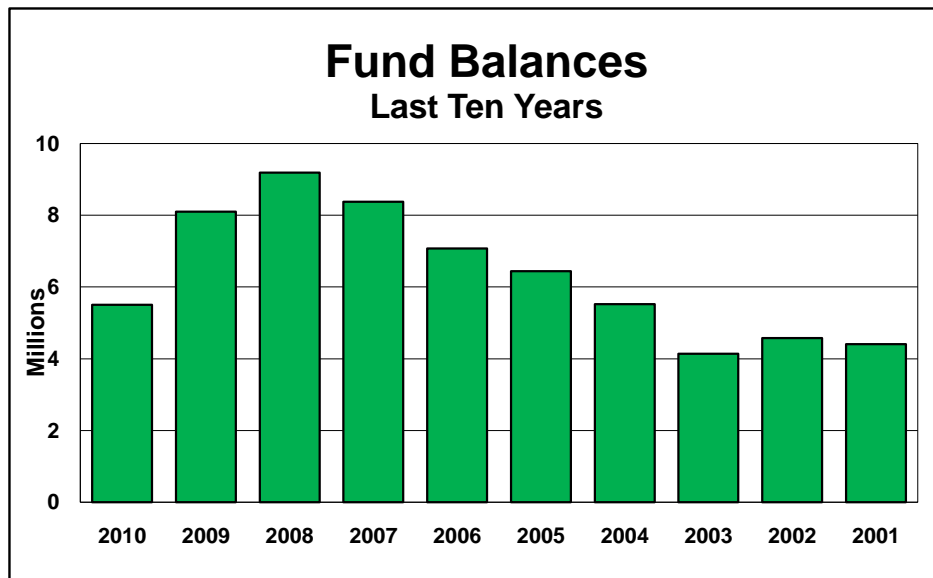
	2010	2009	2008	2007	2006	2005	2004	2003
Net (Expense)/Revenue								
Governmental Activities:	(\$8,320,436)	(\$6,177,846)	(\$5,712,280)	(\$4,261,730)	(\$4,600,736)	(\$902,311)	(\$6,063,799)	(\$6,210,758)
Business - Type activities	6,846,844	857,990	1,168,087	10,485,134	3,739,709	6,913,998	95,641	(400,710)
Total business-type activities net expense	(1,473,592)	(5,319,856)	(4,544,193)	6,223,404	(861,027)	6,011,687	(5,968,158)	(6,611,468)
General Revenues and Other Changes in Net Assets								
Governmental Activities:								
Taxes								
Property taxes	3,732,778	3,710,125	3,627,868	3,486,845	2,810,388	2,731,777	2,656,031	1,887,536
Real estate transfer taxes	240,954	272,005	540,465	816,051	674,435	718,074	535,193	292,501
Earned Income taxes	1,524,001	1,390,053	1,907,032	1,568,769	1,629,180	1,428,130	1,052,001	1,468,683
Local services tax	757,564	860,057	775,600	1,165,990	1,111,662	875,067		
Occupation privilege tax							113,974	107,555
Payments in lieu of taxes	13,408	12,616	11,682	10,565	10,452	5,549	9,897	11,038
Gain on sale of assets						287	698,566	
Unrestricted contributions and grants			22,816	3,926	26,935	99,584	8,903	3,096
Investment earnings	60,048	181,223	404,894	518,979	437,046	245,268	112,490	85,591
Miscellaneous income	24,360	57,152	36,279	125,626	32,651			107,949
Transfers	1,172,220	1,705,586	1,562,682	1,117,180	1,047,915	(343,963)	1,326,605	1,528,990
Total governmental activities	7,525,333	8,188,817	8,889,318	8,813,931	7,780,664	5,759,773	6,513,660	5,492,939
Business - Type activities								
Investment earnings	187,285	358,101	969,639	1,180,310	951,240	544,724	300,121	470,996
Miscellaneous income	124,596	148,965	190,867	217,957	104,600		28,862	134,991
Transfers	(1,172,220)	(1,705,586)	(1,562,682)	(1,117,180)	(1,047,912)	343,963	(1,326,605)	(1,528,990)
Extraordinary Items				0	(316,751)			
Total business-type activities	(860,339)	(1,198,520)	(402,176)	281,087	(308,823)	888,687	(997,622)	(923,003)
Total primary government	6,664,994	6,990,297	8,487,142	9,095,018	7,471,841	6,648,460	5,516,038	4,569,936
Change in Net Assets								
Governmental Activities:	(795,103)	2,010,971	3,177,038	4,552,201	3,179,928	4,857,462	449,861	(717,819)
Business - Type activities	5,986,505	(340,530)	765,911	10,766,221	3,430,886	7,802,685	(901,981)	(1,323,713)
Total primary government change in net assets	\$5,191,402	\$1,670,441	\$3,942,949	\$15,318,422	\$6,610,814	\$12,660,147	(\$452,120)	(\$2,041,532)

As per GASB statement number 44, we are reporting government - wide information retroactively to 2003, which is the year of implementation of GASB statement number 34.

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

	2010	2009	2008	2007
General Fund				
Reserved	\$ 0	\$ 0	\$ 0	\$ 0
Unreserved	1,375,034	2,139,230	3,022,011	3,132,235
Total general fund	1,375,034	2,139,230	3,022,011	3,132,235
All Other Governmental Funds				
Reserved	583,627	506,093	439,688	482,736
Unreserved, reported in:				
Special revenue funds	860,642	1,096,594	858,329	455,558
Capital reserve funds	2,688,148	4,359,108	4,871,296	4,309,406
Liquid FuelsTax Fund	0	0	0	0
Total all other governmental funds	4,132,417	5,961,795	6,169,313	5,247,700
Total Governmental Funds	\$5,507,451	\$8,101,025	\$9,191,324	\$8,379,935

2006	2005	2004	2003	2002	2001
\$ 0	\$ 51,625	\$ 0	\$ 0	\$ 0	\$ 0
3,002,526	2,444,085	1,780,615	1,270,767	1,744,610	2,009,489
3,002,526	2,495,710	1,780,615	1,270,767	1,744,610	2,009,489
334,814	438,199	3,534,247	2,631,946	2,609,362	2,196,853
89,893	234,642	0	0	223,878	196,564
3,647,518	3,271,894	0	0	0	0
0	0	211,065	234,484	0	0
4,072,225	3,944,735	3,745,312	2,866,430	2,833,240	2,393,417
\$7,074,751	\$6,440,445	\$5,525,927	\$4,137,197	\$4,577,850	\$4,402,906



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

	2010	2009	2008	2007
REVENUES				
Real estate taxes	\$3,732,778	\$3,710,125	\$3,579,097	\$3,496,353
Local enabling taxes	2,620,238	2,438,571	3,115,435	3,795,794
Licenses and permits	357,550	329,480	314,841	283,832
Fines and forfeits	130,940	127,416	147,943	134,912
Interest and rents	37,461	130,960	304,813	433,095
Intergovernmental revenue	2,045,106	1,854,862	2,203,624	4,128,114
Program income	0	0	0	0
Departmental charges for service	1,792,542	1,551,711	1,533,643	1,609,239
Miscellaneous	212,953	217,277	225,042	286,146
Public contributions	79,094	392,826	767,176	0
<i>Total revenues</i>	11,008,662	10,753,228	12,191,614	14,167,485
EXPENDITURES				
Current				
General and administrative	1,150,564	936,903	900,500	885,772
Public safety				
Police	4,597,965	4,105,028	4,007,937	3,998,185
Fire	2,056,357	1,790,115	1,768,874	1,804,011
Fire code	0	0	0	0
Building regulation, planning, and zoning	455,054	371,105	424,173	454,234
General health and ambulance service	1,184,088	1,086,075	995,078	770,771
Public service				
Highway	2,107,854	2,168,345	1,330,447	962,915
Parking, traffic control, and transit system	990,662	684,238	448,458	476,549
Street lighting	0	0	0	0
Airport	0	0	0	0
Parks and recreation	1,803,470	1,394,860	1,493,780	1,189,479
Community Development	487,577	559,625	1,198,910	2,765,619
Capital projects	0	0	0	0
Housing rehabilitation grants/loans	0	0	0	0
Miscellaneous	114,803	102,223	95,068	638,818
Debt service:				
Principal Retirement	0	0	0	0
Interest and Fiscal Charges	0	0	0	0
<i>Total expenditures</i>	14,948,394	13,198,517	12,663,225	13,946,353
<i>Excess (deficiency) of revenues over expenditures</i>	(3,939,732)	(2,445,289)	(471,611)	221,132
OTHER FINANCING SOURCES (Uses)				
Proceeds from sale of assets	0	0	0	0
Refunds of prior yr's expenditure	0	0	0	0
Interfund transfers in (out)	1,346,158	1,330,307	1,283,000	1,084,052
<i>Total other financing sources (uses)</i>	1,346,158	1,330,307	1,283,000	1,084,052
<i>Net Change in Fund Balances sources over expenditures and other uses</i>	(\$2,593,574)	(\$1,114,982)	\$811,389	\$1,305,184
Debt service as a percentage of non-capital expenditures	00.0%	00.0%	00.0%	00.0%
Debt service as a percentage of total expenditures	0.000%	0.000%	0.000%	0.000%

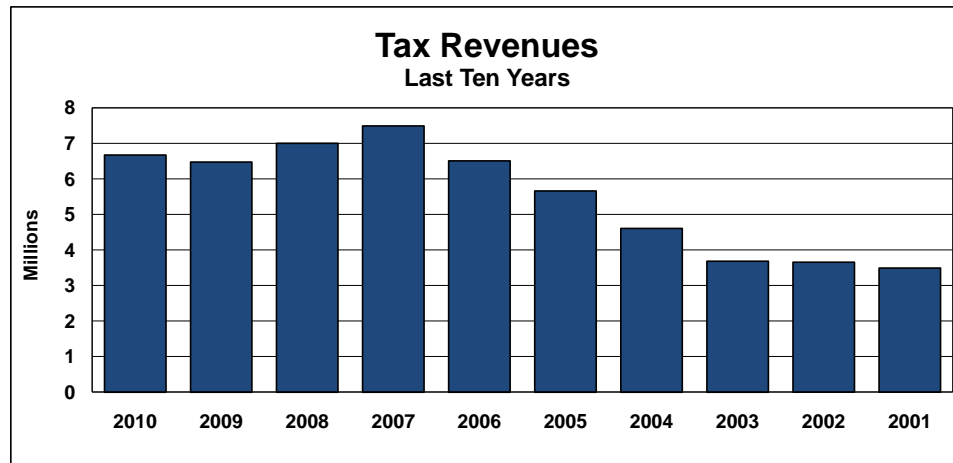
2006	2005	2004	2003	2002	2001
\$2,812,617	\$2,699,852	\$2,652,016	\$1,881,006	\$1,855,932	\$1,846,212
3,378,559	2,990,956	1,924,194	1,605,864	1,586,560	1,471,774
327,849	12,216	11,708	34,513	35,484	202,026
124,607	104,554	105,994	88,254	104,470	106,988
340,051	169,742	89,142	92,430	173,062	329,584
2,963,293	5,390,700	1,441,099	1,108,781	2,174,208	1,401,347
0	34,413	25,307	22,358	23,096	16,753
1,429,528	1,257,871	1,149,657	1,138,276	1,098,262	1,006,262
406,735	333,743	297,662	361,831	386,150	271,754
0	99,584	8,903	3,096	3,291	8,574
11,783,239	13,093,631	7,705,682	6,336,409	7,440,515	6,661,274
888,809	776,287	670,380	745,387	585,697	560,504
3,745,351	3,273,532	3,005,234	2,864,984	2,507,338	2,405,722
1,703,609	1,369,481	1,250,482	1,211,412	966,566	977,622
0	93,158	86,156	33,244	30,948	25,833
359,499	295,959	318,144	306,258	316,259	278,088
798,504	771,723	709,344	783,605	654,624	600,397
2,553,405	2,845,568	918,701	899,830	504,055	322,048
718,504	186,535	194,161	304,996	126,852	159,001
0	189,927	146,879	171,531	113,357	118,408
0	0	12,018	47,246	19,276	29,833
1,058,650	1,668,362	1,050,717	1,024,020	2,058,250	1,302,051
661,039	0	0	0	0	0
0	0	0	0	524,743	582,046
0	124,857	63,373	89,548	216,793	193,872
332,789	271,288	330,588	331,284	228,698	64,427
0	0	0	0	0	0
0	0	0	0	0	0
12,820,159	11,866,677	8,756,177	8,813,345	8,853,456	7,619,852
(1,036,920)	1,226,954	(1,050,495)	(2,476,936)	(1,412,941)	(958,578)
0	0	790,084	0	0	0
0	0	0	0	0	0
1,671,226	(312,436)	1,419,435	1,810,283	1,587,885	1,370,528
1,671,226	(312,436)	2,209,519	1,810,283	1,587,885	1,370,528
\$634,306	\$914,518	\$1,159,024	(\$666,653)	\$174,944	\$411,950
00.0%	00.0%	00.0%	00.0%	00.0%	00.0%
0.000%	0.000%	0.000%	0.000%	0.000%	0.000%

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

	2010	2009	2008	2007	2006	2005	2004	2003
Function/Program								
Governmental activities:								
General government	\$2,029,383	\$635,089	\$2,513,514	\$3,764,057	\$1,399,348	\$1,000,257	\$761,020	\$566,667
Public Safety	2,190,353	1,937,743	2,016,269	1,364,935	1,655,801	995,819	954,758	997,471
Public Services	261,626	2,870,251	532,278	1,015,251	2,180,286	4,740,355	343,978	344,479
Parks and recreation	413,090	425,909	539,959	422,506	393,682	347,757	312,298	314,206
Community development	473,646	598,806	312,000	30,532	502,580	835,914	682,960	478,478
Subtotal governmental activities	5,368,098	6,467,798	5,914,020	6,597,281	6,131,697	7,920,102	3,055,014	2,701,301
Business-type activities								
Electric	35,088,796	32,316,324	26,568,799	23,787,570	20,634,722	17,714,633	16,639,896	17,341,849
Gas	8,405,864	9,488,238	11,149,104	10,129,533	10,496,579	11,707,046	9,109,242	8,475,849
Water	4,022,392	4,420,697	4,273,076	4,407,194	3,759,890	3,903,315	2,870,600	2,513,010
Sewer	5,243,703	4,958,834	4,919,105	6,050,383	4,025,793	4,092,000	3,340,542	2,735,592
Sanitation	2,153,694	2,095,168	2,112,950	2,062,631	1,974,758	1,942,027	1,477,450	1,437,698
Parking	142,077	137,306	140,489	147,263	157,088	139,742	137,829	129,668
Subtotal business type activities	55,056,526	53,416,567	49,163,523	46,584,574	41,048,830	39,498,763	33,575,559	32,633,666
Total primary government	\$60,424,624	\$59,884,365	\$55,077,543	\$53,181,855	\$47,180,527	\$47,418,865	\$36,630,573	\$35,334,967

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

Fiscal Year	Real Estate	Real Estate Transfer	Earned Income	Occupational Privilege	Local Services Tax	Cable TV Franchise Fees	Payments in Lieu of Taxes	Total
2010	\$3,702,670	\$240,954	\$1,638,419		\$757,564	\$315,038	\$13,408	\$6,668,053
2009	3,690,751	272,005	1,313,267		860,057	319,990	12,616	6,468,686
2008	3,579,097	540,465	1,787,688		775,600	302,892	11,682	6,997,424
2007	3,496,353	816,051	1,728,188		1,165,990	269,553	10,565	7,486,700
2006	2,812,617	674,435	1,582,009		1,111,662	308,267	10,452	6,499,442
2005 (1)	2,699,853	718,074	1,148,766		875,067	209,203	5,549	5,656,512
2004	2,652,016	535,173	1,085,130	113,974		206,943	9,897	4,603,133
2003	1,881,006	292,501	1,194,770	107,555		193,935	11,038	3,680,805
2002	1,855,932	286,133	1,187,482	112,945		201,313	8,721	3,652,526
2001	1,846,212	215,868	1,155,673	100,233		165,695	4,263	3,487,944



(1) Beginning in 2005, occupational privilege tax (OPT) was eliminated and replaced with emergency and municipal services tax (EMST)/Local Services Tax

Source: Borough of Chambersburg Finance Department

Revenue Capacity

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

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

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

	Direct Debt (Operating Mill Rate)	<-----Overlapping Debt----->		
Tax Year	Borough of Chambersburg	Chambersburg Area Sch Dist	Franklin County	Franklin County Library
2010	20.00	89.62	25.15	0.8
2009	20.00	84.98	24.65	0.8
2008	20.00	80.98	21.95	0.8
2007	20.00	76.91	21.75	0.6
2006	17.00	70.68	21.75	0.6
2005	17.00	67.00	20.75	0.6
2004	12.20	62.53	16.75	0.6
2003	12.20	58.33	14.75	0.6
2002	12.20	56.79	14.75	0.6
2001 (1)	12.20	51.80	11.90	0.6

(1) As of January, 2001, the assessed value on all real property was changed from 40% to 100% of market value. For the years that apply, amounts shown in this schedule have been converted to reflect 100% market value for comparison purposes.

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

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
2010	\$267,630	\$96,846,110	\$78,935,600	\$10,437,980	\$898,810	\$51,559,840	\$238,945,970	\$187,386,130	20.00
2009	267,630	95,560,690	80,191,190	9,709,350	918,480	51,027,070	237,674,410	186,647,340	20.00
2008	267,630	92,976,990	75,930,440	10,991,900	947,560	50,789,290	231,903,810	181,114,520	20.00
2007	321,620	90,319,950	69,027,550	10,645,490	1,151,680	50,764,330	222,230,620	171,466,290	20.00
2006	331,460	87,762,230	64,269,630	9,698,490	2,111,770	50,389,070	214,562,650	164,173,580	17.00
2005	319,440	85,328,290	63,225,610	9,698,490	2,025,380	50,528,540	211,125,750	160,597,210	17.00
2004	388,360	83,479,750	61,341,400	9,730,290	1,864,130	51,884,030	208,687,960	156,803,930	12.20
2003	389,190	82,231,740	61,670,330	10,200,230	1,816,060	50,489,080	206,796,630	156,307,550	12.20
2002	425,700	80,787,460	61,169,280	10,274,500	1,711,990	49,861,470	204,230,400	154,368,930	12.20
2001 (1)	425,610	79,187,740	58,131,620	10,527,990	1,782,000	49,215,420	199,270,380	150,054,960	12.20

(1) As of January 1, 2001, the assessed value on all real property was changed from 40% to 100% of market value. For the years that apply, amounts shown in this schedule have been converted to reflect 100% of market value for comparison purposes.

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

Schedule 9
 Borough of Chambersburg, PA
 Principal Taxpayers
 12/31/2010 and 12/31/2001

December 31, 2010

Taxpayer	Estimated Actual Values of Real Property (1)	Rank	Percentage of Assessed Valuation
Chbg Health Srv/Chbg Hospital	\$12,384,720	1	6.61%
Menno-Haven, Inc	4,956,640	2	2.65%
Chambersburg Crossing LP	3,356,500	3	1.79%
American Real Estate	2,340,650	4	1.25%
Wilsey/Holsum-Ventura Food LLC	2,219,730	5	1.18%
ProLogis	1,770,950	6	0.95%
Wayne Avenue LLC	1,628,060	7	0.87%
Chambersburg Cold Storage	1,491,010	8	0.80%
Tanya K. Nitterhouse	1,257,730	9	0.67%
Chbg Area Development Corp	1,176,930	10	0.63%
Total	\$32,582,920		17.39%
Total Taxable Assessed Valuation	\$187,386,130		

December 31, 2001

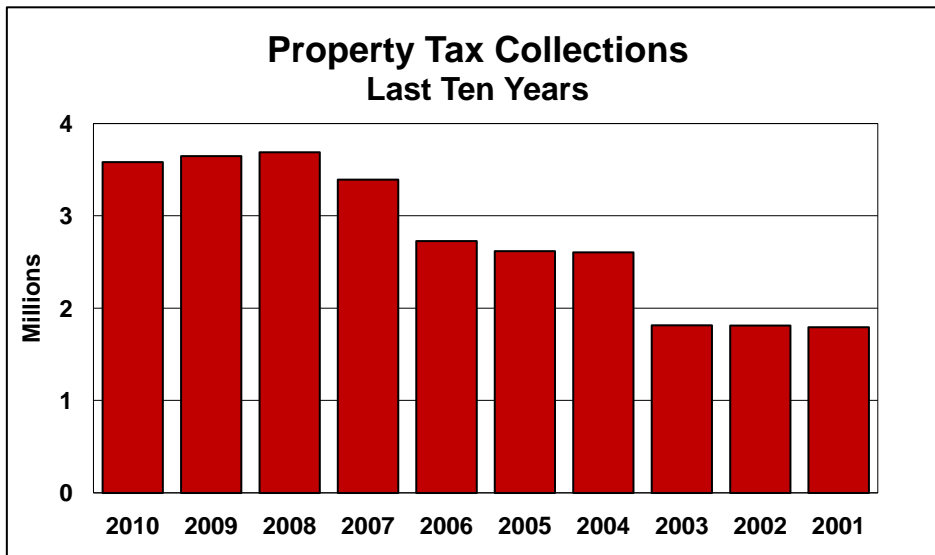
Taxpayer	Estimated Actual Values of Real Property (1)	Rank	Percentage of Assessed Valuation
Menno-Haven, Inc	\$3,704,850	1	2.47%
American Real Estate	2,340,650	2	1.56%
Wilsey/Holsum (Ventura)	2,127,500	3	1.42%
Tanya K. Nitterhouse	1,979,070	4	1.32%
Dermoddy Owen LLC	1,770,950	5	1.18%
Franklin Properties Co	1,556,130	6	1.04%
Mart Limited Partnership	1,516,380	7	1.01%
Chbg Cold Storage	1,491,010	8	0.99%
Chbg Area Development Corp	1,322,130	9	0.88%
Chbg Health Srv/Chbg Hospital	1,233,570	10	0.82%
Total	\$19,042,240		12.69%
Total Taxable Assessed Valuation	\$150,054,960		

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

(1) As of January 1, 2001, the assessed value on all real property was changed from 40% to 100% of market value.

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
2010	\$3,747,723	\$3,527,832	94.13%	\$53,015	\$3,580,847	95.55%
2009	3,732,947	3,521,879	94.35%	125,017	3,646,896	97.69%
2008	3,691,170	3,449,448	93.45%	237,133	3,686,581	99.88%
2007 (2)	3,524,433	3,327,598	94.42%	192,513	3,520,111	99.88%
2006	2,842,065	2,689,089	94.62%	152,142	2,841,231	99.97%
2005	2,760,042	2,611,898	94.63%	147,851	2,759,749	99.99%
2004 (1)	2,685,963	2,546,557	94.81%	139,405	2,685,962	100.00%
2003	1,908,826	1,811,273	94.89%	97,553	1,908,826	100.00%
2002	1,890,019	1,772,981	93.81%	117,038	1,890,019	100.00%
2001	1,862,783	1,758,268	94.39%	104,515	1,862,783	100.00%



- (1) The borough's property tax mill rate increased from 12.2 to 17.0, an increase of 40%
- (2) The borough's property tax mill rate increased from 17.0 to 20.0, an increase of 17.64%

Source: Borough of Chambersburg Finance Department

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

Fiscal Year	Tax Rate	Total Earned Income Tax Collected	Refunds	Net Earned Income Tax Collected
2010	1.00%	\$1,678,709	\$40,290	\$1,638,419
2009	1.00%	1,351,772	38,505	1,313,267
2008	1.00%	1,822,101	34,413	1,787,688
2007	1.00%	1,769,463	41,275	1,728,188
2006	1.00%	1,589,052	38,543	1,550,509
2005	1.00%	1,359,818	31,052	1,328,766
2004	1.00%	1,258,254	20,624	1,237,630
2003	1.00%	1,286,751	18,481	1,268,270
2002	1.00%	1,208,561	21,079	1,187,482
2001	1.00%	1,173,833	18,160	1,155,673

Source: Chambersburg Area Wage Tax Office

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

Income Range	Number of tax filers									
	2010 (1)	2009	2008	2007	2006	2005	2004	2003	2002	2001
> \$1,000,000		0	0	1	0	0	0	0	0	0
\$500,000 - \$999,999		17	16	16	15	12	11	7	7	3
\$200,000 - \$499,000		45	44	43	34	32	34	33	31	34
\$100,000 - \$199,000		163	148	140	132	116	101	81	65	70
\$50,000 - \$99,000		1,216	1,148	1,099	1,008	924	853	779	729	650
<\$50,000		6,941	7,455	7,079	7,344	7,377	7,353	7,475	7,643	7,763
Total		8,382	8,811	8,378	8,533	8,461	8,352	8,375	8,475	8,520

Income Range	% of total earned income taxes paid									
	2010 (1)	2009	2008	2007	2006	2005	2004	2003	2002	2001
> \$1,000,000		0.00%	0.00%	0.41%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
\$500,000 - \$999,999		3.76%	3.54%	3.51%	3.42%	3.11%	2.67%	1.70%	1.74%	1.00%
\$200,000 - \$499,000		4.98%	4.88%	5.05%	3.86%	3.91%	4.16%	4.45%	4.01%	4.58%
\$100,000 - \$199,000		7.80%	7.10%	6.87%	6.64%	6.06%	5.63%	4.74%	4.14%	4.62%
\$50,000 - \$99,000		29.12%	27.73%	27.18%	25.64%	24.76%	23.78%	22.75%	21.68%	19.39%
<\$50,000		54.34%	56.75%	56.98%	60.44%	62.16%	63.76%	66.36%	68.43%	70.41%
Total		100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Total Personal Income \$273,204 \$270,954,117 \$263,147,886 \$255,114,215 \$243,248,314 \$230,882,085 \$218,802,655 \$215,724,254 \$210,913,115

(1) Information for year ended 12/31/2010 not yet available

Source: Chambersburg Area Wage Tax Office

Debt Capacity

These schedules present 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
 Ratios of Outstanding Debt by Type
 Last Ten Years

Governmental Activities (1)		Business Type Activities (1)					
Fiscal Year	General Obligation Bonds	Electric Department General Obligation Bonds	Waste Water Treatment Plant General Obligation Bonds	Water Treatment Plant Water Revenue Notes Payable (2)	Total Primary Government	Percentage of Personal Income	Per Capita
2010	0	\$15,033,600	\$2,866,400	\$2,845,376	\$20,745,376	5.309%	1,024
2009	0	15,941,300	3,353,700	2,370,233	21,665,233	6.257%	1,206
2008	0	16,355,000	3,955,000	2,338,177	22,648,177	6.541%	1,261
2007	0	17,240,000	4,340,000	2,556,619	24,136,619	6.971%	1,344
2006	0	17,550,000	4,715,000	2,732,990	24,997,990	7.220%	1,392
2005	0	18,355,000	4,720,000	4,200,000	27,275,000	7.877%	1,519
2004	0	19,140,000	5,440,000	4,371,675	28,951,675	8.361%	1,612
2003	0	19,900,000	5,300,000	4,400,000	29,600,000	8.549%	1,648
2002	0	19,900,000	5,575,000	4,400,000	29,875,000	8.628%	1,663
2001	0		5,835,000		5,835,000	1.685%	325

(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.

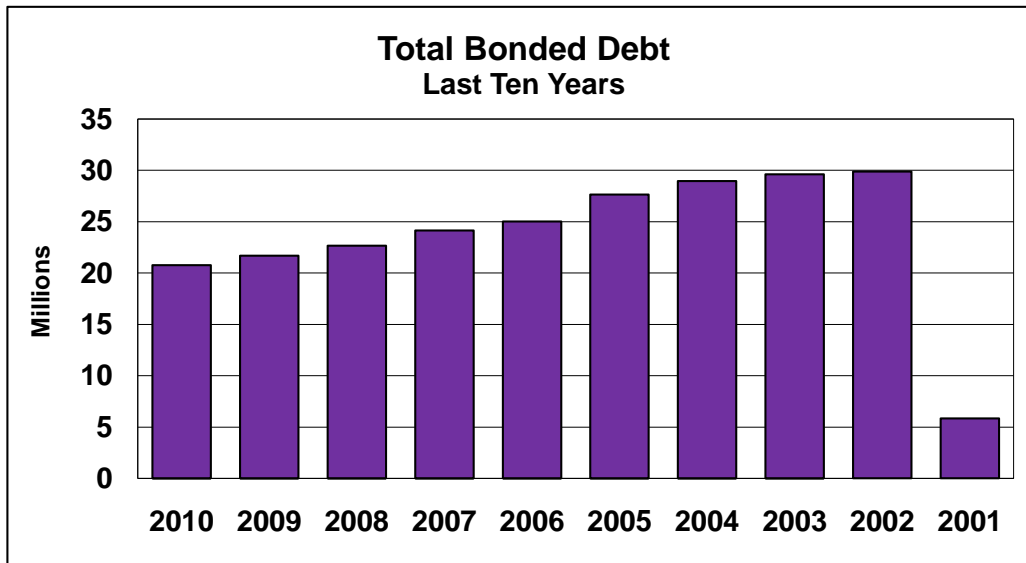
Source: Borough of Chambersburg Finance Department

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

=====

General Bonded Debt Outstanding

Fiscal Year	Net Non-electoral debt	Lease rental debt	Total Primary Government	% of Assessed Valuation	Debt per Capita
2010	\$20,745,376	\$0	\$20,745,376	11.07%	\$1,024
2009	21,665,233	0	21,665,233	11.61%	1,206
2008	22,648,177	0	22,648,177	12.50%	1,261
2007	24,136,619	0	24,136,619	14.08%	1,344
2006	24,997,990	0	24,997,990	15.23%	1,392
2005	27,634,228	0	27,634,228	18.35%	1,539
2004	28,951,675	0	28,951,675	18.46%	1,612
2003	29,600,000	0	29,600,000	18.94%	1,648
2002	29,875,000	0	29,875,000	19.35%	1,663
2001 (1)	5,835,000	0	5,835,000	3.89%	325



(1) As of January 1, 2001, the assessed value on all real property was changed from 40% to 100% of market value. For the years that apply, amounts shown in this schedule have been converted to reflect 100% of market value .

Source: Borough of Chambersburg Finance Department

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

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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 %
2010	\$62,787,531	\$156,968,828	\$20,745,376	\$136,223,452	86.78%
2009	60,298,760	150,746,900	21,665,233	129,081,667	85.63%
2008	57,735,693	144,339,233	22,648,254	121,690,979	84.31%
2007	54,371,026	135,927,564	24,136,619	111,790,945	82.24%
2006	49,400,865	123,502,163	24,997,990	98,504,173	79.76%
2005	44,163,564	110,408,911	27,634,228	82,774,683	74.97%
2004	40,676,773	101,691,932	28,951,675	72,740,257	71.53%
2003	38,208,010	95,520,026	29,600,000	65,920,026	69.01%
2002	37,361,931	93,404,827	29,875,000	63,529,827	68.02%
2001	37,528,820	93,822,050	5,835,000	87,987,050	93.78%
2000	25,253,770	63,134,426	6,090,000	57,044,426	90.35%

(1) Legal Debt Margin: (12/31/2010)

a	Average revenues past 3 yrs	62,787,531 (\$188,362,594) / 3
b	Legal debt limit (2.5 time average rev)	156,968,828
c	Debt outstanding @ 12/31/2010	(20,745,376)
	Legal Debt Margin (b-c)	\$136,223,452

Source: Borough of Chambersburg Finance Department

Schedule 16
 Borough of Chambersburg, PA
 Computation of Direct and Overlapping Debt
 December 31, 2010

Jurisdiction	Total Debt Outstanding	Estimated Percentage Applicable (a)	Amount Applicable To Borough of Chbg
Direct			
Borough of Chambersburg (Governmental Activities)	0		0
Overlapping			
Chambersburg School Dist	\$140,914,534	28.6367%	\$40,353,321
County of Franklin	40,395,000	13.7648%	5,560,283
<i>Total Overlapping Debt</i>	181,309,534		45,913,604
Total	\$181,309,534		\$45,913,604

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.

(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.

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

Schedule 17
 Borough of Chambersburg
 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	
2010	\$3,169,299	\$2,580,434	\$588,865	\$213,664	\$84,117	1.98
2009	3,375,869	2,831,476	544,393	223,025	60,540	1.92
2008	3,469,626	2,674,069	795,557	218,753	61,061	2.84
2007	3,879,178	2,673,401	1,205,777	213,118	66,696	4.31
2006	3,472,734	2,495,541	977,193	218,998	60,816	3.49
2005	3,107,143	2,440,826	666,317	213,595	66,220	2.38
2004	2,752,040	2,346,858	405,182	42,531	109,955	2.66
2003	2,449,629	1,967,482	482,147	0	110,044	4.38
2002	2,374,647	2,174,670	199,977	0	77,948	2.57
2001	2,235,914	1,914,605	321,309	0	0	N/A

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

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

Source: Borough of Chambersburg Finance Department

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 (2)	Per Capita Personal Income (2)	Per Capita Household Income (2)	Median Household Income (2)	Median Age (2)
2010	20,268	(5)	(5)	(5)	37.1
2009	17,862	\$19,278	\$41,641	\$32,336	40
2008	17,862	19,278	41,641	32,336	40
2007	17,862	19,278	41,641	32,336	40
2006	17,862	19,278	41,641	32,336	40
2005	17,862	19,278	41,641	32,336	40
2004	17,862	19,278	41,641	32,336	40
2003	17,862	19,278	41,641	32,336	40
2002	17,862	19,278	41,641	32,336	40
2001 (1)	17,862	19,278	41,641	32,336	40

Educational Attainment Bachelor's Degree or Higher (2)	School Enrollment (2)	Unemployment Rate (2)	Median Value of Residential Property (2)	Total Assessed Property Value (3)	Total Personal Income (4)
(5)	(5)	(5)	(5)	\$187,386,130	(5)
17.90%	3,635	3.90%	\$86,500	186,647,340	273,204,270
17.90%	3,635	3.90%	86,500	181,114,520	270,954,117
17.90%	3,635	3.90%	86,500	171,466,290	263,147,886
17.90%	3,635	3.90%	86,500	164,173,580	255,114,215
17.90%	3,635	3.90%	86,500	160,597,230	243,248,314
17.90%	3,635	3.90%	86,500	156,803,930	230,882,085
17.90%	3,635	3.90%	86,500	156,307,550	218,802,655
17.90%	3,635	3.90%	86,500	154,368,930	215,724,254
17.90%	3,635	3.90%	86,500	150,054,960	21,091,315

- (1) As of January 1, 2001, the assessed value of all real property was changed from 40% to 100 % of market value. For the years that apply, amounts shown in this schedule have been converted to reflect 100% market value for comparison purposes.
- (2) United States Census Bureau
- (3) Franklin County Assessor's Office
- (4) Chambersburg Area Wage Tax Office
- (5) Information for year ended 12/31/2010 not yet available

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

Employer	2010			2001		
	Employees	Rank	Percentage of Total Borough Employment	Employees	Rank	Percentage of Total Borough Employment
Summit Health Services	2,874	1	10.20%	1,324	1	6.39%
Chambersburg School District	1,050	2	3.73%	948	2	4.57%
County of Franklin	926	3	3.29%	814	3	3.93%
Menno Haven, Inc	553	4	1.96%	554	4	2.67%
Ventura Foods	395	5	1.40%	248	6	1.20%
Staples Direct	308	6	1.09%	----		----
T.B. Woods, Inc	281	7	1.00%	342	5	1.65%
Farmers & Merchants Trust Co.	278	8	0.99%	200	7	0.97%
K-Mart Regional Specialty Center	250	9	0.89%	----		----
Borough of Chambersburg	201	10	0.71%	183	8	0.88%
Knouse Foods	196		0.70%	178	9	0.86%
Patriot Federal Credit Union	124		0.44%	128	10	0.62%
Public Opinion Newspaper	85		0.30%	----		----
Nitterhouse Masonry Products	58		0.21%	90		0.43%
Total	7,579		26.89%	5,009		24.17%
Total Employees	28,187 (1)			20,725		

(1) Estimated by Chambersburg Area Wage Tax Office W-2 Forms Filed

Source: Franklin County Area Development Corp.
 Chambersburg Area Wage Tax Office

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

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Function/program										
General Government:										
Administration	4	5	4	4	4	4	4	4	4	4
MIS	5	5	5	5	5	5	4	4	4	4
Finance	22	22	22	22	22	22	22	22	24	24
Public Information	0	0	0	0	0	0	0	0	0	0
Community Development:										
Economic Develop/Planning	2	2	2	2	1	1	1	1	1	1
Inspections	4	4	4	4	4	4	5	6	6	5
Public Works:										
Administration	2	2	2	2	2	2	2	2	2	2
Maintenance/Labor	26	26	25	25	22	22	22	24	24	24
Human Services:										
	0	0	0	0	0	0	0	0	0	0
Public Safety:										
Police Officers	33	33	33	33	30	30	30	30	29	29
Police Civilians	4	4	4	4	4	4	4	4	4	4
Fire	21	21	22	21	21	18	18	18	21	18
Fire Civilians	3	3	3	3	3	3	3	2	2	2
911	0	0	0	0	0	0	0	0	0	0
Recreation:										
Management	7	5	5	5	5	5	5	5	5	5
Seasonal	0	0	0	0	0	0	0	0	0	0
Pool	0	0	0	0	0	0	0	0	0	0
Tennis	0	0	0	0	0	0	0	0	0	0
Park	0	0	0	0	0	0	0	0	0	0
Utilities (5):										
Administration	13	13	17	14	14	14	14	14	14	14
Maintenance/Operations										
Electric Department	18	18	19	19	19	19	17	16	16	16
Gas Department	13	13	8	8	8	8	8	8	7	7
Water Department	14	14	11	11	11	11	11	10	10	10
Wastewater Treat. Plant	9	9	15	15	15	15	14	13	13	13
Parking Department	1	1	1	1	1	1	1	1	1	1
Totals	201	200	202	198	191	188	185	184	187	183

Source: Borough of Chambersburg Human Resources Department

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

	2010	2009	2008	2007
Function/program				
General Government:				
Lien Letter & Tax Certification Requests	87	73	55	42
Community Development				
Building Permits Issued	342	337	398	463
Estimated Value of Construction	\$75,907,998	\$19,856,490	\$3,798,670	\$60,752,500
Occupancy Permits Issued	70	91	133	68
Number of Planning Commission Agenda Items	15	34	33	52
Public Works:				
Roads Resurfaced (linear feet)	2,725	4,500	11,904	14,500
Roads Reconstructed (linear feet)	6,700	2,550	0	
Tons of Snow Melting Salt Used	675	336	420	546
Recreation:				
Pool Attendance	28,783	30,700	32,714	33,224
Number of Utilization Events (2)	2,199	1,714	1,859	1,130
Number of Consumers Served	76,426	69,813	74,431	73,002
Number of seasonal programs	153	91	82	77
Police:				
Calls for Service	13,235	13,439	14,584	14,698
Total Arrests	1,614	1,587	780	1,000
Part I Offenses Reported (major offenses)	1,158	1,260	1,356	1,337
Part I Offenses cleared (Percentage)	39.0%	40.0%	35.0%	32.2%
Part II Offenses Reported (Major offenses)	1,898	1,826	2,053	2,042
Part II Offenses cleared (Percentage)	36.0%	36.0%	23.0%	38.5%
DUI Arrests	136	112	145	153
Fire:				
Total Number of Responses	892	947	1,068	1,216
Responses Involving Loss	3	7	5	3
Structure Fires	29	30	20	31
Volunteer Hours	86,180	87,190	88,195	86,342
False Alarms/False Calls	147	148	171	144
Total Calls For Assistance	3,680	3,626	4,461	4,769
Utilities:				
<i>Electric Department</i>				
Units Billed (kwh)	297,488,630	283,303,708	301,419,493	298,904,180
Billed Revenue	\$34,534,887	\$29,658,637	\$25,122,123	\$22,832,498
<i>Gas Department</i>				
Units Billed (100 Cu. Ft.)	9,490,142	9,331,406	9,548,283	9,263,225
Billed Revenue	\$8,355,397	\$9,546,728	\$10,804,867	\$9,931,409
<i>Water Department</i>				
Units Billed (10 Cu. Ft.)	14,755,234	14,573,232	14,601,233	14,666,433
Billed Revenue	\$2,903,732	\$2,855,138	\$2,856,052	\$2,824,616
<i>Wastewater Treatment Plant</i>				
Units Billed (10 Cu. Ft.)	23,970,170	23,577,112	24,492,922	22,945,608
Billed Revenue	\$4,386,674	\$3,805,662	\$3,699,207	\$3,579,563
<i>Sanitation Department</i>				
Units Billed (Cu. Yds.)	149,709	150,805	157,123	154,436
Billed Revenue	\$1,989,396	\$1,994,205	\$2,015,815	\$1,974,698

2006	2005	2004	2003	2002	2001
41	45	49	56	49	38
338	277	101	191	221	195
\$55,624,200	\$32,147,498	\$17,768,938	\$18,787,722	\$18,889,459	\$15,306,064
44	53	17	10	6	5
59	62	39	24	44	54
28,200	8,900	4,800	11,600	10,300	3,600
2,200	0	5,870	700	600	600
150	100	250	275	125	125
34,491	37,513	31,854	33,061	46,586	36,131
2,068	1,936	1,905	1,930	1,634	1,733
79,783	80,030	77,227	80,839	77,540	75,629
92	86	95	90	90	81
14,564	14,298	13,762	12,873	6,998	4,051
978	1,031	1,392	969	665	1,203
1,187	1,020	1,096	922	952	1,065
27.5%	36.7%	28.6%	26.7%	25.2%	24.6%
2,129	1,837	2,045	1,640	1,946	21,202
36.1%	39.3%	32.1%	31.3%	28.3%	2.8%
151	146	119	75	26	76
1,219	1,246	1,037	725	766	720
0	2	5	4	7	5
(1)	19	16	14		
112,414	87,807	81,905	84,762	135,051	145,528
205	225	324	241	299	265
4,543	4,856	(1)	(1)	(1)	(1)
280,162,497	270,674,464	263,990,940	254,497,955	253,386,353	250,886,958
\$19,350,942	\$16,909,558	\$16,419,739	\$16,785,427	\$12,761,569	\$13,568,627
8,764,951	9,408,519	9,778,613	10,084,543	8,708,675	9,462,917
\$11,161,166	\$10,926,767	\$8,814,262	\$8,356,282	\$6,998,000	\$7,715,720
14,922,136	14,738,824	13,881,565	12,989,941	13,100,816	13,323,535
\$2,805,748	\$2,590,999	\$2,382,552	\$2,276,402	\$2,286,907	\$2,139,079
21,063,582	25,142,782	24,349,957	23,162,292	17,330,483	18,813,519
\$3,289,890	\$3,375,059	\$3,061,013	\$2,595,252	\$2,269,712	\$2,228,802
143,248	139,650	140,090	141,257	139,337	142,442
\$1,891,367	\$1,856,212	\$1,347,760	\$1,362,011	\$1,346,109	\$1,354,893

(1) Information not available

(2) Recreation center usage only

Source: Borough of Chambersburg Designated Departments

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

	2010	2009	2008	2007
Function/program				
General Government:				
Square Footage Occupied	45,912	16,571	16,571	16,571
Inspection Vehicles	2	2	2	2
Other Departmental Vehicles	5	5	5	5
Public Works:				
Number of Traffic Signals	45	45	40	40
Street Lights	2,162	2,161	1,500	1,500
Vehicles	11	11	11	11
Recreation:				
Number of Parks	16	16	16	16
Acerage of Park Lands	88	88	81	81
Recreation Centers	1	1	1	1
Recreation Center Square Footage	19,975	20,154	20,154	20,154
Tennis Courts	5	5	9	10
Ball Fields	4	4	4	4
Skate Parks	2	2	2	
Vehicles	3	3	3	3
Public Safety:				
Square Footage of Fire/Ambulance Dept	18,947	9,526	9,526	9,526
Square Footage of Police Department	15,048	10,726	10,726	10,726
Fire Vehicles/Ambulances	11	9	9	9
Police Vehicles	15	13	12	13
Utilities				
<i>Electric Department</i>				
Value of Plant in Service	\$68,795,448	\$60,896,827	\$63,374,252	\$60,902,232
Vehicles	9	9	8	9
<i>Gas Department</i>				
Value of Plant in Service	\$12,039,244	\$10,825,895	\$11,053,344	\$10,752,079
Vehicles	10	10	9	9
<i>Water Department</i>				
Value of Plant in Service	\$28,341,731	\$25,690,405	\$26,612,637	\$26,063,089
Vehicles	7	7	7	7
<i>Wastewater Treatment Department</i>				
Value of Plant in Service	\$42,040,874	\$38,313,773	\$39,038,610	\$38,578,161
Vehicles	6	6	6	6
<i>Sanitation Department</i>				
Value of Plant in Service	\$520,425	\$555,737	\$502,148	\$498,893
Vehicles	8	8	8	7

2006	2005	2004	2003	2002	2001
16,571	16,571	16,571	16,571	16,571	16,571
2	2	2	3	3	3
5	5	6	5	6	5
35	35	35	35	35	34
1,500	1,500	1,500	1,500	1,500	1,500
11	11	13	13	12	12
16	14	13	12	12	12
81	78	71	70	70	70
1	1	1	1	1	1
20,154	20,154	20,154	20,154	20,154	20,154
10	12	12	12	12	12
4	5	5	5	5	5
3	3	2	2	3	3
9,526	9,526	9,526	9,526	9,526	9,526
10,726	10,726	10,726	10,726	10,726	10,726
9	10	12	11	11	11
13	13	14	12	11	11
\$57,912,422	\$61,554,987	\$38,721,722	\$38,353,769	\$37,929,660	\$33,129,754
8	8	8	9	8	8
\$10,336,655	\$9,708,207	\$9,145,687	\$8,901,920	\$8,223,042	\$7,485,579
9	7	7	7	7	6
\$25,506,678	\$26,361,379	\$20,567,285	\$1,695,244	\$15,731,162	\$15,578,933
7	7	7	7	7	6
\$36,284,115	\$36,574,119	\$36,087,251	\$36,035,703	\$17,420,031	\$17,356,632
6	6	6	6	6	5
\$465,795	\$473,423	\$475,825	\$472,381	\$474,481	\$485,589
7	8	6	6	6	6

Source: Borough of Chambersburg Designated Departments



Single Audit Section



**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 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, 2010, which collectively comprise the Borough's basic financial statements, and have issued our report thereon dated June 17, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Borough of Chambersburg's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Borough of Chambersburg's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Borough of Chambersburg's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as findings 2010-01 – 2010-02 to be material weaknesses.



Smith Elliott Kearns & Company, LLC
Certified Public Accountants & Consultants

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Borough of Chambersburg in a separate letter dated June 17, 2011.

The Borough of Chambersburg's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Borough of Chambersburg's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Mayor, and Borough Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Smith Elliott Kearns & Company, LLC

Chambersburg, Pennsylvania
June 17, 2011



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the Borough of Chambersburg's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended December 31, 2010. 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. Compliance with the requirements referred to above is the responsibility of the Borough of Chambersburg's management. Our responsibility is to express an opinion on the Borough of Chambersburg's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Borough of Chambersburg's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Borough of Chambersburg's compliance with those requirements.

In our opinion, the Borough of Chambersburg complied, in all material respects, with the 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, 2010.

Internal Control Over Compliance

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



To the Mayor and Borough Council
Borough of Chambersburg

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.

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 that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Mayor and Borough Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Smith Elliott Kearns & Company, LLC

Chambersburg, Pennsylvania
June 17, 2011

BOROUGH OF CHAMBERSBURG

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2010**

Grantor Program Title	Federal CFDA Number	Pass Through Grantor's Number	Program or Award Amount	Cash Receipts	Accrual Expenditures
U.S. Department of Housing and Urban Development Program:					
<u>Passed-through the PA, Dept. of Community and Economic Development</u>					
Community Development Block Grant	14.228	C000014702	305,376	27,772	27,772
Community Development Block Grant	14.228	C000022662	267,016	31,173	29,652
Community Development Block Grant	14.228	C000029556	262,610	41,403	35,011
Community Development Block Grant	14.228	C000036981	252,677	52,576	66,214
Community Development Block Grant	14.228	C000046101	258,038	84,168	72,511
ARRA - Community Development Block Grant	14.255	C000046400	33,470	21,975	15,975
HOME Grant	14.239	C000046786	350,000	1,430	2,061
Franklin County Home Grant	14.239	C000026927	350,000	<u>60,388</u>	<u>50,817</u>
Total U.S. Department of HUD				<u>320,885</u>	<u>300,013</u>
U.S. Department of the Army, Office of the Chief of Engineers					
Army Corps Engineers Grant	12.123	N/A	528,750	<u>528,750</u>	<u>0</u>
Total U.S. Department of the Army, Office of the Chief of Engineers				<u>528,750</u>	<u>0</u>
U.S. Department of Justice					
Justice Assistance Grant	16.738	2009-SB-B9-2495	55,593	14,561	2,000
Franklin County Justice Assistance Grant	16.738	2009-DJ-BX-0277	21,586	0	13,450
Franklin County Justice Assistance Grant	16.738	2010-DJ-BX-0867	13,592	<u>13,592</u>	<u>3,868</u>
				28,153	19,318
<u>Passed-through the Franklin County Emergency Service Alliance</u>					
ARRA - COPS Emergency Services Technology	16.804	2009-CD-WX-0154	83,895	<u>83,895</u>	<u>83,895</u>
Total U.S. Department of Justice				<u>112,048</u>	<u>103,213</u>
U.S. Environmental Protection Agency					
Environmental Protection Agency	66.202	XP-97361801-0	591,712	<u>502,400</u>	<u>457,531</u>
Total U.S. Environmental Protection Agency				<u>502,400</u>	<u>457,531</u>
U.S. Department of Homeland Security					
<u>Passed-through the PA, Emergency Management Agency</u>					
Disaster Grants - Public Assistance	97.036	FEMA-1898-DR-PA-055-12536-00	64,386	<u>64,386</u>	<u>64,386</u>
Total U.S. Department of Homeland Security					
Total Expenditures of Federal Awards				<u>\$ 1,528,469</u>	<u>\$ 925,143</u>

BOROUGH OF CHAMBERSBURG

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2010**

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 to the Borough's financial statements.

Note 2. Basis of Accounting

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

Note 3. Relationship to Financial Statements

Expenditures of Federal Awards are reported in the Borough's financial statements as follows:

Special Revenue Funds	
Community Development Block Grant	\$ 247,135
HOME Grant	52,878
Justice Assistance Grant	19,318
COPS Technology	<u>83,895</u>
	403,226
Water Fund	
Environmental Protection Agency	457,531
Disaster Grants - Public Assistance	<u>1,169</u>
	458,700
General Fund	
Disaster Grants - Public Assistance	54,446
Parking Fund	
Disaster Grants - Public Assistance	5,127
Administrative Fund	
Disaster Grants - Public Assistance	1,314
Motor Equipment Fund	
Disaster Grants - Public Assistance	1,068
Gas Fund	
Disaster Grants - Public Assistance	673
Electric Fund	
Disaster Grants - Public Assistance	<u>589</u>
Total	<u>\$ 925,143</u>

Note 4. Determination of Major Programs

Project Title	CFDA No.	Expenditures	Percent
Environmental Protection Agency	66.202	\$ 457,531	49.4%
Community Development Block Grant Cluster:			
Community Development Block Grant	14.228	231,160	25.0%
ARRA - Community Development Block Grant	14.255	<u>15,975</u>	1.7%
		247,135	
ARRA - COPS Technology	16.804	83,895	9.1%
Disaster Grants - Public Assistance	97.036	64,386	7.0%
HOME Grant	14.239	52,878	5.7%
Justice Assistance Grant	16.738	<u>19,318</u>	2.1%
Total federal expenditures		<u>\$ 925,143</u>	100.0%

**BOROUGH OF CHAMBERSBURG
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2010**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major program:

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

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

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

Identification of the major programs:

CFDA Number(s)	Name of Federal Program
66.202	Environmental Protection Agency
16.804	ARRA - COPS Technology

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

Auditee qualified as low-risk auditee? Yes X No

BOROUGH OF CHAMBERSBURG
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
December 31, 2010

Section II - Financial Statement Findings

A. Material Weaknesses in Internal Control

2010-01 Proper recording grant revenue and receivables

Condition: During 2010, there was a restatement necessary for a grant receivable that should have been recorded in the previous period.

Criteria: All revenues should be reviewed at the end of each year to determine if any receivables should be recorded.

Cause: A lack of communication between the grant administrator (department head) and the finance department.

Effect: A material restatement was made in the Water Fund for \$ 79,425 and in the Sewer Fund for \$ 449,325 to correct the revenues that should have been recorded prior to 2010.

Recommendation: We recommend that all grants awarded to the Borough be reviewed by the finance department and that the finance department determine the proper recording at the end of each fiscal year.

Response: The Staff Accountant or their appointee shall make contact with each department head on a regular basis to determine additions or changes to the current grant work load in progress or pending. A current updated "work list" of such grants will be provided on a regular basis to said department head. This exchange will be required specifically at the end of fiscal year.

2010-02 Review of Fixed Asset Lives

Condition: There was an asset placed in service that had an unreasonable life and it was determined that there is no internal review of fixed asset lives.

Criteria: Asset lives should be reviewed at the time the assets are placed into service.

Cause: Assets are assigned a life at the time the work order is started. However, there is no subsequent review at the time that the assets are placed into service to verify that the life is reasonable.

Effect: The financial statements could have been materially misstated, as an asset with a cost of \$ 3.7 million was placed in service with a life of 5 years that should have been 50 years.

Recommendation: We recommend that all asset lives be reviewed at the time the assets are placed into service to determine if they are reasonable.

Response: The "useful lives" of all fixed assets will be determined by the Property Assets/Accounting Technician and reviewed by the Staff Accountant at the time of acquisition. The determination of the useful life of any asset with a cost in excess of \$ 25,000 will require additional approval from the Director of Finance.

B. Compliance Findings

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

BOROUGH OF CHAMBERSBURG
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
December 31, 2010

Section III - Federal Award Findings and Questioned Costs

A. Significant Deficiencies in Internal Control

None Noted.

B. Compliance Findings

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

BOROUGH OF CHAMBERSBURG
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
December 31, 2010

2009-01 **Proper recording of debt activity**

Condition: During 2009, there was a bond refinancing that was not recorded by the Borough. In addition, when the first principal and interest payment was made by the electric fund on the new bonds, it was not properly allocated between sewer and electric, and was incorrectly coded to administrative expense in the electric fund.

Status: This was corrected in 2010.