

*Borough of Chambersburg  
Pennsylvania*



*Comprehensive Annual  
Financial Report  
December 31, 2014*

Borough of Chambersburg  
Pennsylvania

Comprehensive Annual  
Financial Report

For the Year Ended  
December 31, 2014

Prepared By the Department of Finance



Government Finance Officers Association

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

Presented to

**Borough of Chambersburg  
Pennsylvania**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2013**

Executive Director/CEO

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# 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 2014 Comprehensive Annual Financial Report**

June 25, 2015

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, 2014, is hereby submitted for your review. This report represents the commitment of the Borough of Chambersburg to adhere to nationally recognized standards of excellence in financial reporting.

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

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

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

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



# THE BOROUGH OF CHAMBERSBURG

## General Information

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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 20,602, between 2000 and 2014; an increase of 15.3 percent during the period.

## Municipal Services and Facilities

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

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

## Governmental Organization

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

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

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

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

## **Departmental Highlight – Chambersburg Sanitation Department**

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

Since the founding of Chambersburg, our citizens have had to find ways to deal with trash. Originally, trash disposal was a private affair, as home owners would have frequently resorted to burning trash in their yards. Another option was to throw garbage into alleys, and scavenging wildlife would serve the useful purpose of providing the first “curb side pick-up” service in town.

As the population grew, and in-town disposal began to be perceived as both a nuisance and a health threat, the citizens established a dump on the outskirts of the municipality. They were free to transport their own refuse to the dump; but there were also private “slop wagons” that would cart the citizen’s household waste for a fee. In the 1940s, these private services were phased out, as the Sanitation Department was established, and employees of the Borough began picking up trash from each household as a municipally-provided service. With the advent of new state regulations in the 1970s, which would have required expensive modifications to the existing site, the Borough chose to close down the town dump for all types of refuse except for green yard waste. Household waste would now be transported to private landfills outside of town.

With the advent of new technology, the sanitation department added many new services during the twentieth century. The streets were swept by mechanical street sweepers; recycling of many materials, including glass, metal, and newspapers was begun; and curb-side pick-up of bulky items was provided for once per year. New rules for electronic device recycling took place in 2013, and the Borough purchased a new leaf vacuum truck to help with fall leaf pick later that year. In 2015, the old dump was closed for all refuse, as a new Green Yard Waste Recycling facility was established by the Borough in Hamilton Township.

Today, the Borough operates a fleet of five trash pick-up trucks (two residential and three commercial); two recycling vehicles; and two street-sweepers, all of which are operated by a staff of twelve employees.

## **Economic Environment - Historical**

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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**

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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 2014 were:

<b>EMPLOYER</b>	<b>PRIMARY BUSINESS</b>	<b>AVERAGE NUMBER OF EMPLOYEES</b>
Summit Health Services	Health Care	2,899
Chambersburg Area School District	Public Education	1,100
County of Franklin	Government	687
Menno Haven, Inc.	Retirement Community	584
Ventura Foods	Food Packaging	423
Staples	Retailing	331
T. B. Woods, Inc.	Power Transmission Equipment	300
F & M Trust Company	Financial Services	280
Knouse Foods	Food Packaging	267
Borough of Chambersburg	Municipal Government	205

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

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

<b>EMPLOYER</b>	<b>PRIMARY BUSINESS</b>	<b>AVERAGE NUMBER OF EMPLOYEES</b>
Letterkenny Army Depot/Tenants	Repair Military Vehicles and Missiles/Misc.	3,500
Target Distribution Center	Distribution Warehousing	590
Martins Famous Pastry Shop	Potato Bread and Rolls	480
Ulta Beauty	Distribution Center	350
Walmart	Retailing	348
Ingram Book Group Inc.	Book Distribution	270
Valley Quarries	Stone and Asphalt Products	250

## **FINANCIAL INFORMATION**

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

### **Accounting/Budgetary Control System**

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

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

The concept of reasonable assurance recognizes that:

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

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

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

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

### **Long Term Financial Planning**

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

The plan defines capital projects accordingly:

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

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

## **CHANGES IN FINANCIAL POLICIES**

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In June 2013, the GASB issued Statement No. 67, Financial Reporting for Pension Plans. The objective of this statement is to improve financial reporting by state and local government plans by providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. The current period's financial statements incorporate the changes to the Financial Statements, the Notes to Financial Statements, the Required Supplementary Information, and the Notes to the Required Schedules, as required by Statement No. 67.

## **INDEPENDENT AUDIT**

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The independent accounting firm, Smith Elliott Kearns & Company, LLC, audited the basic financial statements of the Borough of Chambersburg for fiscal year 2014. The financial statements have received an unmodified opinion indicating that, in all material respects, the Borough's basic financial statements are presented fairly and in conformity with accounting principles generally accepted in the United States of America. Auditing standards generally accepted in the United States of America and the standards set forth in the General Accounting Office's Government Auditing Standards were used by the auditors in conducting the engagement. The auditors' report on internal controls and compliance with applicable laws and regulations can be found in the report.

## **ACKNOWLEDGMENTS**

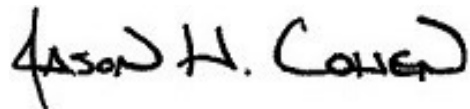
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The preparation of this CAFR would not have been possible without the consistently meticulous hard work of every member of the Finance Department. This effort requires a significant investment of time and resources on behalf of many, above and beyond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

I would like to express our appreciation to our Borough Manager, Jeffrey Stonehill, who has shown continued confidence in, and consistent support of, the Finance Department, particularly through the past two years, which have been a period of transition with respect to supervisory personnel and departmental operations. With the planned implementation of additional new technologies and processes in the near future, it is encouraging that we have a Borough Manager/Director of Utilities at our helm, which is cognizant of both the need for, and value of, state-of-the-art technologies and industry best practices.

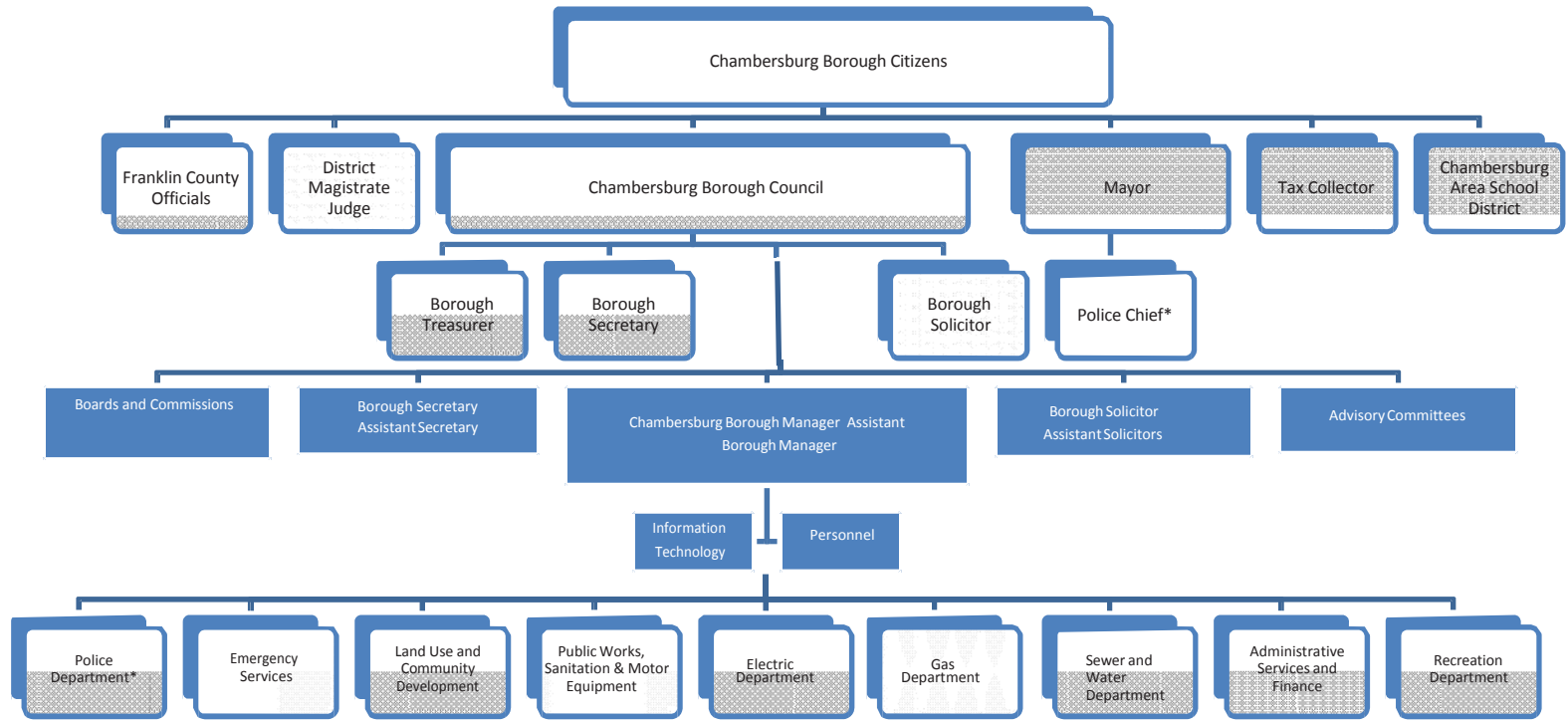
Finally, I wish to thank the Mayor and members of Town Council for their leadership and support, and particularly for their faith in the abilities and dedication of Borough staff to strive for, and to continue to meet, the high performance standards that have come to be the norm in our organization.

Respectfully submitted,



Jason H. Cohen  
Director of Finance

# Chambersburg Borough Organization



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

June 2013

**2015 ROSTER**  
**MAYOR AND MEMBERS OF TOWN COUNCIL**  
**OF THE BOROUGH OF CHAMBERSBURG, PENNSYLVANIA**

**MAYOR**

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

**COUNCILMEN**

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

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

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

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

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

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

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

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

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

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

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

## BOROUGH OFFICERS AND OFFICIALS

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

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

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

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

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

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

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

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

Ron Pezon  
Electric Superintendent  
(b) 261-3238

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

John Leary  
Gas Superintendent  
(b) 261-3234

Jon Mason  
Assistant Gas Superintendent  
(b) 263-6385

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

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

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

William FitzGerald  
Emergency Services Chief  
(b) 261-3230

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

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

Guy Shaul  
Recreation Superintendent  
(b) 261-3275

Julie Redding  
Assistant Recreation Superintendent  
(b) 261-3275

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

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

Kathy Newcomer  
Community Development Specialist  
(b) 261-3208

Paul Cullinane  
Economic Development Specialist  
(b) 264-5151

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

Brenda Hill  
Borough Tax Collector  
(b) 263-6565





# Financial Section



## INDEPENDENT AUDITOR'S REPORT

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

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Chambersburg, Pennsylvania, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements, as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

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

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

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



## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Chambersburg, Pennsylvania, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis-of-Matter***

As discussed in Note 1 to the financial statements, the Borough adopted new accounting guidance, Government Accounting Standards Board ("GASB") Statement No. 67, Financial Reporting for Pension Plans, as of January 1, 2014. Our opinion has not been modified with respect to this matter.

## ***Other Matters***

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 16, the schedule of changes in the Borough's net pension liability and related ratios on page 63, schedule of Borough contributions on page 64, schedule of investment returns on page 65, the schedule of funding progress on page 66, the OPEB schedule of funding progress on page 67, and budgetary comparison information on pages 68 through 69 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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



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

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

#### **OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2015, on our consideration of the Borough of Chambersburg, Pennsylvania's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough of Chambersburg, Pennsylvania's internal control over financial reporting and compliance.

*Smith Elliott Kearns & Company, LLC*

Chambersburg, Pennsylvania  
June 25, 2015

# **BOROUGH OF CHAMBERSBURG, PENNSYLVANIA**

## **Management's Discussion and Analysis - Unaudited**

### **Year Ended December 31, 2014**

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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, 2014. Readers should also review the basic financial statements and related footnotes on pages 17-62 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**

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

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

### **Reporting on the Borough of Chambersburg as a Whole**

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#### ***Statement of Net Position and Statement of Activities***

These government-wide statements answer the question "How did the Borough, as a whole, perform financially during 2014?" They are prepared on the accrual basis of accounting, in much the same way as a private enterprise. This basis of accounting includes all assets and liabilities and takes into account all of the reporting year's revenues and expenses, regardless of when the cash was received or paid.

- **The Statement of Net Position.** This statement (page 17) reports all assets and liabilities of the Borough as of December 31, 2014. The difference between total assets plus deferred outflow of resources and total liabilities is reported as "net position". Increases in net position generally indicate an improvement in financial standing while decreases may indicate a deterioration of financial position.
- **The Statement of Activities.** This statement (page 18) serves the purpose of the traditional income statement. It provides consolidated reporting of the results of all activities of the Borough for the year ended December 31, 2014. Changes in net position are recorded in the period in which the underlying event takes place, which may differ from the period in which cash is received or disbursed. The Statement of Activities displays the expense of the Borough's various programs net of related revenues, as well as a separate presentation of revenues available for general purposes.

A more detailed explanation of these statements is found in Note 1 on pages 28 - 42 in the Notes to the Financial Statements.

**BOROUGH OF CHAMBERSBURG, PENNSYLVANIA**  
**Management's Discussion and Analysis - Unaudited**  
**Year Ended December 31, 2014**

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**Reporting on the Borough of Chambersburg's Most Significant Funds**

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***Fund Financial Statements***

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

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

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

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

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

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

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

**BOROUGH OF CHAMBERSBURG, PENNSYLVANIA**  
**Management's Discussion and Analysis - Unaudited**  
**Year Ended December 31, 2014**

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

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

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

**Other Information**

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***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 63 through 69 of this report.

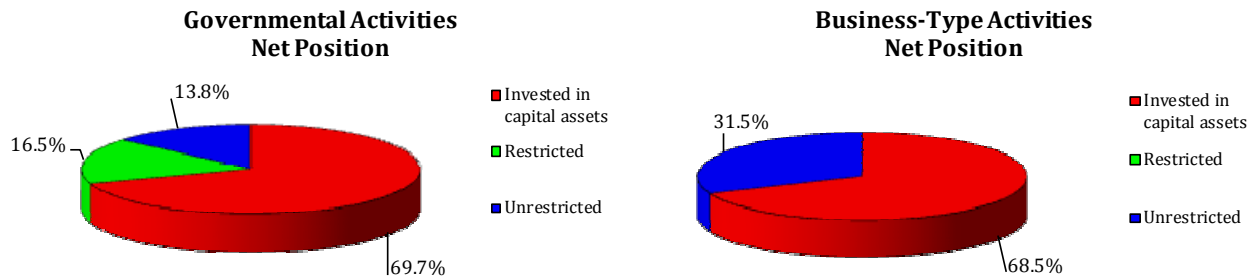
**BOROUGH OF CHAMBERSBURG, PENNSYLVANIA**  
**Management's Discussion and Analysis - Unaudited**  
**Year Ended December 31, 2014**

**The Borough of Chambersburg as a Whole**

The following table presents condensed information on net position as of December 31, 2014 and 2013.

	December 31, 2014 and 2013					
	2014 Governmental Activities	2013 Governmental Activities	2014 Business-Type Activities	2013 Business-Type Activities	2014 Total	2013 Total
<b>Assets</b>						
Current and other assets	\$ 12,655,138	\$ 11,686,312	\$ 50,008,582	\$ 41,484,702	\$ 62,663,720	\$ 53,171,014
Capital assets	<u>22,937,365</u>	<u>22,575,924</u>	<u>117,375,334</u>	<u>103,669,763</u>	<u>140,312,699</u>	<u>126,245,687</u>
Total assets	<u>35,592,503</u>	<u>34,262,236</u>	<u>167,383,916</u>	<u>145,154,465</u>	<u>202,976,419</u>	<u>179,416,701</u>
<b>Deferred Outflows of Resources</b>						
Deferred charge on bond refinancing	-	-	241,515	302,491	241,515	302,491
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>241,515</u>	<u>302,491</u>	<u>241,515</u>	<u>302,491</u>
<b>Liabilities</b>						
Current liabilities	841,492	866,229	9,798,214	6,802,421	10,639,706	7,668,650
Other liabilities	<u>1,953,973</u>	<u>1,685,942</u>	<u>20,085,073</u>	<u>16,918,720</u>	<u>22,039,046</u>	<u>18,604,662</u>
Total liabilities	<u>2,795,465</u>	<u>2,552,171</u>	<u>29,883,287</u>	<u>23,721,141</u>	<u>32,678,752</u>	<u>26,273,312</u>
<b>Net Position:</b>						
Net investment in capital assets	22,850,486	22,561,919	94,346,244	85,933,597	117,196,730	108,495,516
Restricted	5,431,916	3,975,045	-	-	5,431,916	3,975,045
Unrestricted	<u>4,514,636</u>	<u>5,173,101</u>	<u>43,395,900</u>	<u>35,802,218</u>	<u>47,910,536</u>	<u>40,975,319</u>
Total net position	<u>\$ 32,797,038</u>	<u>\$ 31,710,065</u>	<u>\$ 137,742,144</u>	<u>\$ 121,735,815</u>	<u>\$ 170,539,182</u>	<u>\$ 153,445,880</u>

The breakdown of net position is as follows, as of December 31, 2014:



In total, combined net position equaled \$170.5 million as of December 31, 2014.



**BOROUGH OF CHAMBERSBURG, PENNSYLVANIA**  
**Management's Discussion and Analysis - Unaudited**  
**Year Ended December 31, 2014**

The following tables present condensed information on the changes in net position for the years ended December 31, 2014, and 2013, respectively.

**Changes in Net Position**  
**For the Year Ended December 31, 2014**

	Governmental Activities	Business-Type Activities	Total Activities
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 2,715,013	\$ 52,010,824	\$ 54,725,837
Operating grants and contributions	2,431,255	284,758	2,716,013
Capital grants and contributions	964,645	11,506,390	12,471,035
General revenues:			
Property taxes, levied for general purposes	4,079,972	-	4,079,972
Property taxes, levied for specific purposes	486,642	-	486,642
Real estate transfer tax	317,334	-	317,334
Earned income tax	1,840,955	-	1,840,955
Local services tax	797,699	-	797,699
Other taxes	60,819	-	60,819
Unrestricted investment earnings	20,707	90,602	111,309
Miscellaneous income	16,612	23,638	40,250
Total revenues	<u>\$ 13,731,653</u>	<u>\$ 63,916,212</u>	<u>\$ 77,647,865</u>
<b>Expenses</b>			
General government	\$ 1,871,895	\$ -	\$ 1,871,895
Public safety	8,044,957	-	8,044,957
Public works	1,728,115	-	1,728,115
Community development	498,846	-	498,846
Culture and recreation	1,383,781	-	1,383,781
Electric	-	27,588,665	27,588,665
Gas	-	7,263,637	7,263,637
Water	-	3,296,954	3,296,954
Sewer	-	5,555,216	5,555,216
Other business-type activities	-	3,322,497	3,322,497
Total expenses	<u>13,527,594</u>	<u>47,026,969</u>	<u>60,554,563</u>
Excess before transfers	204,059	16,889,243	17,093,302
Transfers	882,914	(882,914)	-
Change in net position	<u>1,086,973</u>	<u>16,006,329</u>	<u>17,093,302</u>
Net position - beginning, as restated	31,710,065	121,735,815	153,445,880
Net position - ending	<u>\$ 32,797,038</u>	<u>\$ 137,742,144</u>	<u>\$ 170,539,182</u>

**BOROUGH OF CHAMBERSBURG, PENNSYLVANIA**  
**Management's Discussion and Analysis - Unaudited**  
**Year Ended December 31, 2014**

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

	Governmental Activities	Business-Type Activities	Total Activities
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 2,577,025	\$ 51,429,790	\$ 54,006,815
Operating grants and contributions	2,746,623	264,847	3,011,470
Capital grants and contributions	1,325,376	2,484,348	3,809,724
General revenues:			
Property taxes	3,871,122	-	3,871,122
Real estate transfer tax	261,049	-	261,049
Earned income tax	1,804,341	-	1,804,341
Local services tax	729,747	-	729,747
Other taxes	62,682	-	62,682
Unrestricted investment earnings	11,165	41,143	52,308
Gain (loss) on sale of assets	(13,184)	-	(13,184)
Miscellaneous income	29,829	74,087	103,916
Total revenues	<u>\$ 13,405,775</u>	<u>\$ 54,294,215</u>	<u>\$ 67,699,990</u>
<b>Expenses</b>			
General government	\$ 1,632,713	\$ -	\$ 1,632,713
Public safety	7,882,241	-	7,882,241
Public works	1,814,913	-	1,814,913
Community development	655,614	-	655,614
Culture and recreation	1,378,850	-	1,378,850
Electric	-	25,296,812	25,296,812
Gas	-	7,033,202	7,033,202
Water	-	3,123,219	3,123,219
Sewer	-	5,185,515	5,185,515
Other business-type activities	-	3,083,464	3,083,464
Total expenses	<u>13,364,331</u>	<u>43,722,212</u>	<u>57,086,543</u>
Excess before transfers	41,444	10,572,003	10,613,447
Transfers	1,646,297	(1,646,297)	-
Change in net position	1,687,741	8,925,706	10,613,447
Net position - beginning	30,022,324	112,810,109	142,832,433
Net position - ending	<u>\$ 31,710,065</u>	<u>\$ 121,735,815</u>	<u>\$ 153,445,880</u>

Net position increased by \$17.09 million in 2014 for "total activities" compared to an increase of \$10.61 million in 2013 for the same "total activities", save the addition of 3.5 mils of property tax in 2014. This is a \$6.48 million increase in overall performance for 2014 compared to 2013 and is the result of an increase in revenues of \$9.95 million with a corresponding increase in expenses of \$3.47 million. In the business-type activities transfers line item, there were \$882,914 of transfers to governmental activities. This represents net transfers from the business-type activities funds to the governmental activities fund (General Fund), the majority of which (\$1,460,580) consists of operating transfers from the Electric and Gas Departments to the General Fund.

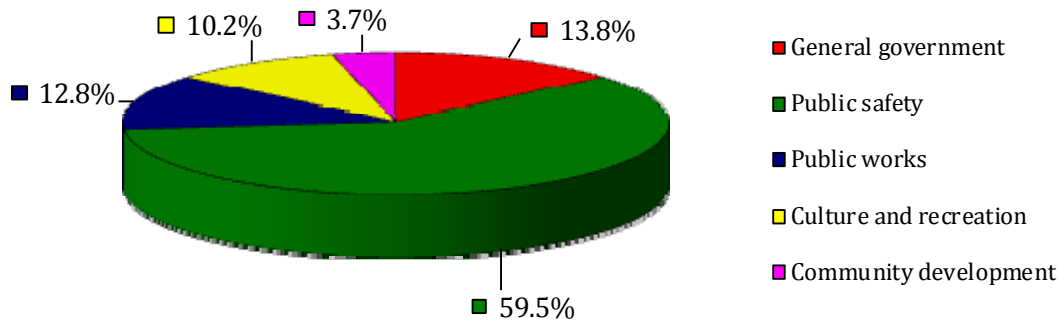
**BOROUGH OF CHAMBERSBURG, PENNSYLVANIA**  
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The Borough's largest governmental activities revenue source: real estate taxes, increased by \$208,850 or 5.40% in 2014. This was a significantly larger increase than the 0.29% increase for the year ended December 31, 2013. The significant increase in real estate revenues was due to an increase in the property tax millage rate of three and one half (3.5) mils. The tax rate increase was deemed appropriate and necessary by Borough Council, in the face of the mandated staffing levels for Emergency Services Department personnel, as imposed by the Richard Kasher, collective bargaining, mandatory arbitration decision, towards which two and one half (2.5) mils were directed, as well as the need to continue to staff the Police Department at appropriate levels, towards which one (1) mil was directed. This represents the first property tax increase since 2007. The earned income tax receipts increased \$36,614 or 2.03% in 2014, while the real estate transfer tax increased by \$56,285 or 21.56% in 2014. The Local Services Tax yield increased by \$67,952, or 9.31%, in 2014.

Expenses of governmental activities break down as follows:

**Governmental Expenses by Program**  
**2014**



Total governmental expenses for 2014 were \$13.5 million. Public safety, which consisted primarily of police, fire and ambulance services, comprised 59.5% of the total governmental expenses. Public works expenses, which include streets overlaying and repairs, were 12.8%. Leisure time activities represented by the culture and recreation portion of expenses were 10.2% of the total. General government expenses were 13.8%. Community development comprised 3.7% of total expenses.

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

**BOROUGH OF CHAMBERSBURG, PENNSYLVANIA**  
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The following tables and graph summarize the net cost of each program:

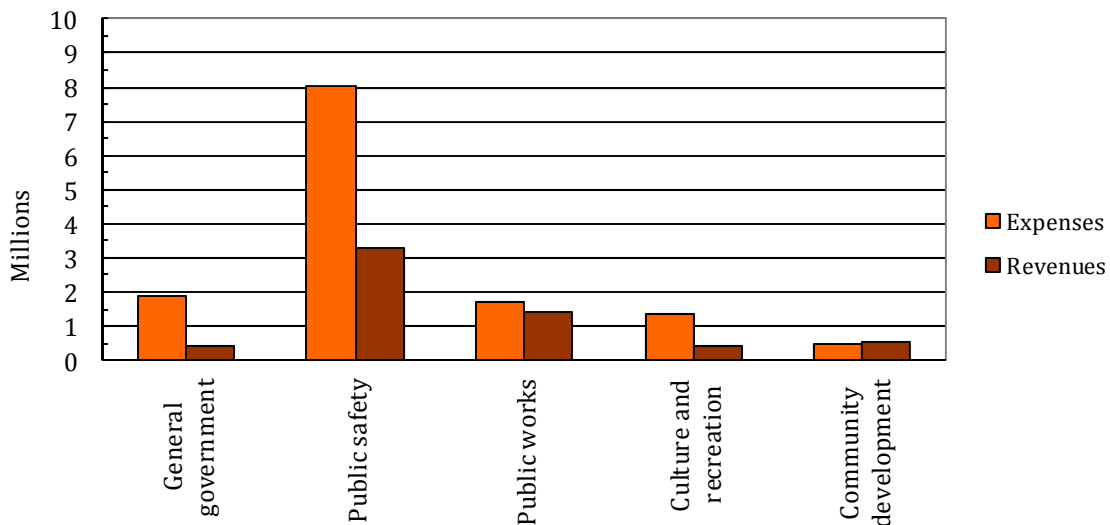
**Expenses and Program Revenue - Governmental Activities**  
**Year Ended December 31, 2014**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Net (Expense) Revenue</b>
Governmental activities					
General government	\$ 1,871,895	\$ 360,506	\$ 33,709	\$ -	\$ (1,477,680)
Public safety	8,044,957	1,997,494	1,276,767	-	(4,770,696)
Public works	1,728,115	1,784	475,640	964,645	(286,046)
Culture and recreation	1,383,781	355,229	89,748	-	(938,804)
Community development	498,846	-	555,391	-	56,545
<b>Total Governmental Activities</b>	<b>\$ 13,527,594</b>	<b>\$ 2,715,013</b>	<b>\$ 2,431,255</b>	<b>\$ 964,645</b>	<b>\$ (7,416,681)</b>

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

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

**Expenses and Program Revenue - Governmental Activities**  
**2014**



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

**BOROUGH OF CHAMBERSBURG, PENNSYLVANIA**  
**Management's Discussion and Analysis - Unaudited**  
**Year Ended December 31, 2014**

**Business-Type Activities**

Business-type net position increased by \$16 million in 2014. Electric Department revenues decreased 0.74%, Gas Department revenues increased 9.46%, Water Department revenues decreased 1.42%, Sewer Department revenues increased 113.55% (due to reimbursements of construction costs from neighboring townships), Sanitation Department revenues increased 2.79%, and the Parking, Traffic & Street Lights Department revenues increased 22.12%. The total increase in revenues was \$ 9,622,987 or 17.76%.

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

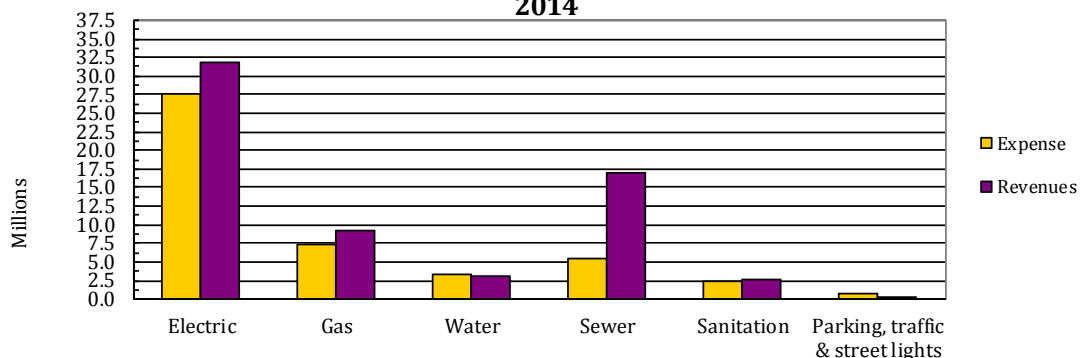
**Expenses and Program Revenue - Business-Type Activities**  
**For Year Ended December 31, 2014**

	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Electric	\$ 27,588,665	\$ 31,695,974	\$ 51,748	\$ -	\$ 4,159,057
Gas	7,263,637	9,105,354	23,430	53,750	1,918,897
Water	3,296,954	3,150,530	26,327	-	(120,097)
Sewer	5,555,216	5,376,373	109,686	11,439,605	11,370,448
Sanitation	2,465,248	2,475,937	70,006	-	80,695
Parking, traffic & st. lights	857,249	206,656	3,561	13,035	(633,997)
Total business-type activities	\$ 47,026,969	\$ 52,010,824	\$ 284,758	\$ 11,506,390	\$ 16,775,003

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

	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Electric	\$ 25,296,812	\$ 31,914,866	\$ 51,355	\$ 16,563	\$ 6,685,972
Gas	7,033,202	8,273,829	25,343	89,579	1,355,549
Water	3,123,219	3,101,815	28,218	92,000	98,814
Sewer	5,185,515	5,507,845	131,828	2,286,206	2,740,364
Sanitation	2,322,274	2,452,154	24,569	-	154,449
Parking, traffic & st. lights	761,190	179,281	3,534	-	(578,375)
Total business-type activities	\$ 43,722,212	\$ 51,429,790	\$ 264,847	\$ 2,484,348	\$ 10,456,773

**Expenses and Program Revenue - Business-Type Activities**  
**2014**



**BOROUGH OF CHAMBERSBURG, PENNSYLVANIA**  
**Management's Discussion and Analysis - Unaudited**  
**Year Ended December 31, 2014**

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**Individual Funds Summary and Analysis**

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

The combined fund balances of the Borough's governmental funds as of December 31, 2014 were \$ 7.9 million, as compared to \$ 6.7 million as of December 31, 2013.

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 \$ 2,746,679 to \$ 2,532,654, entirely as a result of the decision to transfer an un-budgeted \$1.4 million into the General Capital Reserve Fund. Had these funds remained in the General Fund, the General Fund balance would have increased to \$ 3,932,654.

**Budget Variations**

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Operations for the Borough's General Fund resulted in an overall unfavorable net budget variance of \$ 549,495 for the year ended December 31, 2014. That means that we had \$ 549,495 less in net change in fund balance than we budgeted. The budget had a net excess of revenues over expenditures of \$ 335,470, but finished the year with an actual net deficit of (\$ 214,025) (negative). Total expenditures exceeded total revenues by \$ 1,032,608 and net inter-fund transfers from other Borough funds amounted to \$ 818,583, creating the overall negative results of (\$ 214,025) (negative) for net receipts or "net change in fund balance".

While we had a favorable budget variance of \$ 216,237 or 1.81%, of total budgeted operating expenditures (\$ 11,977,300), we also had a favorable budget variance of \$ 912,205 or 9.29% of total budgeted operating revenues (\$ 9,816,250). Additionally, there was an unfavorable budget variance of \$ 1,380,080, or 215%, of the budgeted transfers out of the General Fund, as well as an unfavorable budget variance of \$ 297,857, or 9.49%, of the budgeted transfers into the General Fund, resulting in a negative net budget variance of \$ 1,677,937, or 67.21%, of budgeted net transfers. The variance of the budgeted transfers out of the General Fund is a result of a conscious decision, as approved by Borough Council, to transfer an additional \$ 1.4 million into the General Capital Reserve Fund in a continued effort to ensure adequate reserves, as the General Fund was in a position to absorb such a transfer from its fund balance.

The favorable variance (\$ 912,205) in revenues can be tied to the higher-than-anticipated revenues from property and wage taxes, as well as an increase in billable services being performed by Borough staff. On the expenditure side, the favorable variance (\$ 216,237) can be primarily attributed to a decrease in the required payments to the Administrative Services Internal Service Fund, due to several changes in personnel within the Administrative Services Department, that resulted in salary and benefits costs savings, as well as various cost savings in the Recreation Department, including decreased operational costs for the municipal swimming pool.

**BOROUGH OF CHAMBERSBURG, PENNSYLVANIA**  
**Management's Discussion and Analysis - Unaudited**  
**Year Ended December 31, 2014**

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**Changes in Revenue and Expenditure Levels**

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In looking at the performance of the General Fund for 2014, we had an overall decline of \$1,510,444 in 2014, as compared to 2013, for the net change in fund balance (ncfb). In 2014, we finished the year with a negative *ncfb* of \$214,025 compared to a positive *ncfb* of \$1,296,419 for 2013. This decline can be entirely attributed to the year-over-year increase (\$1.48 million) in transfers out of the General Fund; which, when all transfers are totaled, included a \$1.5 million transfer to the Capital Reserve Fund, as well as transfers to the Workers Compensation fund totaling approximately \$317,000 from the Police and Emergency Services Departments. While the Borough could have chosen to forgo the planned transfers to the reserve fund, thereby ending the year with a positive net change in fund balance, we continue to pro-actively set aside funds for anticipated future capital asset and infrastructure needs. Although the Borough insists on setting funds aside for such future needs, ultimately, as the funds in the Capital Reserve Fund are not restricted, they would be available for General Fund operations, if that were ever deemed necessary.

In the absence of transfers to and from other departments, we would have ended the year with a *ncfb* of (\$1,032,608) (negative) for 2014, in the General Fund. Compared to the same for 2013, of (\$915,236) (negative), 2014 is \$117,372 more. In 2014 there was budgeted a net \$2,496,520 transfer into the general fund, whereas in 2013, budgeted net was \$2,203,320. The basis for this increase of \$293,200 in net transfers is due to the budgeting of a transfer in of \$530,000 (\$480,000 of which was newly-budgeted revenue) from the Motor Equipment Fund, as a result of the imposition of the 2.5 mil property tax increase designated for fire apparatus, which is initially funneled into the Motor Equipment Fund. The impact of this increase was lessened, most notably, by a year-over-year increase in the transfers out from the Police Department in the amount of \$159,800 to the Workers Compensation Fund.

**Changes in Fund Balance**

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The fund balance in the General Fund decreased by \$214,025 in 2014. This was because total expenditures (\$11,761,063) exceeded total revenues (\$10,728,455) by \$1,032,608, while net transfers (\$818,583) from other departments offset much of the deficiency, leaving (\$214,025) (negative) as the net decrease in fund balance for the General Fund. As previously discussed, this minor deficiency is the result of the Borough's continued commitment to adequately fund its Workers Compensation (self insurance) Fund, as well as the future capital improvements of the Borough and its infrastructure.

The fund balance in the Special Revenue Fund increased by \$63,842 in 2014. Revenues decreased by \$340,799 to \$1,192,168 in 2014, while expenditures decreased by \$288,050, to \$510,564. However, this increase in resources of \$681,604 was mitigated by net transfers out in the amount of \$617,762, resulting in a minimal increase of the fund balance in the amount of \$63,842, related directly to receiving reimbursements of grant funds that were expended in previous years. This is in comparison to a decrease in fund balance of \$127,903 for 2013.

The net position in the enterprise funds increased by \$14,504,489, or 13.07%, in 2014, compared to an increase of \$8,447,628, or 8.24%, in 2013. Operating revenues in the enterprise funds increased by \$391,068, or 0.76%. The increase in operating revenues for 2014 can be attributed to an increase of \$832,050, or 10.06%, in operating revenues in the Gas Department, due in large part, to an increasing customer base, while its effect was offset by minor decreases in the operating revenues of the other enterprise funds. Operating expenses increased by \$3,271,963, or 7.50%, which is comprised of minor increases in operating expenses spread across all enterprise funds: Electric by 9.21%, Gas by

## **BOROUGH OF CHAMBERSBURG, PENNSYLVANIA**

### **Management's Discussion and Analysis - Unaudited**

**Year Ended December 31, 2014**

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2.60%, Water by 8.21%, Sewer by 5.16%, and Other Enterprise Funds, collectively, by 6.42%. The net position of the Sewer Department increased by \$11,268,802, or 41.13%, in 2014. The substantial improvement in the net position of the Sewer Department is the result of the receipt of a \$1 million grant from the US Department of Agriculture for a head works project, and the addition of capital assets via the continued construction of the J. Hase Mowrey Regional Wastewater Treatment Plant, for which the neighboring townships are paying a portion of the construction costs, while the Borough retains the full value of the asset.

Net position of the Gas Department increased by \$1,237,956, or 9.37%, which was driven by increased sales; while that of the Water Department decreased slightly by \$230,694, or 0.83%; and Electric increased again; this year by \$1,759,548, or 4.68%. Additionally, the net position of the Other Enterprise Funds (Sanitation and Parking, Traffic & Street Lights) increased by \$468,877, or 10.23%, which, despite relatively static revenues and slightly increased expenses (6.42%), is the lingering result of a 2013 rate increase for sanitation services, as well as an increased allocation of funding to the Parking, Traffic, and Street Lights Fund from the Electric Department, to cover operational expenses related to the provision of street lighting.

Also, the net position in the internal service funds increased by \$1,281,888, or 8.48%, compared to an increase of \$915,626, or 6.45% in 2013. Operating revenues increased by \$349,459, or 5.20%, while operating expenses increased by \$78,244, or 1.17%. The increase in revenues continues to be due largely to the increased use of the Motor Equipment Fund and Engineering Department assets on behalf of other departments, in addition to an increasingly more accurate assessment of the use and future replacement costs of vehicles and equipment to the respective departments making use of them, via the rental rates paid to the Motor Equipment Fund.

### **Capital Asset and Debt Administration**

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#### ***Capital Asset Activity***

In 2014, Chambersburg Borough continued its ambitious multi-year plan to provide its residents, businesses, patrons, and visitors with top-notch infrastructure accommodations, via significant upgrades, by utilizing accumulated reserves in utility funds and special accounts, the issuance of a General Obligation Note, and financing partnerships with state and federal agencies.

The Gas Department continued to undertake significant main extensions and service line improvements on Federal, Broad, and Glen Streets, Heintzelman, Cumberland, and Ohio Avenues, and US 11, among others, as a result of increased demands for service. Additionally, the year saw several new street improvement projects; including the cold in-place asphalt recycling of Glen Street and Heintzelman Avenue, and the improvement of the Norland Avenue and Walker Road intersection, which also made use of Pennsylvania Department of Transportation, and Federal Highway Administration funds, as well as a storm sewer inlet replacement project, which made use of Liquid Fuels Funds. Many more street projects are planned for 2015, with the Borough continuing to make use of cost saving technology/techniques such as cold in-place asphalt recycling and micro-surfacing, as well as cost sharing arrangements with state and federal agencies.

The Electric Department undertook substantial upgrades at the Orchard Park and Falling Spring generating stations. Water treatment plant filtering system upgrades were completed at the Julio D. Lecuona Water Treatment Plant, and the Water Department commissioned a property needs analysis in light of the 2013 purchase of two residences adjacent to Borough Hall, with the intent of future expansion, ultimately resulting in additional revenue for the Water Department via the assessment of rent to other departments making use of the facility, keeping in line with the Borough's cost-based accounting philosophy.



**BOROUGH OF CHAMBERSBURG, PENNSYLVANIA**  
**Management's Discussion and Analysis - Unaudited**  
**Year Ended December 31, 2014**

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In 2014, the Borough continued the largest public works project in Borough history; renovations to the J. Hase Mowrey Regional Wastewater Treatment Plant, which will virtually double the treatment capacity of the plant, thereby allowing the reception and treatment of the region's sanitary sewage, while continuing to meet current and anticipated nutrient discharge limits into the future. The Borough's share of the costs associated with the Wastewater Treatment Plant upgrade is being funded by a portion of the Borough's 2012, \$ 8 million debt offering.

Also, in 2014, the Borough purchased land in adjacent Hamilton Township to satisfy the concerns of the Pennsylvania Department of Environmental Protection with regards to the Borough's pre-existing landfill, at which Borough residents had been permitted to drop off yard waste for many years prior. Due to the long-standing history of the facility being used for both refuse and yard waste, before being limited to yard waste only, the PA DEP directed the Borough provide a new facility for residents to dispose of yard waste. The Borough obtained a \$1.5 million General Obligation Note from a local institution for the purchase and outfitting of the new site, which will make use of a weigh-in/weigh-out and permit system, ideally, in order to generate sufficient revenue to make the facility self-supporting.

Additional detail on the capital asset activity for the year ended December 31, 2014 is presented in the Notes to the Basic Financial Statements in note 4.

**Debt**

A summary of outstanding debt at December 31, 2014 and 2013, respectively, is as follows:

	<b>December 31, 2014</b>	<b>December 31, 2013</b>
<b>General Obligation Bonds/Notes</b>		
Governmental activities	\$ -	\$ -
Business-type activities	20,329,202	15,140,441
<b>Pennsylvania ("Pennvest" Water Projects)</b>		
Governmental activities	-	-
Business-type activities	<u>-</u>	<u>2,463,360</u>
Total outstanding debt	<u>\$ 20,329,202</u>	<u>\$ 17,603,801</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**

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

**BOROUGH OF CHAMBERSBURG**  
**Statement of Net Position**  
**December 31, 2014**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and equity in pooled cash and investments	\$ 10,045,657	\$ 40,487,844	\$ 50,533,501
Taxes receivable, net of allowance	327,986	-	327,986
Accounts receivable, net of allowance	338,378	5,833,868	6,172,246
Due from other governments	759,933	762,963	1,522,896
Other receivables	658,748	27,189	685,937
Inventories	322,130	2,838,470	3,160,600
Prepaid expenses	35,459	50,090	85,549
Total current assets	<u>12,488,291</u>	<u>50,000,424</u>	<u>62,488,715</u>
<b>Noncurrent assets</b>			
Noncurrent receivables	166,847	-	166,847
Prepaid bond insurance	-	8,158	8,158
Capital assets not being depreciated:			
Land	401,861	900,939	1,302,800
Construction in progress	1,198,919	23,858,028	25,056,947
Capital assets net of accumulated depreciation:			
Utility plant in service	-	86,765,643	86,765,643
Land improvements	2,092,242	47,723	2,139,965
Buildings and improvements	1,284,174	1,033,514	2,317,688
Machinery, equipment and furniture	1,532,136	4,769,487	6,301,623
Infrastructure	16,428,033	-	16,428,033
Total noncurrent assets	<u>23,104,212</u>	<u>117,383,492</u>	<u>140,487,704</u>
Total assets	<u>35,592,503</u>	<u>167,383,916</u>	<u>202,976,419</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on bond refunding	-	241,515	241,515
Total assets and deferred outflows of resources	<u>\$ 35,592,503</u>	<u>\$ 167,625,431</u>	<u>\$ 203,217,934</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable	\$ 205,157	\$ 5,319,928	\$ 5,525,085
Accrued wages and withholdings	105,155	189,607	294,762
Accrued interest expense	-	117,403	117,403
Unearned revenues	103,220	1,980,114	2,083,334
Long-term liabilities: Due within one year			
Bonds and notes payable	-	1,486,941	1,486,941
Compensated absences	331,493	420,147	751,640
Liability for self-insured losses	96,467	284,074	380,541
Total current liabilities	<u>841,492</u>	<u>9,798,214</u>	<u>10,639,706</u>
<b>Noncurrent liabilities</b>			
Long-term liabilities: Due in more than one year			
Bonds and notes payable	-	18,941,554	18,941,554
Compensated absences	287,573	378,441	666,014
Net OPEB obligation	1,487,956	239,599	1,727,555
Liability for self-insured losses	178,444	525,479	703,923
Total noncurrent liabilities	<u>1,953,973</u>	<u>20,085,073</u>	<u>22,039,046</u>
Total liabilities	<u>2,795,465</u>	<u>29,883,287</u>	<u>32,678,752</u>
<b>NET POSITION</b>			
Net investment in capital assets	22,850,486	94,346,244	117,196,730
Restricted			
Future highway projects	1,061,823	-	1,061,823
Future capital improvements	3,944,873	-	3,944,873
Future grants	416,992	-	416,992
Future fire expenses	8,228	-	8,228
Unrestricted	4,514,636	43,395,900	47,910,536
Total net position	<u>32,797,038</u>	<u>137,742,144</u>	<u>170,539,182</u>
Total liabilities and net position	<u>\$ 35,592,503</u>	<u>\$ 167,625,431</u>	<u>\$ 203,217,934</u>

**BOROUGH OF CHAMBERSBURG**  
**Statement of Activities**  
**Year Ended December 31, 2014**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Primary government</b>							
Governmental activities							
General government	\$ 1,871,895	\$ 360,506	\$ 33,709	\$ -	\$ (1,477,680)	\$ -	\$ (1,477,680)
Public safety	8,044,957	1,997,494	1,276,767	-	(4,770,696)	-	(4,770,696)
Public works	1,728,115	1,784	475,640	964,645	(286,046)	-	(286,046)
Culture and recreation	1,383,781	355,229	89,748	-	(938,804)	-	(938,804)
Community development	498,846	-	555,391	-	56,545	-	56,545
Total governmental activities	<u>13,527,594</u>	<u>2,715,013</u>	<u>2,431,255</u>	<u>964,645</u>	<u>(7,416,681)</u>	<u>-</u>	<u>(7,416,681)</u>
Business-type activities							
Electric	27,588,665	31,695,974	51,748	-	-	4,159,057	4,159,057
Gas	7,263,637	9,105,354	23,430	53,750	-	1,918,897	1,918,897
Water	3,296,954	3,150,530	26,327	-	-	(120,097)	(120,097)
Sewer	5,555,216	5,376,373	109,686	11,439,605	-	11,370,448	11,370,448
Sanitation	2,465,248	2,475,937	70,006	-	-	80,695	80,695
Parking, traffic and street lights	857,249	206,656	3,561	13,035	-	(633,997)	(633,997)
Total business-type activities	<u>47,026,969</u>	<u>52,010,824</u>	<u>284,758</u>	<u>11,506,390</u>	<u>-</u>	<u>16,775,003</u>	<u>16,775,003</u>
Total primary government	<u>\$ 60,554,563</u>	<u>\$ 54,725,837</u>	<u>\$ 2,716,013</u>	<u>\$ 12,471,035</u>	<u>\$ (7,416,681)</u>	<u>\$ 16,775,003</u>	<u>\$ 9,358,322</u>
<b>General revenues and transfers:</b>							
Taxes:							
Property taxes, levied for general purposes					\$ 4,079,972	\$ -	\$ 4,079,972
Property taxes, levied for specific purposes					486,642	-	486,642
Real estate transfer tax					317,334	-	317,334
Earned income tax					1,840,955	-	1,840,955
Local services tax					797,699	-	797,699
Other taxes					60,819	-	60,819
Unrestricted investment earnings					20,707	90,602	111,309
Miscellaneous income					16,612	23,638	40,250
Transfers					882,914	(882,914)	-
Total general revenues and transfers					<u>8,503,654</u>	<u>(768,674)</u>	<u>7,734,980</u>
Change in net position					1,086,973	16,006,329	17,093,302
Net position - beginning, as restated					<u>31,710,065</u>	<u>121,735,815</u>	<u>153,445,880</u>
Net position - ending					<u>\$ 32,797,038</u>	<u>\$ 137,742,144</u>	<u>\$ 170,539,182</u>

**BOROUGH OF CHAMBERSBURG**  
**Balance Sheet - Governmental Funds**  
**December 31, 2014**

	General Fund	Special Revenue Fund - Grant Programs	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and equity in pooled cash and investments	\$ 1,942,985	\$ 214,464	\$ 4,425,160	\$ 6,582,609
Taxes receivable, net	301,054	-	26,932	327,986
Receivable from other governments	751,969	18,339	-	770,308
Prepaid expenditures	35,138	-	-	35,138
Other receivables, net	294,168	188,048	668,415	1,150,631
Total assets	<u>\$ 3,325,314</u>	<u>\$ 420,851</u>	<u>\$ 5,120,507</u>	<u>\$ 8,866,672</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 88,833	\$ 3,138	\$ 86,858	\$ 178,829
Unearned ambulance revenues	103,220	-	-	103,220
Accrued wages, benefits and withholdings	87,089	721	21	87,831
Total liabilities	<u>279,142</u>	<u>3,859</u>	<u>86,879</u>	<u>369,880</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable tax revenue	513,518	-	18,704	532,222
Total deferred inflows of resources	<u>513,518</u>	<u>-</u>	<u>18,704</u>	<u>532,222</u>
<b>Fund balances</b>				
Nonspendable for long term receivables	-	63,008	166,847	229,855
Restricted	-	353,984	4,848,077	5,202,061
Unassigned	2,532,654	-	-	2,532,654
Total fund balances	<u>2,532,654</u>	<u>416,992</u>	<u>5,014,924</u>	<u>7,964,570</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,325,314</u>	<u>\$ 420,851</u>	<u>\$ 5,120,507</u>	<u>\$ 8,866,672</u>

**BOROUGH OF CHAMBERSBURG**  
**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position**  
**December 31, 2014**

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**Total fund balance - governmental funds** \$ 7,964,570

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

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

Cost of assets	36,965,778	
Accumulated depreciation	<u>(14,830,343)</u>	22,135,435

Taxes receivable will be collected in the future, but are not available soon enough to pay for the current period's expenditures, and therefore are not recorded in the fund financial statements. 532,222

Net Other Post Employment Benefits (OPEB) obligation does not require the use of current financial resources and, therefore, is not reported as a liability in the governmental funds. (1,468,022)

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. 4,157,791

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. (524,958)

Total net position - governmental activities \$ 32,797,038

**BOROUGH OF CHAMBERSBURG****Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds****Year Ended December 31, 2014**

	<b>General Fund</b>	<b>Special Revenue Fund - Grant Programs</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>				
Taxes	\$ 7,201,144	\$ -	\$ 467,938	\$ 7,669,082
Licenses and permits	332,478	-	-	332,478
Fines and forfeits	182,691	-	-	182,691
Investment earnings	5,791	17	8,106	13,914
Intergovernmental	798,844	1,160,002	1,398,669	3,357,515
Charges for services	2,062,651	-	-	2,062,651
Contributions and donations	-	-	4,636	4,636
Miscellaneous	144,856	32,149	10,070	187,075
Total revenues	<u>10,728,455</u>	<u>1,192,168</u>	<u>1,889,419</u>	<u>13,810,042</u>
<b>EXPENDITURES</b>				
General government	1,158,058	82,714	80,898	1,321,670
Public Safety				
Police department	4,155,744	905	19,065	4,175,714
Emergency services	3,555,762	18,617	7,000	3,581,379
Planning and zoning	432,463	-	-	432,463
Public works				
Highways	1,276,832	12,749	1,301,864	2,591,445
Culture and recreation	1,182,204	177,883	148,021	1,508,108
Community development	-	217,696	20,000	237,696
Total expenditures	<u>11,761,063</u>	<u>510,564</u>	<u>1,576,848</u>	<u>13,848,475</u>
Excess (deficiency) of revenues over expenditures	<u>(1,032,608)</u>	<u>681,604</u>	<u>312,571</u>	<u>(38,433)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	2,841,863	14,181	1,774,800	4,630,844
Transfers out	<u>(2,023,280)</u>	<u>(631,943)</u>	<u>(694,342)</u>	<u>(3,349,565)</u>
Total other financing sources and uses	<u>818,583</u>	<u>(617,762)</u>	<u>1,080,458</u>	<u>1,281,279</u>
Net change in fund balances	(214,025)	63,842	1,393,029	1,242,846
Fund balances - beginning	<u>2,746,679</u>	<u>353,150</u>	<u>3,621,895</u>	<u>6,721,724</u>
Fund balances - ending	<u>\$ 2,532,654</u>	<u>\$ 416,992</u>	<u>\$ 5,014,924</u>	<u>\$ 7,964,570</u>

# BOROUGH OF CHAMBERSBURG

## Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities Year Ended December 31, 2014

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**Net change in fund balances - total governmental funds:** \$ 1,242,846

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	(1,156,849)	
Capital outlays	<u>1,594,484</u>	437,635

In the statement of activities, only the gain on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase other financing sources. Thus, the change in net position differs from the changes in the fund balance by the cost of the capital assets sold. (14,360)

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. (85,664)

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: 5,394

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. (278,926)

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. (219,952)

**Change in net position - governmental activities** \$ 1,086,973

**BOROUGH OF CHAMBERSBURG**  
**Statement of Net Position - Proprietary Funds**  
**December 31, 2014**

	Enterprise Funds					Total	Internal Service Funds
	Electric Fund	Gas Fund	Water Fund	Sewer Fund	Other Enterprise Funds		
<b>ASSETS</b>							
<b>Current assets</b>							
Cash and equity in pooled cash and investments	\$ 5,208,098	\$ 3,267,653	\$ 8,273,613	\$ 10,636,728	\$ 2,903,861	\$ 30,289,953	\$ 13,660,939
Accounts receivable, net	3,142,465	1,367,887	299,823	821,286	203,981	5,835,442	2,500
Receivables from other governments	-	-	-	762,963	-	762,963	-
Other receivables	-	2,200	5,569	7,156	1,958	16,883	9,198
Inventories	1,026,002	712,357	56,572	94,940	-	1,889,871	1,270,729
Prepaid expenses	37,307	2,840	3,223	4,793	982	49,145	1,266
Total current assets	<u>9,413,872</u>	<u>5,352,937</u>	<u>8,638,800</u>	<u>12,327,866</u>	<u>3,110,782</u>	<u>38,844,257</u>	<u>14,944,632</u>
<b>Noncurrent assets</b>							
Prepaid bond insurance	5,235	-	-	2,923	-	8,158	-
Capital assets not being depreciated:							
Land	447,512	37,716	269,820	24,299	530,896	1,310,243	13,984
Construction in progress	977,399	1,074,006	246,644	20,932,417	207,819	23,438,285	-
Capital assets being depreciated:							
Buildings and system	73,692,756	14,470,241	31,783,663	43,574,648	75,529	163,596,837	183,907
Improvements other than buildings	45,308	-	-	-	460,678	505,986	-
Machinery and equipment	628,860	254,201	361,210	462,463	3,651,544	5,358,278	8,408,123
Less accumulated depreciation	(31,225,819)	(5,908,530)	(13,142,468)	(26,760,312)	(2,158,670)	(79,195,799)	(5,442,580)
Total capital assets	<u>44,566,016</u>	<u>9,927,634</u>	<u>19,518,869</u>	<u>38,233,515</u>	<u>2,767,796</u>	<u>115,013,830</u>	<u>3,163,434</u>
Total noncurrent assets	<u>44,571,251</u>	<u>9,927,634</u>	<u>19,518,869</u>	<u>38,236,438</u>	<u>2,767,796</u>	<u>115,021,988</u>	<u>3,163,434</u>
Total assets	<u>53,985,123</u>	<u>15,280,571</u>	<u>28,157,669</u>	<u>50,564,304</u>	<u>5,878,578</u>	<u>153,866,245</u>	<u>18,108,066</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
Deferred charge on bond refunding	154,497	-	-	87,018	-	241,515	-
Total assets and deferred outflows of resources	<u>\$ 54,139,620</u>	<u>\$ 15,280,571</u>	<u>\$ 28,157,669</u>	<u>\$ 50,651,322</u>	<u>\$ 5,878,578</u>	<u>\$ 154,107,760</u>	<u>\$ 18,108,066</u>
<b>LIABILITIES</b>							
<b>Current liabilities</b>							
Accounts payable	\$ 1,541,751	\$ 666,119	\$ 60,662	\$ 2,886,431	\$ 87,570	\$ 5,242,533	\$ 103,858
Accrued wages payable	45,526	17,819	26,676	25,301	23,133	138,455	68,341
Accrued interest payable	110,349	-	-	7,054	-	117,403	-
Unearned revenue	38,507	60,638	-	1,880,969	-	1,980,114	-
Compensated absences - current	104,236	38,014	47,505	48,229	35,440	273,424	196,548
Liability for self insured losses - current	-	-	-	-	-	-	380,541
Bonds, notes and loans payable - current	883,408	-	-	589,866	13,667	1,486,941	-
Total current liabilities	<u>2,723,777</u>	<u>782,590</u>	<u>134,843</u>	<u>5,437,850</u>	<u>159,810</u>	<u>9,238,870</u>	<u>749,288</u>
<b>Noncurrent liabilities</b>							
Compensated absences	100,793	27,044	47,251	31,947	41,006	248,041	174,682
Liability for self insured losses	-	-	-	-	-	-	703,923
Net OPEB obligation	60,770	27,688	34,009	32,570	25,862	180,899	78,634
Bonds, notes and loans payable	11,858,788	-	-	6,482,231	600,535	18,941,554	-
Total noncurrent liabilities	<u>12,020,351</u>	<u>54,732</u>	<u>81,260</u>	<u>6,546,748</u>	<u>667,403</u>	<u>19,370,494</u>	<u>957,239</u>
Total liabilities	<u>14,744,128</u>	<u>837,322</u>	<u>216,103</u>	<u>11,984,598</u>	<u>827,213</u>	<u>28,609,364</u>	<u>1,706,527</u>
<b>NET POSITION</b>							
Net investment in capital assets	31,975,185	9,872,504	19,506,406	28,481,812	2,148,833	91,984,740	3,163,434
Unrestricted	7,420,307	4,570,745	8,435,160	10,184,912	2,902,532	33,513,656	13,238,105
Total net position	<u>39,395,492</u>	<u>14,443,249</u>	<u>27,941,566</u>	<u>38,666,724</u>	<u>5,051,365</u>	<u>125,498,396</u>	<u>16,401,539</u>
Total liabilities and net position	<u>\$ 54,139,620</u>	<u>\$ 15,280,571</u>	<u>\$ 28,157,669</u>	<u>\$ 50,651,322</u>	<u>\$ 5,878,578</u>	<u>\$ 154,107,760</u>	<u>\$ 18,108,066</u>

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

12,243,748

Net position of business-type activities

\$ 137,742,144



# BOROUGH OF CHAMBERSBURG

## Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds Year Ended December 31, 2014

	Enterprise Funds				Other Enterprise Funds	Total	Internal Service Funds
	Electric Fund	Gas Fund	Water Fund	Sewer Fund			
<b>OPERATING REVENUES</b>							
Charges for services	\$ 29,676,931	\$ 9,060,298	\$ 2,803,449	\$ 5,198,798	\$ 2,470,129	\$ 49,209,605	\$ 7,060,277
Miscellaneous	1,959,828	45,056	105,687	83,754	131,841	2,326,166	14,011
Total operating revenues	<u>31,636,759</u>	<u>9,105,354</u>	<u>2,909,136</u>	<u>5,282,552</u>	<u>2,601,970</u>	<u>51,535,771</u>	<u>7,074,288</u>
<b>OPERATING EXPENSES</b>							
Production, gathering, treatment and transmission	3,467,850	583,749	1,705,801	2,345,154	-	8,102,554	-
Operation and maintenance	-	-	-	-	585,787	585,787	5,068,790
Collection and disposal	-	-	-	866,180	2,144,770	3,010,950	-
Purchase of energy for sale	19,554,467	5,287,550	-	-	-	24,842,017	-
Customer accounting and administrative	2,436,733	1,115,155	973,409	749,155	435,676	5,710,128	687,841
Claim payments and special services	-	-	-	-	-	-	502,188
Increase (decrease) in expected unpaid losses	-	-	-	-	-	-	(18,252)
Depreciation and amortization	2,028,231	354,515	685,475	1,461,690	133,354	4,663,265	512,519
Total operating expenses	<u>27,487,281</u>	<u>7,340,969</u>	<u>3,364,685</u>	<u>5,422,179</u>	<u>3,299,587</u>	<u>46,914,701</u>	<u>6,753,086</u>
Operating income (loss)	<u>4,149,478</u>	<u>1,764,385</u>	<u>(455,549)</u>	<u>(139,627)</u>	<u>(697,617)</u>	<u>4,621,070</u>	<u>321,202</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>							
Connection fees	-	-	222,394	91,385	-	313,779	-
Interest and investment revenue	13,266	7,408	17,433	23,679	8,804	70,590	26,808
Gain (loss) on sale of assets	(10,232)	(6,719)	(7,436)	(6,659)	(97)	(31,143)	(64,344)
Reimbursement of prior year expense	-	-	-	-	-	-	317,137
Other nonoperating revenues	61,783	682	31,395	7,398	-	101,258	1,879
Intergovernmental revenues	51,748	23,430	26,327	1,109,686	73,567	1,284,758	101,115
Interest expense and debt issuance costs	(303,745)	-	(3,618)	(186,665)	(8,815)	(502,843)	-
Total nonoperating revenues (expenses)	<u>(187,180)</u>	<u>24,801</u>	<u>286,495</u>	<u>1,038,824</u>	<u>73,459</u>	<u>1,236,399</u>	<u>382,595</u>
Income (loss) before contributions and transfers	3,962,298	1,789,186	(169,054)	899,197	(624,158)	5,857,469	703,797
Capital contributions and grants	-	53,750	-	10,439,605	13,035	10,506,390	-
Transfers in	-	-	2,379,365	-	1,080,000	3,459,365	1,219,141
Transfers out	(2,202,750)	(604,980)	(2,441,005)	(70,000)	-	(5,318,735)	(641,050)
Change in net position	1,759,548	1,237,956	(230,694)	11,268,802	468,877	14,504,489	1,281,888
Total net position - beginning, as restated	<u>37,635,944</u>	<u>13,205,293</u>	<u>28,172,260</u>	<u>27,397,922</u>	<u>4,582,488</u>	<u>110,993,907</u>	<u>15,119,651</u>
Total net position - ending	<u>\$ 39,395,492</u>	<u>\$ 14,443,249</u>	<u>\$ 27,941,566</u>	<u>\$ 38,666,724</u>	<u>\$ 5,051,365</u>	<u>\$ 125,498,396</u>	<u>\$ 16,401,539</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

1,501,840

Change in net position of business-type activities \$ 16,006,329

**BOROUGH OF CHAMBERSBURG**  
**Statement of Cash Flows - Proprietary Funds**  
**Year Ended December 31, 2014**

	Enterprise Funds				Other Enterprise Funds	Total	Internal Service Funds
	Electric Fund	Gas Fund	Water Fund	Sewer Fund			
<b>Cash flows from operating activities:</b>							
Receipts from customers/interfund services provided	\$ 31,951,092	\$ 9,302,224	\$ 2,958,509	\$ 4,353,398	\$ 2,574,149	\$ 51,139,372	\$ 7,174,682
Payments to suppliers	(23,240,966)	(6,195,867)	(1,537,142)	(2,606,400)	(1,977,581)	(35,557,956)	(2,606,985)
Payments to and on behalf of employees	(2,008,450)	(842,439)	(1,127,871)	(1,336,416)	(1,151,708)	(6,466,884)	(3,580,133)
Net cash provided (used) by operating activities	<u>6,701,676</u>	<u>2,263,918</u>	<u>293,496</u>	<u>410,582</u>	<u>(555,140)</u>	<u>9,114,532</u>	<u>987,564</u>
<b>Cash flows from capital and related financing activities:</b>							
Grants and reimbursements received	-	-	-	11,874,311	-	11,874,311	-
Proceeds from capital debt	-	-	-	6,394,560	614,202	7,008,762	-
Purchase of capital assets	(1,357,437)	(760,386)	(265,119)	(12,444,896)	(751,829)	(15,579,667)	(774,723)
Capital contributions	-	-	-	-	13,035	13,035	133,340
Proceeds from sale of assets	-	-	-	-	6,562	6,562	17,650
Proceeds from tap fees	-	-	222,394	91,385	-	313,779	-
Principal paid on capital debt	(1,077,051)	-	(2,463,360)	(742,949)	-	(4,283,360)	-
Interest and fiscal charges paid on capital debt	(296,776)	-	(10,235)	(162,593)	(8,815)	(478,419)	-
Net cash provided (used) by capital and related financing activities	<u>(2,731,264)</u>	<u>(760,386)</u>	<u>(2,516,320)</u>	<u>5,009,818</u>	<u>(126,845)</u>	<u>(1,124,997)</u>	<u>(623,733)</u>
<b>Cash flows from non-capital financing activities:</b>							
Transfer from other funds	-	-	2,379,365	-	1,080,000	3,459,365	1,219,141
Transfer to other funds	(2,202,750)	(643,397)	(2,441,005)	(31,583)	-	(5,318,735)	(641,050)
Refund received for health insurance	-	-	-	-	-	-	317,137
Grants received	<u>51,748</u>	<u>23,430</u>	<u>26,327</u>	<u>1,109,686</u>	<u>73,567</u>	<u>1,284,758</u>	<u>101,115</u>
Net cash provided (used) by non-capital financing activities	<u>(2,151,002)</u>	<u>(619,967)</u>	<u>(35,313)</u>	<u>1,078,103</u>	<u>1,153,567</u>	<u>(574,612)</u>	<u>996,343</u>
<b>Cash flows from investing activities:</b>							
Interest and dividends received	<u>13,266</u>	<u>5,605</u>	<u>13,615</u>	<u>17,211</u>	<u>7,251</u>	<u>56,948</u>	<u>19,678</u>
Net cash provided (used) by investing activities	<u>13,266</u>	<u>5,605</u>	<u>13,615</u>	<u>17,211</u>	<u>7,251</u>	<u>56,948</u>	<u>19,678</u>
Net increase (decrease) in cash and cash equivalents	<u>1,832,676</u>	<u>889,170</u>	<u>(2,244,522)</u>	<u>6,515,714</u>	<u>478,833</u>	<u>7,471,871</u>	<u>1,379,852</u>
Cash and cash equivalents - beginning of the year	<u>3,375,422</u>	<u>2,378,483</u>	<u>10,518,135</u>	<u>4,121,014</u>	<u>2,425,028</u>	<u>22,818,082</u>	<u>12,281,087</u>
Cash and cash equivalents - end of the year	<u>\$ 5,208,098</u>	<u>\$ 3,267,653</u>	<u>\$ 8,273,613</u>	<u>\$ 10,636,728</u>	<u>\$ 2,903,861</u>	<u>\$ 30,289,953</u>	<u>\$ 13,660,939</u>
<b>Reconciliation of income from operations to net cash provided (used) by operating activities</b>							
Operating income (loss)	\$ 4,149,478	\$ 1,764,385	(\$ 455,549)	(\$ 139,627)	(\$ 697,617)	\$ 4,621,070	\$ 321,202
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:							
Depreciation and amortization expense	2,028,231	354,515	685,475	1,461,690	133,354	4,663,265	512,519
Miscellaneous nonoperating income	61,783	682	31,395	7,398	-	101,258	1,879
(Increase) decrease in:							
Accounts receivable	240,124	187,423	17,978	(936,552)	(27,821)	(518,848)	(1,115)
Due from other funds	-	-	-	-	-	-	109,233
Inventories	121,174	82,886	8,850	(3,560)	-	209,350	100,361
Prepaid expenses	37,843	18,476	12,652	20,848	15,369	105,188	5,880
Increase (decrease) in:							
Accounts payable and accrued expenses	42,070	(153,214)	(7,305)	385	21,575	(96,489)	46,838
Due to other funds	-	-	-	-	-	-	(109,233)
Unearned revenue	20,973	8,765	-	-	-	29,738	-
Net cash provided (used) by operating activities	<u>\$ 6,701,676</u>	<u>\$ 2,263,918</u>	<u>\$ 293,496</u>	<u>\$ 410,582</u>	<u>\$ (555,140)</u>	<u>\$ 9,114,532</u>	<u>\$ 987,564</u>
Non-cash investing, capital and non-capital financing activities							
Donated assets from developers	\$ -	\$ 53,750	\$ -	\$ 5,022	\$ -	\$ 58,772	\$ -

**BOROUGH OF CHAMBERSBURG**  
**Statement of Fiduciary Net Position**  
**December 31, 2014**

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	<b>Pension Trust Funds</b>	<b>Private Purpose Trust Funds</b>	<b>Agency Funds</b>
<b>ASSETS</b>			
Cash and equity in pooled cash and investments	\$ 1,802,897	\$ 66,673	\$ 900,685
Mutual funds - U.S. Securities	6,104,975	-	-
Mutual funds - Corporate bonds	4,005,819	-	-
Mutual funds - Stocks	22,467,876	-	-
Mutual funds - Real estate securities	1,171,254	-	-
Contribution receivable - plan member	13,775	-	-
Other receivables	-	7	606
Total assets	<u>\$ 35,566,596</u>	<u>\$ 66,680</u>	<u>\$ 901,291</u>
<b>LIABILITIES</b>			
Consumer deposits	\$ -	\$ -	\$ 901,291
Total liabilities	<u>-</u>	<u>-</u>	<u>901,291</u>
<b>NET POSITION</b>			
Held in trust for benefits and other purposes	<u>35,566,596</u>	<u>66,680</u>	<u>-</u>
Total liabilities and net position	<u>\$ 35,566,596</u>	<u>\$ 66,680</u>	<u>\$ 901,291</u>

**BOROUGH OF CHAMBERSBURG**  
**Statement of Changes in Fiduciary Net Position**  
**Year Ended December 31, 2014**

	<b>Pension Trust Funds</b>	<b>Private Purpose Trust Funds</b>
<b>ADDITIONS</b>		
Contributions		
Employer	\$ 1,309,697	\$ -
Plan member	375,129	-
Public contributions and other revenue	<u>-</u>	<u>31,453</u>
Total contributions	<u>1,684,826</u>	<u>31,453</u>
Investment income		
Net appreciation (depreciation) in fair value of investments and gain (loss) on sale of investments	1,237,061	-
Interest, dividends, and other	<u>632,804</u>	<u>30</u>
Total net investment earnings	<u>1,869,865</u>	<u>30</u>
 Total additions	 <u>3,554,691</u>	 <u>31,483</u>
<b>DEDUCTIONS</b>		
Benefits	2,308,760	-
Administrative expenses	12,392	13,000
Miscellaneous expenses	<u>-</u>	<u>2,660</u>
Total deductions	<u>2,321,152</u>	<u>15,660</u>
 Change in net position	 1,233,539	 15,823
Net position - beginning	<u>34,333,057</u>	<u>50,857</u>
Net position - ending	<u>\$ 35,566,596</u>	<u>\$ 66,680</u>

**BOROUGH OF CHAMBERSBURG**  
**Notes to Financial Statements**  
**December 31, 2014**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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***Nature of Operations***

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

***Reporting Entity***

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

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

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

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

Based upon the application of these criteria, the following component unit meets the criteria for blending 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 2014. See Note 11 for additional information.

**BOROUGH OF CHAMBERSBURG**  
**Notes to Financial Statements**  
**December 31, 2014**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Fund Accounting***

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

**Governmental Funds**

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

The Borough reports the following major governmental funds:

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

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

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

***Special Revenue Funds*** – These funds are used to account for proceeds of specific revenue sources used to finance specific activities as required by law or administrative regulation. The Borough has three 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.

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

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

**Proprietary Funds**

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

**BOROUGH OF CHAMBERSBURG**  
**Notes to Financial Statements**  
**December 31, 2014**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Fund Accounting (Continued)***

**Proprietary Funds (Continued)**

The Borough reports the following major enterprise funds:

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

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

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

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

The Borough reports the following non-major enterprise funds:

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

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

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

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

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

**BOROUGH OF CHAMBERSBURG**  
**Notes to Financial Statements**  
**December 31, 2014**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Fund Accounting (Continued)***

**Proprietary Funds (Continued)**

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

The Borough's internal service funds consist of:

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

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

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

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

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

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

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

***Fiduciary Fund Types***

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

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



**BOROUGH OF CHAMBERSBURG**  
**Notes to Financial Statements**  
**December 31, 2014**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Fiduciary Fund Types (Continued)***

The Borough's fiduciary funds consist of:

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

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

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

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

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

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

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

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

***Basis of Presentation***

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

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

**BOROUGH OF CHAMBERSBURG**  
**Notes to Financial Statements**  
**December 31, 2014**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Basis of Presentation (Continued)***

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

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

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

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

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

**BOROUGH OF CHAMBERSBURG**  
**Notes to Financial Statements**  
**December 31, 2014**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Basis of Accounting***

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

***Budgets***

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

***Use of Estimates***

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

**BOROUGH OF CHAMBERSBURG**  
**Notes to Financial Statements**  
**December 31, 2014**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Cash, Cash Equivalents and Investments***

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

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

***Inventories***

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

***Capital Assets***

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

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

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

**BOROUGH OF CHAMBERSBURG**  
**Notes to Financial Statements**  
**December 31, 2014**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Capital Assets (Continued)***

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

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

***Deferred Outflows and Inflows of Resources***

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

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

***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.

**BOROUGH OF CHAMBERSBURG**  
**Notes to Financial Statements**  
**December 31, 2014**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Allowance for Uncollectible Accounts***

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

***Loans Receivable***

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

***Long-Term Obligations***

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

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

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

**BOROUGH OF CHAMBERSBURG**  
**Notes to Financial Statements**  
**December 31, 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Position**

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

**Net Investment in Capital Assets:** This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt and accounts payable and retainage payable that are attributable to the acquisition, construction or improvement of these assets reduce this category. *Net Investment in Capital Assets* consists of the following at December 31, 2014:

**Government-Wide Activity**

	Governmental Activities	Business-Type Activities
Capital assets	\$ 22,937,365	\$ 117,375,334
Bonds and notes payable	-	(20,428,495)
Deferred charge on bond refunding	-	241,515
Accounts and retainage payable related to capital assets	(86,879)	(2,842,110)
Net investment in capital assets	<u>\$ 22,850,486</u>	<u>\$ 94,346,244</u>

**Proprietary Funds**

	Electric Fund	Gas Fund	Water Fund	Sewer Fund	Sanitation Fund	Parking, Traffic, and Street Lights Fund
Capital assets	\$ 44,566,016	\$ 9,927,634	\$ 19,518,869	\$ 38,233,515	\$ 744,214	\$ 2,023,582
Bonds and notes payable	(12,742,196)	-	-	(7,072,097)	(614,202)	-
Deferred charge on bond refunding	154,497	-	-	87,018	-	-
Accounts and retainage payable related to capital assets	(3,132)	(55,130)	(12,463)	(2,766,624)	(4,242)	(519)
Net investment in capital assets	<u>\$ 31,975,185</u>	<u>\$ 9,872,504</u>	<u>\$ 19,506,406</u>	<u>\$ 28,481,812</u>	<u>\$ 125,770</u>	<u>\$ 2,023,063</u>

**Internal Service Funds**

	Stores Fund	Motor Equipment Fund	Engineering Fund
Capital assets	\$ 2,255	\$ 3,153,111	\$ 8,068
Bonds and notes payable	-	-	-
Deferred charge on bond refunding	-	-	-
Accounts and retainage payable related to capital assets	-	-	-
Net investment in capital assets	<u>\$ 2,255</u>	<u>\$ 3,153,111</u>	<u>\$ 8,068</u>

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

Restricted for future capital improvements by borough code	\$ 3,944,873
Restricted for future grant expenses	416,992
Restricted for future highway improvements/projects	1,061,823
Restricted for future fire expenses	<u>8,228</u>
	<u>\$ 5,431,916</u>

**BOROUGH OF CHAMBERSBURG**  
**Notes to Financial Statements**  
**December 31, 2014**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Net Position***

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

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

***Deficit Net Position***

The Administrative Services Fund and Worker's Compensation Fund (internal service funds) have deficit net position balances of \$ 437,202 and \$ 490,779 respectively, at December 31, 2014.

***Fund Balance – Governmental Funds***

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

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

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

Restricted for future capital improvements by borough code	\$ 3,778,026
Restricted for future grant expenditures	353,984
Restricted for future highway improvements/projects	1,061,823
Restricted for future fire expenditures	<u>8,228</u>
	<u>\$ 5,202,061</u>

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



**BOROUGH OF CHAMBERSBURG**  
**Notes to Financial Statements**  
**December 31, 2014**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Fund Balance – Governmental Funds (Continued)***

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

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

***Minimum Fund Balance***

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

***Order of Spending Policy***

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

***Pension Trust Funds***

In June 2013, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans*. The objective of this statement is to improve financial reporting by state and local government plans by providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The financial statements incorporate the changes required by Statement No. 67.

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

**BOROUGH OF CHAMBERSBURG**  
**Notes to Financial Statements**  
**December 31, 2014**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***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:

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

***Other Postemployment Benefits Other Than Pension***

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

**BOROUGH OF CHAMBERSBURG**  
**Notes to Financial Statements**  
**December 31, 2014**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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***Statement of Cash Flows - Proprietary Funds***

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

**NOTE 2 CASH AND CASH EQUIVALENTS**

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The Borough is authorized to invest in the following:

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

***Deposits***

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the Borough's deposits may not be returned to it. The Borough does not have a written policy for custodial credit risk. As of December 31, 2014, the Borough has a bank balance of \$ 25,351,147. Of this balance, \$ 1,097,750 is covered by FDIC insurance and the remaining balance of \$ 24,253,397 is collateralized by securities held by the pledging financial institution, not in the Borough's name.

**Investments**

As of December 31, 2014, the Borough's investments were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Quality</u> <u>Rating</u>
PLGIT/PLGIT PLUS	\$ 12,292,899	AAAm
PLGIT - CD's and Term CD's	14,371,352	AAAm

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

**BOROUGH OF CHAMBERSBURG**  
**Notes to Financial Statements**  
**December 31, 2014**

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**NOTE 2 CASH AND CASH EQUIVALENTS (CONTINUED)**

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***Deposits (Continued)***

**Credit Risk - Investments**

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

Included in cash and cash equivalents on the statement of net position are pooled investments in the Pennsylvania Local Government Investment Trust (PLGIT) of \$ 12,292,899. 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 - CD's and Term CD's	\$ 14,371,352	\$ 12,397,448	\$ 1,973,904

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

**Municipal Pension Plans**

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

	Total Fair Value	Investment Maturities
Investment		
Money Market Funds	\$ 1,802,897	N/A
Corporate Bond Mutual Funds	4,005,819	Less Than 1 Year
Open End Mutual Funds	<u>29,744,105</u>	N/A
Total	<u>\$ 35,552,821</u>	

***Credit Risk***

The Borough does not have a formal policy pertaining to credit risk. The corporate bond mutual funds have an average credit rating of AAA.

***Foreign Securities and Currencies Risk***

Foreign securities prices may decline or fluctuate because of economic or political actions of foreign governments or the possibility that foreign currency will fluctuate in value against the U. S. dollar. Included in the \$ 29,744,105 of Open End Mutual Funds shown above are International Mutual Funds with a fair value of \$ 4,128,178. The International Mutual Funds may be subject to foreign securities and currencies risk.

**BOROUGH OF CHAMBERSBURG**  
**Notes to Financial Statements**  
**December 31, 2014**

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**NOTE 3 TAXES AND OTHER RECEIVABLES**

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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, 2014 for the Borough's governmental activities, including the applicable allowances for uncollectible accounts, are as follows:

Real estate	\$ 327,986
Earned income tax	767,743
Real estate transfer tax	60,917
Ambulance billings	431,945
Loans receivable	310,115
Grants receivable	7,963
Contribution receivable	491,452
Other	111,094
Allowance for uncollectible accounts	<u>(257,323)</u>
Receivables - full accrual basis	2,251,892
Allocation of internal service funds receivables not recorded in the governmental fund financial statements	<u>(2,967)</u>
Receivables - modified accrual basis	<u>\$ 2,248,925</u>

**BOROUGH OF CHAMBERSBURG**  
**Notes to Financial Statements**  
**December 31, 2014**

**NOTE 4 CAPITAL ASSETS**

Capital asset activity for the Borough consists of the following as of and for the year ended December 31, 2014:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities:</b>				
Cost:				
Capital assets not being depreciated				
Land	\$ 401,861	\$ -	\$ -	\$ 401,861
Construction-in-progress	235,791	1,030,972	(67,844)	1,198,919
Capital assets				
Land improvements	3,487,930	29,675	-	3,517,605
Buildings	4,742,760	99,894	-	4,842,654
Machinery and equipment	4,906,513	337,157	(485,825)	4,757,845
Infrastructure - highways	15,373,845	361,020	-	15,734,865
Infrastructure - railroads	2,478,702	-	-	2,478,702
Infrastructure - other	6,214,950	-	-	6,214,950
Total cost	<u>37,842,352</u>	<u>1,858,718</u>	<u>(553,669)</u>	<u>39,147,401</u>
Less accumulated depreciation:				
Land improvements	(1,230,443)	(194,920)	-	(1,425,363)
Buildings	(3,445,430)	(113,050)	-	(3,558,480)
Machinery and equipment	(3,382,766)	(293,622)	450,679	(3,225,709)
Infrastructure - railroads	(1,635,942)	(99,148)	-	(1,735,090)
Infrastructure - highways	(4,029,719)	(409,817)	-	(4,439,536)
Infrastructure - other	(1,649,642)	(176,216)	-	(1,825,858)
Total accumulated depreciation	<u>(15,373,942)</u>	<u>(1,286,773)</u>	<u>450,679</u>	<u>(16,210,036)</u>
<b>Capital assets, net</b>	<u>\$ 22,468,410</u>	<u>\$ 571,945</u>	<u>\$ (102,990)</u>	<u>\$ 22,937,365</u>
<b>Business-Type Activities:</b>				
Cost:				
Capital assets not being depreciated				
Land	\$ 900,939	\$ -	\$ -	\$ 900,939
Construction-in-progress	8,872,026	16,557,442	(1,571,440)	23,858,028
Capital assets				
Utility plant in service	159,901,406	2,483,370	(80,591)	162,304,185
Land improvements	498,236	7,750	-	505,986
Buildings	1,059,040	370,899	-	1,429,939
Machinery and equipment	11,128,301	893,611	(387,106)	11,634,806
Total cost	<u>182,359,948</u>	<u>20,313,072</u>	<u>(2,039,137)</u>	<u>200,633,883</u>
Less accumulated depreciation:				
Utility plant in service	(71,233,832)	(4,381,670)	76,960	(75,538,542)
Land improvements	(456,222)	(2,041)	-	(458,263)
Buildings	(383,869)	(27,731)	15,175	(396,425)
Machinery and equipment	(6,508,748)	(633,357)	276,786	(6,865,319)
Total accumulated depreciation	<u>(78,582,671)</u>	<u>(5,044,799)</u>	<u>368,921</u>	<u>(83,258,549)</u>
<b>Capital assets, net</b>	<u>\$ 103,777,277</u>	<u>\$ 15,268,273</u>	<u>\$ (1,670,216)</u>	<u>\$ 117,375,334</u>

**BOROUGH OF CHAMBERSBURG**  
**Notes to Financial Statements**  
**December 31, 2014**

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**NOTE 4 CAPITAL ASSETS (CONTINUED)**

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See Note 10 for project commitments.

Depreciation expense for the year ended December 31, 2014 was charged to expense functions, including the internal service fund allocations, as follows:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
General government	\$ 342,403	\$ -
Public safety	190,955	-
Public services	546,080	-
Parks and recreation	207,335	-
Electric	-	2,189,623
Gas	-	418,324
Water	-	745,287
Sewer	-	1,506,395
Sanitation	-	64,355
Parking, traffic and street lights	-	120,815
	<u>\$ 1,286,773</u>	<u>\$ 5,044,799</u>

***Internal Service Fund Allocation***

The capital asset information shown above for governmental activities and business-type activities includes the allocation of capital assets, accumulated depreciation and current year depreciation expense of internal services funds. This allocation is based on the applicable usage of each internal service fund by the governmental activities (25%) and the business-type activities (75%). These allocations changed in 2014 compared to 2013, thus the beginning balances do not match the previous year financial statements due to reallocating the beginning balance of the internal service funds using the new allocations.

**BOROUGH OF CHAMBERSBURG**  
**Notes to Financial Statements**  
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**NOTE 5 LONG-TERM LIABILITIES**

The changes in long-term liabilities during the year ended December 31, 2014 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Unamortized Bond Premium and Discount	Current Portion	Long-term Portion
<b>Governmental Activities:</b>							
Liability for self-insured losses	\$ 279,539	\$ 45,043	\$ (49,671)	\$ 274,911	\$ -	\$ 96,467	\$ 178,444
Compensated absences	619,228	460,604	(460,766)	619,066	-	331,493	287,573
<b>Total long-term liabilities</b>	<b>\$ 898,767</b>	<b>\$ 505,647</b>	<b>\$ (510,437)</b>	<b>\$ 893,977</b>	<b>\$ -</b>	<b>\$ 427,960</b>	<b>\$ 466,017</b>
<b>Business-Type Activities</b>							
Bonds and notes payable							
(C) Sewer 2009 GO Bond	\$ 1,315,000	\$ -	\$ (548,200)	\$ 766,800	\$ 8,368	\$ 411,558	\$ 363,610
(E) Sewer 2012 GO Note	58,667	6,432,976	(194,749)	6,296,894	-	178,308	6,118,586
(B) Electric 2007 GO Bond	85,000	-	(45,000)	40,000	(170)	39,830	-
(C) Electric 2009 GO Bond	2,355,000	-	(981,800)	1,373,200	14,986	736,977	651,209
(D) Electric 2012 GO Bond	9,780,000	-	(5,000)	9,775,000	76,109	65,170	9,785,939
(E) Electric 2012 GO Note	1,508,357	-	(45,251)	1,463,106	-	41,431	1,421,675
(E) Gas 2012 GO Note	38,417	-	(38,417)	-	-	-	-
(A) Water PennVest Loan	2,463,360	-	(2,463,360)	-	-	-	-
(F) Sanitation 2014 GO Note	-	614,202	-	614,202	-	13,667	600,535
Subtotal - bonds and notes	17,603,801	7,047,178	(4,321,777)	20,329,202	99,293	1,486,941	18,941,554
Liability for self-insured losses	823,177	112,763	(126,387)	809,553	-	284,074	525,479
Compensated absences	780,453	475,836	(457,701)	798,588	-	420,147	378,441
<b>Total long-term liabilities</b>	<b>\$ 19,207,431</b>	<b>\$ 7,635,777</b>	<b>\$ (4,905,865)</b>	<b>\$ 21,937,343</b>	<b>\$ 99,293</b>	<b>\$ 2,191,162</b>	<b>\$ 19,845,474</b>

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

***Internal Service Fund Allocation***

The liability for self-insured losses and compensated absences information shown above for governmental activities and business-type activities includes the allocation of self-insured losses and use of compensated absences of internal service funds. This allocation is based on the applicable usage of each internal service fund by the governmental activities (25%) and the business-type activities (75%). These allocations changed in 2014 compared to 2013, thus the beginning balances do not match the previous year financial statements due to reallocating the beginning balance of the internal service funds using the new allocations.

- (A) **Pennvest Loan** – On July 27, 2001, the Borough entered into a loan agreement with the Pennsylvania Infrastructure Investment Authority for \$ 4,400,000 to be used to partially finance the construction of a water system in the Borough, and Greene and Guilford Townships. This loan was paid off with existing reserves in 2014.



**BOROUGH OF CHAMBERSBURG**  
**Notes to Financial Statements**  
**December 31, 2014**

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**NOTE 5 LONG-TERM LIABILITIES (CONTINUED)**

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***Internal Service Fund Allocation (Continued)***

- (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, 2015. 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.
- (D) **General Obligation Bonds – Series of 2012** – On May 29, 2012, the Borough issued General Obligation Bonds in the principal amount of \$ 9,785,000 to be used for a partial refunding of the General Obligation Bonds, Series of 2007 and the costs of issuing the bonds. Annual installments of debt are to be paid from the Electric Funds, which vary in amounts from \$ 5,000 to \$ 1,500,000 and are due through July 1, 2022. Interest rates for the bonds are 2.00%. Interest is payable every January 1 and July 1.
- (E) **General Obligation Notes – Series of 2012** – On October 5, 2012, the Borough issued a General Obligation Note in the total of \$ 8,000,000 to be used for various projects. The drawdown period on the note was through April 31, 2014. The funds will be utilized by the Sewer and Electric Funds. Principal is due monthly beginning on May 1, 2014. Interest rates for the note is 2.46% for the first eight years, followed by 66% of U.S. prime rate, less 0.25% with a floor of 1.98% and a ceiling of 2.51% for the next 3.5 years and 66% of the U.S. prime rate less 0.25% with a floor of 1.98% and a ceiling of 5.3% for the remaining 15 years. The maturity date of the principal is April 1, 2039.
- (F) **General Obligation Notes – Series of 2014** – On March 31, 2014, the Borough issued a General Obligation Note in the total of \$ 1,500,000 to be used for the purpose of financing the construction of a new green waste recycling facility. The drawdown period on the note is through November 30, 2015. The funds will be utilized by the Sanitation Fund. Principal is due monthly beginning on November 1, 2015. Interest rates for the note are 3.17% for the first 11 years and six months, followed by 66% of U.S. prime rate, less 0.25% with a floor of 1.98% and a ceiling of 5.30% for the remaining 10 years. The maturity date of the principal is October 1, 2035, based on the loan being fully drawn.

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

**BOROUGH OF CHAMBERSBURG**  
**Notes to Financial Statements**  
**December 31, 2014**

**NOTE 5 LONG-TERM LIABILITIES (CONTINUED)**

The following is a schedule by years and in the aggregate of future minimum bond and note principal and interest payments required at December 31, 2014:

Electric								
	Series of 2007 Bonds		Series of 2009 Bonds		Series of 2012 Bonds		Series of 2012 Note	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 40,000	\$ 1,480	731,500	37,800	\$ 55,000	\$ 195,500	\$ 41,431	\$ 32,670
2016	-	-	314,400	18,780	1,110,000	194,400	46,384	34,453
2017	-	-	327,300	9,820	1,365,000	172,200	47,538	33,299
2018	-	-	-	-	1,395,000	144,900	48,721	32,116
2019	-	-	-	-	1,420,000	117,000	49,933	30,904
2020 - 2024	-	-	-	-	4,430,000	178,200	263,448	153,476
2025 - 2029	-	-	-	-	-	-	268,100	222,529
2030 - 2034	-	-	-	-	-	-	349,246	141,383
2035 - 2039	-	-	-	-	-	-	348,304	38,410
	<u>\$ 40,000</u>	<u>\$ 1,480</u>	<u>\$ 1,373,200</u>	<u>\$ 66,400</u>	<u>\$ 9,775,000</u>	<u>\$ 1,002,200</u>	<u>\$ 1,463,106</u>	<u>\$ 719,240</u>

	Sewer				Sanitation		Total
	Series of 2009 Bonds		Series of 2012 Note		Series of 2014 Note		
	Principal	Interest	Principal	Interest	Principal	Interest	
2015	\$ 408,500	\$ 21,105	\$ 178,308	\$ 140,604	\$ 13,667	\$ 17,883	\$ 1,915,448
2016	175,600	10,485	199,628	148,276	83,536	17,830	2,353,772
2017	182,700	5,480	204,594	143,310	86,223	15,143	2,592,607
2018	-	-	209,684	138,220	88,996	12,370	2,070,007
2019	-	-	214,901	133,003	91,859	9,507	2,067,107
2020 - 2024	-	-	1,133,825	660,529	249,920	10,652	7,080,051
2025 - 2029	-	-	1,153,844	957,719	-	-	2,602,193
2030 - 2034	-	-	1,503,079	608,485	-	-	2,602,193
2035 - 2039	-	-	1,499,031	165,311	-	-	2,051,056
	<u>\$ 766,800</u>	<u>\$ 37,070</u>	<u>\$ 6,296,894</u>	<u>\$ 3,095,457</u>	<u>\$ 614,202</u>	<u>\$ 83,386</u>	<u>\$ 25,334,435</u>

**BOROUGH OF CHAMBERSBURG**  
**Notes to Financial Statements**  
**December 31, 2014**

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**NOTE 6 INTERFUND ACTIVITY**

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Interfund transfers consisted of the following during 2014:

	<b>Transfers In</b>	<b>Transfers Out</b>
Major governmental funds:		
General fund	\$ 2,841,863	\$ 2,023,280
Special revenue grant programs	14,181	631,943
Nonmajor governmental funds:		
Special revenue liquid fuels	-	225,000
Special revenue Richard Kasher Fire tax	-	460,161
Capital reserve	1,774,800	9,181
Major proprietary funds:		
Electric	-	2,202,750
Gas	-	604,980
Water	2,379,365	2,441,005
Sewer	-	70,000
Nonmajor proprietary funds:		
Parking, traffic and street lights	1,080,000	-
Internal service funds:		
Motor equipment	508,161	530,000
Self insurance	-	4,140
Worker's compensation	710,980	-
Administrative services	-	106,910
	<u>\$ 9,309,350</u>	<u>\$ 9,309,350</u>

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

**BOROUGH OF CHAMBERSBURG**  
**Notes to Financial Statements**  
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**NOTE 7 PENSION PLANS**

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*Summary of Significant Accounting Policies*

**Plan Description**

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

**Method Used to Value Investments**

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

**Plan Membership**

At December 31, 2014, the date of the most recently completed actuarial valuation, the participation in each plan is as follows:

	<b>General Employees</b>	<b>Police</b>	<b>Firemen</b>
<b>Participants:</b>			
Retirees and beneficiaries	96	20	17
Vested former members	12	2	0
Active employees	143	35	22

**Benefits Provided**

All regular full-time and certain part-time employees are eligible to participate in the plans. Benefits vest after twelve years of service for Bargaining and Administrative Employees, Paid Firemen and Police Officers. Bargaining and Administrative Employees are eligible for normal retirement after attaining age sixty-five. Eligibility for normal retirement under the Police Officers' and Paid Firemen's plans is attained at age fifty and completion of twenty-five years of service. Benefits under the Bargaining and Administrative plan are based on 1.5% of average monthly pay times the number of years of service not to exceed thirty-five years. Average monthly pay is based on the three years of highest pay out of the last five years of employment. Benefits under the Police Officers' and Paid Firemen's pensions are based on 50% of average monthly pay during the last thirty-six months and the average monthly pay of the three highest years of compensation, respectively. In addition, police officers receive a service increment equal to \$ 100 per month for members who complete 26 or more years of benefit service. The Bargaining and Administrative Plan and the Police Officers' Plan also include a disability benefit and survivor benefits. If a police member retires on or after January 1, 2000, or a fireman retires on or after January 1, 2008, an annual cost-of-living adjustment is made to his pension equal to the percentage increase in the Consumer Price Index for the preceding calendar year, with a maximum total cost-of-living increase of 30%, and a maximum pension benefit of 75% of the salary used for computing the initial retirement benefit.

**BOROUGH OF CHAMBERSBURG**  
**Notes to Financial Statements**  
**December 31, 2014**

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**NOTE 7 PENSION PLANS (CONTINUED)**

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*Summary of Significant Accounting Policies (Continued)*

**Financial Reports**

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

**Contributions**

The Bargaining and Administrative Employees' plan and the Police Officers' plan require employee contributions of 3%. The Paid Fireman's plan requires employee contributions of 4%. The Borough is required to contribute the remaining amounts necessary to fund the plans, using the actuarial basis specified by the plan. The average contribution rate was 7.53 percent of annual payroll for the Bargaining and Administrative Employees', 18.16 percent of annual payroll for the Police Officers', and 18.42 percent of annual payroll for the Paid Firemen.

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

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

**Three Year Trend Information**

<b>Year Ended</b>	<b>Annual Required Contribution</b>	<b>Annual Contribution</b>	<b>% of APC Contributed</b>	<b>Net Pension Obligation</b>
<b>General</b>				
12/31/14	\$ 640,380	\$ 640,380	100%	\$ 0
12/31/13	789,962	789,962	100%	0
12/31/12	650,683	650,683	100%	0
<b>Police</b>				
12/31/14	\$ 399,615	\$ 399,615	100%	\$ 0
12/31/13	420,753	420,753	100%	0
12/31/12	454,682	454,682	100%	0
<b>Firemen</b>				
12/31/14	\$ 269,702	\$ 269,702	100%	\$ 0
12/31/13	244,149	244,149	100%	0
12/31/12	209,739	209,739	100%	0

**BOROUGH OF CHAMBERSBURG**  
**Notes to Financial Statements**  
**December 31, 2014**

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**NOTE 7 PENSION PLANS (CONTINUED)**

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***Investments***

**Investment Policy**

The pension plan's policy in regards to the allocation of invested assets is established and may be amended by the investment committee. It is the policy of the committee to ensure that they make investment related decisions in a prudent manner. The pension plan objectives includes selecting investments that offer competitive returns based on risk level, achieve a long-term rate of return in excess of annualized inflation rate, control administrative and management costs, and maintain a sufficient liquidity to pay monthly retirement benefits. The following was the Borough's adopted asset allocation policy as of December 31, 2014:

<b>Asset Class</b>	<b>Target Allocation</b>
Domestic equity	45.5%
International equity	16.5%
Fixed income	30.0%
Real estate	3.0%
Cash	5.0%

**Concentrations**

At December 31, 2014, the following investments were in excess of 5% of the plan net position: Vanguard Short-Term Investment Grade Admiral (14.76%), Vanguard Institutional Index Fund (14.63%), Vanguard Value Index Fund Admiral Shares (14.63%), Dimensional Funds Advisor One Year Fixed Income Portfolio Institutional Class (11.27%), Vanguard Mid-Cap Value Index Admiral (9.61%), Dimensional Funds Advisor U.S. Small Cap Value Portfolio Institutional (9.29%), Dimensional Funds Advisor International Value Port Institutional (5.51%), and Dimensional Funds Advisor International Small Cap Value Portfolio Institutional (5.11%).

**Rate of Return**

For the year ended December 31, 2014, the annual money weighted rate of return on pension plan investments, net of pension plan investment expense was 5.7 percent for the bargaining and administrative plan, 5.8 percent for the police officers plan, and 5.9 percent for the paid firemen's plan. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Net Pension Liability of the Borough**

The net pension liability was measured as of December 31, 2014, and the total pension liability was determined by rolling forward the liabilities from an actuarial valuation as of January 1, 2013. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end.

**BOROUGH OF CHAMBERSBURG**  
**Notes to Financial Statements**  
**December 31, 2014**

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**NOTE 7 PENSION PLANS (CONTINUED)**

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*Investments (Continued)*

**Net Pension Liability of the Borough (continued)**

The components of net pension liability of the Borough at December 31, 2014, were as follows:

	<b>Bargaining and Administrative</b>	<b>Police</b>	<b>Firemen</b>
Total pension liability	\$ 24,066,589	\$ 13,785,858	\$ 6,672,687
Plan fiduciary net position	18,994,759	11,482,385	5,089,452
Borough's net pension liability	5,071,830	2,303,473	1,583,235
Plan fiduciary net position as a percentage of the total pension liability	78.93%	83.29%	76.27%

**Actuarial Methods and Assumptions**

**Methods and assumptions used to determine the total pension liability**

The total pension liability in the January 1, 2013 actuarial valuation was determined using the following economic assumptions, applied to all periods included in the measurement:

Inflation	4.00%
Salary increases	5.00% (average, including inflation)
Investment rate of return	8.00% (including inflation)
Postretirement cost of living increases	4.00%

Mortality rates were based on the RP2000 Table for males and females. This table does not include projected mortality improvements.

**Methods and assumptions used to determine contribution rates**

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

Mortality rates were based on the RP2000 Table for males and females.

**BOROUGH OF CHAMBERSBURG**  
**Notes to Financial Statements**  
**December 31, 2014**

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**NOTE 7 PENSION PLANS (CONTINUED)**

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***Actuarial Methods and Assumptions (Continued)***

**Methods and assumptions used to determine contribution rates (continued)**

***Asset Valuation Method***

The actuarial value of assets from the prior valuation report (reduced for benefits paid and increased for contributions) is projected forward at an artificial investment return of 7.00% (interest rate assumption minus 1%) with a corridor of 80% to 120% of market value.

***Valuation Date***

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

The actuarial assumptions used in the January 1, 2013 valuation were based on an actual experience study for the period January 1, 2010 through December 31, 2012.

***Long-Term Expected Rate of Return***

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding the expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic equity	7%
International equity	6%
Fixed income	2.5%
Real estate	7%
Cash	0%

***Discount Rate***

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



**BOROUGH OF CHAMBERSBURG**  
**Notes to Financial Statements**  
**December 31, 2014**

**NOTE 7 PENSION PLANS (CONTINUED)**

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

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

	<b>1% Decrease (7.00%)</b>	<b>Current Discount Rate (8.00%)</b>	<b>1% Increase (9.00%)</b>
General Plan's Net Pension Liability	\$ 7,726,612	\$ 5,071,830	\$ 2,778,615
Police Plan's Net Pension Liability	\$ 3,937,310	\$ 2,303,473	\$ 923,437
Firemen Plan's Net Pension Liability	\$ 2,431,228	\$ 1,583,235	\$ 865,701

***Funded Status and Funding Progress***

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

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

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

**BOROUGH OF CHAMBERSBURG**  
**Notes to Financial Statements**  
**December 31, 2014**

**NOTE 7 PENSION PLANS (CONTINUED)**

***Financial Statements***

The following are financial statements as of December 31, 2014 for the individual pension plans maintained by the Borough:

	<b>Firemen's Pension Fund</b>	<b>Police Pension Fund</b>	<b>Bargaining and Administrative Employees Pension Fund</b>	<b>Total Pension Trust Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 348,490	\$ 618,914	\$ 835,493	\$ 1,802,897
Mutual funds - U.S. Government and Agency Securities	806,481	2,025,757	3,272,737	6,104,975
Mutual funds - Corporate bonds	565,516	1,291,812	2,148,491	4,005,819
Mutual funds - Stocks	3,218,471	7,165,682	12,083,723	22,467,876
Mutual funds - Real estate securities	148,993	377,691	644,570	1,171,254
Contribution receivable - plan member	1,501	2,529	9,745	13,775
Total assets	<u>\$ 5,089,452</u>	<u>\$ 11,482,385</u>	<u>\$ 18,994,759</u>	<u>\$ 35,566,596</u>
<b>NET POSITION</b>				
Held in trust for benefits and other purposes	<u>\$ 5,089,452</u>	<u>\$ 11,482,385</u>	<u>\$ 18,994,759</u>	<u>\$ 35,566,596</u>
<b>ADDITIONS</b>				
<b>Contributions</b>				
Employer	\$ 269,702	\$ 399,615	\$ 640,380	\$ 1,309,697
Plan member	62,106	66,472	246,551	375,129
Total contributions	<u>331,808</u>	<u>466,087</u>	<u>886,931</u>	<u>1,684,826</u>
<b>Investment income:</b>				
Net appreciation (depreciation) in fair value of investments and gains (loss) on sale of investments	168,245	400,695	668,121	1,237,061
Interest, dividends and other	87,708	205,241	339,855	632,804
Total net investment earnings	<u>255,953</u>	<u>605,936</u>	<u>1,007,976</u>	<u>1,869,865</u>
Total additions	<u>587,761</u>	<u>1,072,023</u>	<u>1,894,907</u>	<u>3,554,691</u>
<b>DEDUCTIONS</b>				
Benefits	290,650	567,680	1,450,430	2,308,760
Administrative expenses	1,434	2,602	8,356	12,392
Total deductions	<u>292,084</u>	<u>570,282</u>	<u>1,458,786</u>	<u>2,321,152</u>
Change in net position	295,677	501,741	436,121	1,233,539
Net position - beginning	<u>4,793,775</u>	<u>10,980,644</u>	<u>18,558,638</u>	<u>34,333,057</u>
Net position - ending	<u>\$ 5,089,452</u>	<u>\$ 11,482,385</u>	<u>\$ 18,994,759</u>	<u>\$ 35,566,596</u>

**BOROUGH OF CHAMBERSBURG**  
**Notes to Financial Statements**  
**December 31, 2014**

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**NOTE 8 POSTEMPLOYMENT HEALTHCARE PLAN**

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***Plan Description***

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

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

***Funding Policy***

The Borough funds Plan liabilities on a "pay-as-you-go" basis, and has not established an OPEB trust fund to accumulate assets to fund Plan obligations. The Borough has no statutory or contractual obligation to fund the Plan and only does so at the Borough's discretion. The Borough funds the implicit rate subsidy through the payment of health insurance premiums. For fiscal year 2014, the Borough contributed an estimated \$ 73,312 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 \$ 36,836, or approximately 102% of the total premiums.

***Annual OPEB Cost and Net OPEB Obligation***

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

Annual required contribution (ARC)	\$ 419,131
Estimated interest on Net OPEB obligation	63,213
Estimated adjustment to ARC	<u>(86,240)</u>
Annual OPEB Cost	396,104
Estimated employer contributions made	<u>(73,312)</u>
Increase in net OPEB obligation	322,792
Net OPEB obligation – beginning of the year	<u>1,404,763</u>
Net OPEB obligation – end of the year	<u>\$ 1,727,555</u>

**BOROUGH OF CHAMBERSBURG**  
**Notes to Financial Statements**  
**December 31, 2014**

**NOTE 8 POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)**

***Annual OPEB Cost and Net OPEB Obligation (Continued)***

The Borough's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the preceding two years are as follows:

<b>Fiscal Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
12/31/14	\$ 396,104	19%	\$ 1,727,555
12/31/13	401,721	15%	1,404,763
12/31/12	407,693	11%	1,062,083

***Funded Status and Funding Progress***

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

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

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

***Actuarial Methods and Assumptions***

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

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

**BOROUGH OF CHAMBERSBURG**  
**Notes to Financial Statements**  
**December 31, 2014**

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**NOTE 9 RISK MANAGEMENT**

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***Actuarial Methods and Assumptions (Continued)***

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

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

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

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

	<b>Liability Beginning</b>	<b>Current Year Claims and Changes in Estimates</b>	<b>Claim Payments</b>	<b>Liability Ending</b>
<b>2014</b>				
Self-insurance fund	\$ 149,117	\$ 126,523	\$ (70,588)	\$ 205,052
Workers' compensation fund	953,599	42,783	(116,970)	879,412
<b>2013</b>				
Self-insurance fund	\$ 121,864	\$ 159,650	\$ (132,397)	\$ 149,117
Workers' compensation fund	958,614	343,550	(348,565)	953,599

The Borough is part of the Pennsylvania Municipal Health Insurance Cooperative (PMHIC). This trust consists of a group of municipalities that have pooled their interests together in order to establish a self-funded medical insurance plan in order to better control insurance rates. The Borough pays a premium to PMHIC that consists of a portion for actual claim expenses, administrative costs, reinsurance costs and a reserve account. At year end, the actual claims of the Borough are reviewed and the reserve account is used to fund any excess claims for the Borough over premiums paid during the year. If any funds remain in the reserve account, 15% of the total reserve balance could possibly be used to fund claim overages for the trust. A reinsurance policy is used to pay any additional excess claims. Therefore, the expense recognized by the Borough is limited to the premiums paid during the year. Any potential refund of the reserve account is calculated and received by the Borough several months after year end. Total payments by the Borough to PMHIC during the year were \$ 3,421,435. During 2014, the Borough received \$ 416,418 from PMHIC as a refund for prior premiums paid.

**BOROUGH OF CHAMBERSBURG**  
**Notes to Financial Statements**  
**December 31, 2014**

**NOTE 10 COMMITMENTS**

The Borough has the following projects open at December 31, 2014:

Project Description	Total estimated costs							Costs paid as of 12/31/14	Costs to complete
	Electric	Gas	Water	Sewer	Parking, Traffic, and Street Light	Sanitation	General		
Installation of 261 Underground Getaway on Orchard Drive	\$ 250,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 192,260	\$ 57,740
Extension of Feeders #242 & #251	700,000	-	-	-	-	-	-	601,106	98,894
Gas mains and services for GS&G phase 8	-	150,000	-	-	-	-	-	117,478	32,522
Upgrade Gas Main and Services on Route 11	-	800,000	-	-	-	-	-	698,099	101,901
Gas Main & Service Upgrade on Federal Street	-	100,000	-	-	-	-	-	51,901	48,099
Gas Main & Service Upgrade on Kenwood/Riddle/Edgar	-	150,000	-	-	-	-	-	14,762	135,238
Upgrade the Water Treatment Plants Filtering System	-	-	1,150,000	-	-	-	-	117,000	1,033,000
Wastewater Treatment Plant Upgrade (*)	-	-	-	45,000,000	-	-	-	20,297,209	24,702,791
Operation of a Nutrient Credit Program during the 2013, 2014 & 2015 Water Years	-	-	-	600,000	-	-	-	502,742	97,258
Upgrade of WWTP Approach Interceptor	-	-	-	500,000	-	-	-	69,783	430,217
Upgrade East Conococheague Interceptor	-	-	-	1,200,000	-	-	-	55,128	1,144,872
Upgrade Chambers 5 Lift Station	-	-	-	1,000,000	-	-	-	6,834	993,166
Penn DOT Project Norland/Walker Intersection	180,901	-	-	-	-	1,378	-	872,721	1,048,214
Acquisition of 240-250 South Third Street	-	-	-	-	-	250,000	-	-	6,097
Green Waste Recycling Center Site Acquisition	-	-	-	-	-	-	3,000,000	-	615,327
Fee-in-lieu of Recreation for Chambersburg Family Townhomes	-	-	-	-	-	-	-	123,000	99,633
DCNR Mike Waters Memorial Park Phase II Grant Match	-	-	-	-	-	-	-	150,000	132,840
Kenwood Road Street Paving Project	-	-	-	-	-	-	-	152,405	415
Eighth Street Paving Project	-	-	-	-	-	-	-	179,607	306
Seventh Street Paving Project	-	-	-	-	-	-	-	348,581	237
Hollywell Avenue/Industrial Drive Intersection Street Paving Project	-	-	-	-	-	-	-	250,000	68
Pennsylvania Avenue Street Paving Project	-	-	-	-	-	-	-	251,325	949
Ohio Avenue Street Paving Project	-	-	-	-	-	-	-	281,043	237
Cumberland Avenue Street Paving Project	-	-	-	-	-	-	-	289,752	203
Highland Avenue Street Paving Project	-	-	-	-	-	-	-	253,709	169
Federal Street Paving Project	-	-	-	-	-	-	-	190,657	34
Reservoir Street Paving Project	-	-	-	-	-	-	-	108,717	169
Walker Road Street Paving Project	-	-	-	-	-	-	-	145,943	339
Various	-	252,500	167,000	-	-	-	-	306,152	264,322
<b>Totals</b>	<b>\$ 1,130,901</b>	<b>\$ 1,452,500</b>	<b>\$ 1,317,000</b>	<b>\$ 48,300,000</b>	<b>\$ 251,378</b>	<b>\$ 3,000,000</b>	<b>\$ 3,903,612</b>	<b>\$ 24,893,861</b>	<b>\$ 34,461,530</b>

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

**BOROUGH OF CHAMBERSBURG**  
**Notes to Financial Statements**  
**December 31, 2014**

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**NOTE 11 CONDUIT DEBT OBLIGATIONS**

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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, 2014 outstanding note balances under conduit debt arrangements were as follows:

Wilson College	\$ 26,680,000
Lutheran Homes	2,258,892
Children's Aid Society	1,137,726
Franklin County Library	345,000

**NOTE 12 CONTINGENCIES**

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

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

**NOTE 13 RESTATEMENT**

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A restatement was necessary in the current year to correct expenses that were incorrectly recorded in the prior year in the Gas Fund and Business-type Activities.

	<b>Gas Fund</b>	<b>Business-type Activities</b>
Net position, as originally stated - December 31, 2013	\$ 13,159,163	\$ 121,689,685
Restatement	<u>46,130</u>	<u>46,130</u>
Net position, as restated - December 31, 2013	<u>\$ 13,205,293</u>	<u>\$ 121,735,815</u>
Change in net position, as originally stated	\$ 734,564	\$ 8,879,576
Restatement	<u>46,130</u>	<u>46,130</u>
Change in net position, as restated	<u>\$ 780,694</u>	<u>\$ 8,925,706</u>

**REQUIRED SUPPLEMENTARY INFORMATION**



# BOROUGH OF CHAMBERSBURG

## Pension Trust Funds

### Unaudited Schedule of Changes in the Borough's Net Pension Liability and Related Ratios

	2014		
	General	Police	Firemen
<b>Total pension liability</b>			
Service cost	\$ 551,672	\$ 338,256	\$ 183,801
Interest	1,836,430	1,042,200	505,051
Differences in expected and actual experience	-	-	-
Changes in assumptions	-	-	-
Benefit payments, including refunds of member contributions	<u>(1,450,430)</u>	<u>(567,680)</u>	<u>(290,995)</u>
Net change in total pension liability	937,672	812,776	397,857
Total pension liability - beginning	<u>23,128,917</u>	<u>12,973,082</u>	<u>6,274,830</u>
Total pension liability - ending	<u>24,066,589</u>	<u>13,785,858</u>	<u>6,672,687</u>
<b>Plan fiduciary net position</b>			
Contributions - employer	640,380	399,615	269,702
Contributions - employee	246,550	66,471	62,106
Net investment income	994,073	609,935	270,869
Benefit payments, including refunds of member contributions	(1,450,430)	(567,680)	(290,995)
Administrative expenses	(6,000)	(6,600)	(4,800)
Other	-	-	-
Net change in plan fiduciary net position	<u>424,573</u>	<u>501,741</u>	<u>306,882</u>
Plan fiduciary net position - beginning	<u>18,570,186</u>	<u>10,980,644</u>	<u>4,782,570</u>
Plan fiduciary net position - ending	<u>\$ 18,994,759</u>	<u>\$ 11,482,385</u>	<u>\$ 5,089,452</u>
Borough's net pension liability	\$ 5,071,830	\$ 2,303,473	\$ 1,583,235
Plan fiduciary net position as a percentage of the total pension liability	78.93%	83.29%	76.27%
Covered-employee payroll	\$ 8,505,696	\$ 2,200,081	\$ 1,464,554
Net pension liability as a percentage of covered-employee payroll	59.63%	104.70%	108.10%

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

# BOROUGH OF CHAMBERSBURG

## Pension Trust Funds

### Unaudited Schedule of Borough Contributions

General	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Actuarially determined contribution	\$ 640,380	\$ 789,962	\$ 650,683	\$ 648,163	\$ 472,936	\$ 454,029	\$ 418,654	\$ 438,129	\$ 351,368	\$ 346,427
Contributions in relation to the actuarially determined contribution	<u>640,380</u>	<u>789,962</u>	<u>650,683</u>	<u>759,192</u>	<u>472,936</u>	<u>454,029</u>	<u>418,654</u>	<u>438,129</u>	<u>351,368</u>	<u>346,427</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ (111,029)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 8,505,696	Unavailable	\$ 7,504,401	Unavailable	\$ 7,587,865	Unavailable	\$ 6,873,071	Unavailable	\$ 6,172,381	Unavailable
Contributions as a percentage of covered-employee payroll	7.53%	N/A	8.67%	N/A	6.23%	N/A	6.09%	N/A	5.69%	N/A
<b>Police</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
Actuarially determined contribution	\$ 399,615	\$ 420,753	\$ 454,682	\$ 474,748	\$ 490,641	\$ 466,941	\$ 453,071	\$ 454,641	\$ 404,176	\$ 380,106
Contributions in relation to the actuarially determined contribution	<u>399,615</u>	<u>420,753</u>	<u>454,682</u>	<u>474,748</u>	<u>490,641</u>	<u>466,941</u>	<u>453,071</u>	<u>454,641</u>	<u>404,176</u>	<u>380,106</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 2,200,081	Unavailable	\$ 1,936,497	Unavailable	\$ 1,918,058	Unavailable	\$ 1,824,708	Unavailable	\$ 1,558,754	Unavailable
Contributions as a percentage of covered-employee payroll	18.16%	N/A	23.48%	N/A	25.58%	N/A	24.83%	N/A	25.93%	N/A
<b>Firemen</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
Actuarially determined contribution	\$ 269,702	\$ 244,149	\$ 209,739	\$ 204,343	\$ 116,340	\$ 124,682	\$ 112,021	\$ 131,129	\$ 109,004	\$ 102,524
Contributions in relation to the actuarially determined contribution	<u>269,702</u>	<u>244,149</u>	<u>209,739</u>	<u>204,343</u>	<u>116,340</u>	<u>124,682</u>	<u>112,021</u>	<u>131,129</u>	<u>109,004</u>	<u>102,524</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 1,464,554	Unavailable	\$ 1,414,222	Unavailable	\$ 1,330,676	Unavailable	\$ 1,231,786	Unavailable	\$ 867,312	Unavailable
Contributions as a percentage of covered-employee payroll	18.42%	N/A	14.83%	N/A	8.74%	N/A	9.09%	N/A	12.57%	N/A

#### Notes to Schedule

##### Valuation date:

1/1/13. The total pension liability is based on a roll forward from this date.

##### Methods and assumptions used to determine contribution rates:

Actuarial cost method      Entry age normal  
 Amortization method      Level dollar closed  
 Amortization period      General - 16 years  
    Police - 13 years  
    Firemen - 14 years

Asset valuation method      The actuarial value of assets from the prior valuation report (reduced for benefits paid and increased for contributions) is projected forward at an artificial investment return of 7.00% (interest rate assumption minus 1%) with a corridor of 80% to 120% of market value.

Inflation                              4.00%  
 Salary increases                    5.00%  
 Investment rate of return        8.00%  
 Retirement age                      General - normal retirement age

##### Mortality

Police - Attainment of Age 53 and completion of 25 years of service  
 Firemen - Attainment of Age 53 and completion of 25 years of service  
 RP2000 Table. This table does not include projected mortality improvements.

**BOROUGH OF CHAMBERSBURG**  
**Pension Trust Funds**  
**Unaudited Schedule of Investment Returns**

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	<b>General</b>	<b>2014 Police</b>	<b>Firemen</b>
Annual money-weighted rate of return, net of investment expense	5.7%	5.8%	5.9%

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

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

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	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
<b>General:</b>							
	01/01/09	\$ 15,984,144	\$ 17,342,609	\$ 1,358,465	92.17%	\$ 6,873,071	19.77%
	01/01/11	17,085,584	20,391,819	3,306,235	83.79%	7,587,865	43.57%
	01/01/13	18,369,432	22,248,614	3,879,182	82.56%	7,504,401	51.69%
<b>Police:</b>							
	01/01/09	\$ 7,840,209	\$ 9,833,514	\$ 1,993,305	79.73%	\$ 1,824,708	109.24%
	01/01/11	9,081,804	10,583,842	1,502,038	85.81%	1,918,058	78.31%
	01/01/13	10,328,269	12,181,761	1,853,492	84.78%	1,936,497	95.71%
<b>Firemen:</b>							
	01/01/09	\$ 3,584,099	\$ 4,619,052	\$ 1,034,953	77.59%	\$ 1,231,786	84.02%
	01/01/11	3,946,197	5,221,325	1,275,128	75.58%	1,330,676	95.83%
	01/01/13	4,542,705	5,905,610	1,362,905	76.92%	1,414,222	96.37%

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

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

**BOROUGH OF CHAMBERSBURG**  
**Unaudited Required Supplementary Information**  
**Budgetary Comparison Schedule - General Fund**  
**Year Ended December 31, 2014**

	Original/Final Budget	Actual (Budgetary/ GAAP Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ 6,659,300	\$ 7,201,144	\$ 541,844
Licenses and permits	363,000	332,478	(30,522)
Fines and forfeits	4,000	182,691	178,691
Investment earnings	3,000	5,791	2,791
Intergovernmental	922,550	798,844	(123,706)
Departmental charges for services	1,696,300	2,062,651	366,351
Miscellaneous	<u>168,100</u>	<u>144,856</u>	<u>(23,244)</u>
Total revenues	<u>9,816,250</u>	<u>10,728,455</u>	<u>912,205</u>
<b>EXPENDITURES</b>			
General government	1,384,120	1,158,058	226,062
Police department	4,037,065	4,155,744	(118,679)
Emergency services	3,562,360	3,555,762	6,598
Planning and zoning	427,360	432,463	(5,103)
Highways	1,180,215	1,276,832	(96,617)
Culture and recreation	<u>1,386,180</u>	<u>1,182,204</u>	<u>203,976</u>
Total expenditures	<u>11,977,300</u>	<u>11,761,063</u>	<u>216,237</u>
Excess (deficiency) of revenues over expenditures	<u>(2,161,050)</u>	<u>(1,032,608)</u>	<u>1,128,442</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	3,139,720	2,841,863	(297,857)
Transfers out	<u>(643,200)</u>	<u>(2,023,280)</u>	<u>(1,380,080)</u>
Total other financing sources and uses	<u>2,496,520</u>	<u>818,583</u>	<u>(1,677,937)</u>
Net change in fund balance	<u>\$ 335,470</u>	( 214,025)	<u>(\$ 549,495)</u>
Fund balance - beginning		<u>2,746,679</u>	
Fund balance - ending		<u>\$ 2,532,654</u>	

**BOROUGH OF CHAMBERSBURG**  
**Unaudited Required Supplementary Information**  
**Budgetary Comparison Schedule - Special Revenue Fund - Grant Programs**  
**Year Ended December 31, 2014**

	Original/Final Budget	Actual (Budgetary/ GAAP Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Investment earnings	\$ 50	\$ 17	\$ (33)
Intergovernmental	1,524,531	1,160,002	(364,529)
Miscellaneous	31,190	32,149	959
Total revenues	<u>1,555,771</u>	<u>1,192,168</u>	<u>(363,603)</u>
<b>EXPENDITURES (by department)</b>			
General government	-	82,714	(82,714)
Public Safety			
Police department	8,000	905	7,095
Fire department	-	18,617	(18,617)
Public works			
Highways	-	12,749	(12,749)
Culture and recreation	311,905	177,883	134,022
Community development	706,131	217,696	488,435
Total expenditures	<u>1,026,036</u>	<u>510,564</u>	<u>515,472</u>
Excess (deficiency) of revenues over expenditures	<u>529,735</u>	<u>681,604</u>	<u>151,869</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	9,000	14,181	5,181
Transfers out	<u>(605,000)</u>	<u>(631,943)</u>	<u>(26,943)</u>
Total other financing sources and uses	<u>(596,000)</u>	<u>(617,762)</u>	<u>(21,762)</u>
Net change in fund balance	<u>\$ (66,265)</u>	63,842	<u>\$ 130,107</u>
Fund balance - beginning		<u>353,150</u>	
Fund balance - ending		<u>\$ 416,992</u>	

**OTHER SUPPLEMENTARY INFORMATION**



## **BOROUGH OF CHAMBERSBURG**

### **Other Governmental Funds**

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

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

**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, 2014**

	Special Revenue Liquid Fuels Fund	Special Revenue Richard Kasher Fire Tax Fund	Capital Reserve Fund	Total - Other Governmental Funds
<b>ASSETS</b>				
Cash and equity in pooled cash and investments	\$ 1,061,823	\$ -	\$ 3,363,337	\$ 4,425,160
Taxes receivable, net	-	26,932	-	26,932
Other receivables	-	-	668,415	668,415
Total assets	<u>\$ 1,061,823</u>	<u>\$ 26,932</u>	<u>\$ 4,031,752</u>	<u>\$ 5,120,507</u>
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ 86,858	\$ 86,858
Accrued wages, benefits and withholdings	-	-	21	21
Total liabilities	<u>-</u>	<u>-</u>	<u>86,879</u>	<u>86,879</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable tax revenue	-	18,704	-	18,704
Total deferred inflows of resources	<u>-</u>	<u>18,704</u>	<u>-</u>	<u>18,704</u>
<b>Fund balances</b>				
Nonspendable for long term receivables	-	-	166,847	166,847
Restricted	1,061,823	8,228	3,778,026	4,848,077
Total fund balances	<u>1,061,823</u>	<u>8,228</u>	<u>3,944,873</u>	<u>5,014,924</u>
Total liabilities and fund balances	<u>\$ 1,061,823</u>	<u>\$ 26,932</u>	<u>\$ 4,031,752</u>	<u>\$ 5,120,507</u>

**BOROUGH OF CHAMBERSBURG****Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Other  
Governmental Funds  
Year Ended December 31, 2014**

	Special Revenue Liquid Fuels Fund	Special Revenue Richard Kasher Fire Tax Fund	Capital Reserve Fund	Total - Other Governmental Funds
<b>REVENUES</b>				
Taxes	\$ -	\$ 467,938	\$ -	\$ 467,938
Investment earnings	268	451	7,387	8,106
Intergovernmental	438,660	-	960,009	1,398,669
Contributions and donations	-	-	4,636	4,636
Miscellaneous	-	-	10,070	10,070
Total revenues	<u>438,928</u>	<u>468,389</u>	<u>982,102</u>	<u>1,889,419</u>
<b>EXPENDITURES</b>				
General government	-	-	80,898	80,898
Public Safety				
Police department	-	-	19,065	19,065
Emergency services	-	-	7,000	7,000
Public works				
Highways	-	-	1,301,864	1,301,864
Culture and recreation	-	-	148,021	148,021
Community development	-	-	20,000	20,000
Total expenditures	<u>-</u>	<u>-</u>	<u>1,576,848</u>	<u>1,576,848</u>
Excess (deficiency) of revenues over expenditures	<u>438,928</u>	<u>468,389</u>	<u>(594,746)</u>	<u>312,571</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	1,774,800	1,774,800
Transfers out	<u>(225,000)</u>	<u>(460,161)</u>	<u>(9,181)</u>	<u>(694,342)</u>
Total other financing sources and uses	<u>(225,000)</u>	<u>(460,161)</u>	<u>1,765,619</u>	<u>1,080,458</u>
Net change in fund balances	213,928	8,228	1,170,873	1,393,029
Fund balances - beginning	<u>847,895</u>	<u>-</u>	<u>2,774,000</u>	<u>3,621,895</u>
Fund balances - ending	<u>\$ 1,061,823</u>	<u>\$ 8,228</u>	<u>\$ 3,944,873</u>	<u>\$ 5,014,924</u>

**BOROUGH OF CHAMBERSBURG**  
**Budgetary Comparison Schedule - Special Revenue Fund - Liquid Fuels**  
**Year Ended December 31, 2014**

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	<b>Original/Final Budget</b>	<b>Actual (Budgetary/ GAAP Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>			
Investment earnings	\$ 200	\$ 268	\$ 68
Intergovernmental	<u>391,875</u>	<u>438,660</u>	<u>46,785</u>
Total revenues	<u>392,075</u>	<u>438,928</u>	<u>46,853</u>
<b>EXPENDITURES</b>			
	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>392,075</u>	<u>438,928</u>	<u>46,853</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	-	-
Transfers out	<u>(400,000)</u>	<u>(225,000)</u>	<u>175,000</u>
Total other financing sources and uses	<u>(400,000)</u>	<u>(225,000)</u>	<u>175,000</u>
Net change in fund balance	<u>\$ (7,925)</u>	213,928	<u>\$ 221,853</u>
Fund balance - beginning		<u>847,895</u>	
Fund balance - ending		<u>\$ 1,061,823</u>	

**BOROUGH OF CHAMBERSBURG****Budgetary Comparison Schedule - Special Revenue Fund - Richard Kasher Fire Tax Fund****Year Ended December 31, 2014**

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	<b>Original/Final Budget</b>	<b>Actual (Budgetary/ GAAP Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>			
Investment earnings	\$ -	\$ 451	\$ 451
Intergovernmental	<u>451,610</u>	<u>467,938</u>	<u>16,328</u>
Total revenues	<u>451,610</u>	<u>468,389</u>	<u>16,779</u>
<b>EXPENDITURES</b>			
	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>451,610</u>	<u>468,389</u>	<u>16,779</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	-	-
Transfers out	<u>(451,610)</u>	<u>(460,161)</u>	<u>(8,551)</u>
Total other financing sources and uses	<u>(451,610)</u>	<u>(460,161)</u>	<u>(8,551)</u>
Net change in fund balance	<u>\$ -</u>	8,228	<u>\$ 8,228</u>
Fund balance - beginning		<u>-</u>	
Fund balance - ending		<u>\$ 8,228</u>	

**BOROUGH OF CHAMBERSBURG**  
**Budgetary Comparison Schedule - Capital Reserve Fund**  
**Year Ended December 31, 2014**

	Original/Final Budget	Actual (Budgetary/ GAAP Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Investment earnings	\$ 2,000	\$ 7,387	\$ 5,387
Intergovernmental	1,050,000	960,009	(89,991)
Contributions and donations	-	4,636	4,636
Miscellaneous	<u>17,650</u>	<u>10,070</u>	<u>(7,580)</u>
Total revenues	<u>1,069,650</u>	<u>982,102</u>	<u>(87,548)</u>
<b>EXPENDITURES</b>			
General government	29,300	80,898	(51,598)
Police department	-	19,065	(19,065)
Emergency services	-	7,000	(7,000)
Highways	1,125,500	1,301,864	(176,364)
Culture and recreation	203,000	148,021	54,979
Community development	<u>60,000</u>	<u>20,000</u>	<u>40,000</u>
Total expenditures	<u>1,417,800</u>	<u>1,576,848</u>	<u>(159,048)</u>
Excess (deficiency) of revenues over expenditures	<u>(348,150)</u>	<u>(594,746)</u>	<u>(246,596)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	365,000	1,774,800	1,409,800
Transfers out	<u>(4,000)</u>	<u>(9,181)</u>	<u>(5,181)</u>
Total other financing sources and uses	<u>361,000</u>	<u>1,765,619</u>	<u>1,404,619</u>
Net change in fund balance	<u>\$ 12,850</u>	1,170,873	<u>\$ 1,158,023</u>
Fund balance - beginning		<u>2,774,000</u>	
Fund balance - ending		<u>\$ 3,944,873</u>	

**OTHER ENTERPRISE FUNDS**

## **BOROUGH OF CHAMBERSBURG**

### **Other Enterprise Funds**

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

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



**BOROUGH OF CHAMBERSBURG**  
**Combining Statement of Net Position - Other Enterprise Funds**  
**December 31, 2014**

	Sanitation Fund	Parking, Traffic and Street Lights Fund	Total Other Enterprise Funds
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and equity in pooled cash and investments	\$ 1,011,517	\$ 1,892,344	\$ 2,903,861
Accounts receivable, net	177,640	26,341	203,981
Other receivables	681	1,277	1,958
Prepaid expenses	982	-	982
Total current assets	<u>1,190,820</u>	<u>1,919,962</u>	<u>3,110,782</u>
<b>Noncurrent assets</b>			
Capital assets not being depreciated:			
Land	413,127	117,769	530,896
Construction in progress	206,441	1,378	207,819
Capital assets being depreciated:			
Buildings and system	75,529	-	75,529
Improvements other than buildings	19,106	441,572	460,678
Machinery and equipment	539,491	3,112,053	3,651,544
Less accumulated depreciation	<u>(509,480)</u>	<u>(1,649,190)</u>	<u>(2,158,670)</u>
Total capital assets	<u>744,214</u>	<u>2,023,582</u>	<u>2,767,796</u>
Total noncurrent assets	<u>744,214</u>	<u>2,023,582</u>	<u>2,767,796</u>
Total assets	<u>\$ 1,935,034</u>	<u>\$ 3,943,544</u>	<u>\$ 5,878,578</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable	\$ 47,054	\$ 40,516	\$ 87,570
Accrued wages payable	20,129	3,004	23,133
Compensated absences - current	24,969	10,471	35,440
Bonds, notes and loans payable - current	13,667	-	13,667
Total current liabilities	<u>105,819</u>	<u>53,991</u>	<u>159,810</u>
<b>Noncurrent liabilities</b>			
Compensated absences	22,994	18,012	41,006
Net OPEB obligation	22,088	3,774	25,862
Bonds, notes and loans payable	600,535	-	600,535
Total non-current liabilities	<u>645,617</u>	<u>21,786</u>	<u>667,403</u>
Total liabilities	<u>751,436</u>	<u>75,777</u>	<u>827,213</u>
<b>NET POSITION</b>			
Net investment in capital assets	125,770	2,023,063	2,148,833
Unrestricted	1,057,828	1,844,704	2,902,532
Total net position	<u>1,183,598</u>	<u>3,867,767</u>	<u>5,051,365</u>
Total liabilities and net position	<u>\$ 1,935,034</u>	<u>\$ 3,943,544</u>	<u>\$ 5,878,578</u>

**BOROUGH OF CHAMBERSBURG****Combining Statement of Revenues, Expenses and Changes in Fund Net Position - Other  
Enterprise Funds  
Year Ended December 31, 2014**

	Sanitation Fund	Parking, Traffic and Street Lights Fund	Total Other Enterprise Funds
<b>REVENUES</b>			
Charges for services	\$ 2,379,260	\$ 90,869	\$ 2,470,129
Miscellaneous	91,202	40,639	131,841
Total operating revenues	<u>2,470,462</u>	<u>131,508</u>	<u>2,601,970</u>
<b>OPERATING EXPENSES</b>			
Operation and maintenance	-	585,787	585,787
Collection and disposal	2,144,770	-	2,144,770
Customer accounting and administrative	340,410	95,266	435,676
Depreciation	21,303	112,051	133,354
Total operating expenses	<u>2,506,483</u>	<u>793,104</u>	<u>3,299,587</u>
Operating income (loss)	<u>(36,021)</u>	<u>(661,596)</u>	<u>(697,617)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest and investment revenue	5,271	3,533	8,804
Gain (loss) on sale of assets	(97)	-	(97)
Intergovernmental revenues	70,006	3,561	73,567
Interest expense	(8,815)	-	(8,815)
Total nonoperating revenue (expenses)	<u>66,365</u>	<u>7,094</u>	<u>73,459</u>
Income (loss) before contributions and transfers	<u>30,344</u>	<u>(654,502)</u>	<u>(624,158)</u>
Capital contributions	-	13,035	13,035
Transfers in	-	1,080,000	1,080,000
Change in net position	<u>30,344</u>	<u>438,533</u>	<u>468,877</u>
Total net position - beginning	<u>1,153,254</u>	<u>3,429,234</u>	<u>4,582,488</u>
Total net position - ending	<u>\$ 1,183,598</u>	<u>\$ 3,867,767</u>	<u>\$ 5,051,365</u>

**BOROUGH OF CHAMBERSBURG**  
**Combining Statement of Cash Flows - Other Enterprise Funds**  
**Year Ended December 31, 2014**

	Sanitation Fund	Parking, Traffic and Street Lights Fund	Total Other Enterprise Funds
<b>Cash flows from operating activities:</b>			
Receipts from customers	\$ 2,442,189	\$ 131,960	\$ 2,574,149
Payments to suppliers	(1,463,569)	(514,012)	(1,977,581)
Payments to and on behalf of employees	(991,412)	(160,296)	(1,151,708)
Net cash provided (used) by operating activities	<u>(12,792)</u>	<u>(542,348)</u>	<u>(555,140)</u>
<b>Cash flows from capital and related financing activities:</b>			
Proceeds from capital debt	614,202	-	614,202
Purchase of capital assets	(669,144)	(82,685)	(751,829)
Capital contributions	-	13,035	13,035
Proceeds from sale of assets	6,562	-	6,562
Interest and fiscal charges paid on capital debt	(8,815)	-	(8,815)
Net cash provided (used) by capital and related financing activities	<u>(57,195)</u>	<u>(69,650)</u>	<u>(126,845)</u>
<b>Cash flows from non-capital financing activities:</b>			
Transfers from other funds	-	1,080,000	1,080,000
Grants received	70,006	3,561	73,567
Net cash provided (used) by non-capital financing activities	<u>70,006</u>	<u>1,083,561</u>	<u>1,153,567</u>
<b>Cash flows from investing activities:</b>			
Interest and dividends received	4,758	2,493	7,251
Net cash provided (used) by investing activities	<u>4,758</u>	<u>2,493</u>	<u>7,251</u>
Net increase (decrease) in cash and cash equivalents	<u>4,777</u>	<u>474,056</u>	<u>478,833</u>
Cash and cash equivalents - beginning of the year	<u>1,006,740</u>	<u>1,418,288</u>	<u>2,425,028</u>
Cash and cash equivalents - end of the year	<u>\$ 1,011,517</u>	<u>\$ 1,892,344</u>	<u>\$ 2,903,861</u>
<b>Reconciliation of income (loss) from operations to net cash provided (used) by operating activities</b>			
Operating income (loss)	\$ (36,021)	\$ (661,596)	\$ (697,617)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization expense	21,303	112,051	133,354
(Increase) decrease in:			
Accounts receivable	(28,273)	452	(27,821)
Prepaid expenses	15,369	-	15,369
Increase (decrease) in:			
Accounts payable	14,830	6,745	21,575
Net cash provided (used) by operating activities	<u>\$ (12,792)</u>	<u>\$ (542,348)</u>	<u>\$ (555,140)</u>

## **BOROUGH OF CHAMBERSBURG**

### **Internal Service Funds**

---

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

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

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

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

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

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

**BOROUGH OF CHAMBERSBURG**  
**Combining Statement of Net Position - Internal Service Funds**  
**December 31, 2014**

	Stores Fund	Motor Equipment Fund	Self Insurance Fund
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and equity in pooled cash and investments	\$ 403,235	\$ 6,687,082	\$ 5,882,417
Accounts receivable, net	-	961	-
Other receivables	273	4,501	3,959
Inventories	1,175,659	95,070	-
Prepaid expenses	173	1,093	-
Total current assets	<u>1,579,340</u>	<u>6,788,707</u>	<u>5,886,376</u>
<b>Noncurrent assets</b>			
Capital Assets			
Land	-	13,984	-
Buildings and system	5,823	178,084	-
Machinery and equipment	3,993	8,359,236	-
Less accumulated depreciation	<u>(7,561)</u>	<u>(5,398,193)</u>	<u>-</u>
Total capital assets	<u>2,255</u>	<u>3,153,111</u>	<u>-</u>
Total assets	<u>\$ 1,581,595</u>	<u>\$ 9,941,818</u>	<u>\$ 5,886,376</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable	\$ 502	\$ 5,383	\$ 49,480
Accrued wages payable	2,745	5,537	-
Compensated absences - current	6,017	15,463	-
Liability for self insured losses - current	<u>-</u>	<u>-</u>	<u>71,953</u>
Total current liabilities	<u>9,264</u>	<u>26,383</u>	<u>121,433</u>
<b>Noncurrent liabilities</b>			
Compensated absences	4,953	16,821	-
Liability for self insured losses	-	-	133,099
Net OPEB obligation	<u>4,167</u>	<u>8,171</u>	<u>-</u>
Total noncurrent liabilities	<u>9,120</u>	<u>24,992</u>	<u>133,099</u>
Total liabilities	<u>18,384</u>	<u>51,375</u>	<u>254,532</u>
<b>NET POSITION</b>			
Net investment in capital assets	2,255	3,153,111	-
Unrestricted	<u>1,560,956</u>	<u>6,737,332</u>	<u>5,631,844</u>
Total net position	<u>1,563,211</u>	<u>9,890,443</u>	<u>5,631,844</u>
Total liabilities and net position	<u>\$ 1,581,595</u>	<u>\$ 9,941,818</u>	<u>\$ 5,886,376</u>

<b>Engineering Fund</b>	<b>Worker's Compensation Fund</b>	<b>Administrative Services Fund</b>	<b>Total Internal Service Funds</b>
\$ 293,160	\$ 395,005	\$ 40	\$ 13,660,939
-	-	1,539	2,500
199	266	-	9,198
-	-	-	1,270,729
-	-	-	1,266
<u>293,359</u>	<u>395,271</u>	<u>1,579</u>	<u>14,944,632</u>
-	-	-	13,984
-	-	-	183,907
44,894	-	-	8,408,123
(36,826)	-	-	(5,442,580)
<u>8,068</u>	<u>-</u>	<u>-</u>	<u>3,163,434</u>
<u>\$ 301,427</u>	<u>\$ 395,271</u>	<u>\$ 1,579</u>	<u>\$ 18,108,066</u>
\$ 6,309	\$ 6,638	\$ 35,546	\$ 103,858
5,625	-	54,434	68,341
22,818	-	152,250	196,548
-	308,588	-	380,541
<u>34,752</u>	<u>315,226</u>	<u>242,230</u>	<u>749,288</u>
16,528	-	136,380	174,682
-	570,824	-	703,923
6,125	-	60,171	78,634
<u>22,653</u>	<u>570,824</u>	<u>196,551</u>	<u>957,239</u>
<u>57,405</u>	<u>886,050</u>	<u>438,781</u>	<u>1,706,527</u>
8,068	-	-	3,163,434
235,954	(490,779)	(437,202)	13,238,105
<u>244,022</u>	<u>(490,779)</u>	<u>(437,202)</u>	<u>16,401,539</u>
<u>\$ 301,427</u>	<u>\$ 395,271</u>	<u>\$ 1,579</u>	<u>\$ 18,108,066</u>

**BOROUGH OF CHAMBERSBURG****Combining Statement of Revenues, Expenses and Changes in Fund Net Position - Internal Service Funds****Year Ended December 31, 2014**

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	<b>Stores Fund</b>	<b>Motor Equipment Fund</b>	<b>Self Insurance Fund</b>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 169,844	\$ 2,346,368	\$ 134,826
Miscellaneous	-	-	-
Total operating revenues	<u>169,844</u>	<u>2,346,368</u>	<u>134,826</u>
<b>OPERATING EXPENSES</b>			
Operation and maintenance	113,360	890,631	-
General and administrative	61,052	301,306	450
Claim payments and special services	-	-	385,218
Increase (decrease) in expected unpaid losses	-	-	55,935
Depreciation and amortization	146	510,627	-
Total operating expenses	<u>174,558</u>	<u>1,702,564</u>	<u>441,603</u>
Operating income (loss)	<u>(4,714)</u>	<u>643,804</u>	<u>(306,777)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest and investment revenue	816	12,764	11,754
Gain (loss) on sale of assets	-	(64,344)	-
Other nonoperating revenues	773	1,106	-
Reimbursement of prior year expense	-	-	317,137
Intergovernmental revenue	3,540	7,627	-
Total non-operating revenue (expenses)	<u>5,129</u>	<u>(42,847)</u>	<u>328,891</u>
Income (loss) before transfers	415	600,957	22,114
Transfers in	-	508,161	-
Transfers out	-	<u>(530,000)</u>	<u>(4,140)</u>
Change in net position	415	579,118	17,974
Total net position - beginning	<u>1,562,796</u>	<u>9,311,325</u>	<u>5,613,870</u>
Total net position - ending	<u>\$ 1,563,211</u>	<u>\$ 9,890,443</u>	<u>\$ 5,631,844</u>

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<b>Engineering Fund</b>	<b>Worker's Compensation Fund</b>	<b>Administrative Services Fund</b>	<b>Total Internal Service Funds</b>
\$ 363,480	\$ -	\$ 4,045,759	\$ 7,060,277
6,394	2,204	5,413	14,011
<u>369,874</u>	<u>2,204</u>	<u>4,051,172</u>	<u>7,074,288</u>
38,027	-	4,026,772	5,068,790
232,891	92,142	-	687,841
-	116,970	-	502,188
-	(74,187)	-	(18,252)
1,746	-	-	512,519
<u>272,664</u>	<u>134,925</u>	<u>4,026,772</u>	<u>6,753,086</u>
<u>97,210</u>	<u>(132,721)</u>	<u>24,400</u>	<u>321,202</u>
528	946	-	26,808
-	-	-	(64,344)
-	-	-	1,879
-	-	-	317,137
9,903	-	80,045	101,115
<u>10,431</u>	<u>946</u>	<u>80,045</u>	<u>382,595</u>
107,641	(131,775)	104,445	703,797
-	710,980	-	1,219,141
-	-	(106,910)	(641,050)
107,641	579,205	(2,465)	1,281,888
136,381	(1,069,984)	(434,737)	15,119,651
<u>\$ 244,022</u>	<u>\$ (490,779)</u>	<u>\$ (437,202)</u>	<u>\$ 16,401,539</u>



**BOROUGH OF CHAMBERSBURG**  
**Combining Statement of Cash Flows - Internal Service Funds**  
**Year Ended December 31, 2014**

	Stores Fund	Motor Equipment Fund	Self Insurance Fund
<b>Cash flows from operating activities:</b>			
Interfund services provided	\$ 270,247	\$ 2,347,898	\$ 134,826
Payments to suppliers	(49,513)	(884,187)	(228,838)
Payments to and on behalf of employees	(122,745)	(304,183)	-
Net cash provided (used) by operating activities	<u>97,989</u>	<u>1,159,528</u>	<u>(94,012)</u>
<b>Cash flows from capital and related financing activities:</b>			
Purchase of capital assets	-	(766,784)	-
Proceeds from sale of capital assets	-	17,650	-
Capital contributions	-	133,340	-
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(615,794)</u>	<u>-</u>
<b>Cash flows from non-capital financing activities:</b>			
Transfer from other funds	-	508,161	-
Transfer to other funds	-	(530,000)	(4,140)
Refund received for health insurance	-	-	317,137
Grants received	3,540	7,627	-
Net cash provided (used) by non-capital financing activities	<u>3,540</u>	<u>(14,212)</u>	<u>312,997</u>
<b>Cash flows from investing activities:</b>			
Interest and dividends received	593	9,289	8,757
Net cash provided (used) by investing activities	<u>593</u>	<u>9,289</u>	<u>8,757</u>
Net increase (decrease) in cash and cash equivalents	<u>102,122</u>	<u>538,811</u>	<u>227,742</u>
Cash and cash equivalents - beginning of the year	<u>301,113</u>	<u>6,148,271</u>	<u>5,654,675</u>
Cash and cash equivalents - end of the year	<u>\$ 403,235</u>	<u>\$ 6,687,082</u>	<u>\$ 5,882,417</u>
<b>Reconciliation of income from operations to net cash provided (used) by operating activities</b>			
Operating income (loss)	\$ (4,714)	\$ 643,804	\$ (306,777)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization expense	146	510,627	-
Miscellaneous nonoperating income	773	1,106	-
(Increase) decrease in:			
Accounts receivable	-	424	-
Due from other funds	-	-	109,233
Inventories	99,630	731	-
Prepaid expenses	1,063	4,817	-
Increase (decrease) in:			
Accounts payable and accrued expenses	1,091	(1,981)	103,532
Due to other funds	-	-	-
Net cash provided (used) by operating activities	<u>\$ 97,989</u>	<u>\$ 1,159,528</u>	<u>\$ (94,012)</u>

<b>Engineering Fund</b>	<b>Worker's Compensation Fund</b>	<b>Administrative Services Fund</b>	<b>Total</b>
\$ 369,874	\$ 2,204	\$ 4,049,633	\$ 7,174,682
(61,682)	(311,942)	(1,070,823)	(2,606,985)
<u>(194,383)</u>	<u>(6,917)</u>	<u>(2,951,905)</u>	<u>(3,580,133)</u>
<u>113,809</u>	<u>(316,655)</u>	<u>26,905</u>	<u>987,564</u>
(7,939)	-	-	(774,723)
-	-	-	17,650
-	-	-	133,340
<u>(7,939)</u>	<u>-</u>	<u>-</u>	<u>(623,733)</u>
-	710,980	-	1,219,141
-	-	(106,910)	(641,050)
-	-	-	317,137
<u>9,903</u>	<u>-</u>	<u>80,045</u>	<u>101,115</u>
<u>9,903</u>	<u>710,980</u>	<u>(26,865)</u>	<u>996,343</u>
359	680	-	19,678
<u>359</u>	<u>680</u>	<u>-</u>	<u>19,678</u>
116,132	395,005	40	1,379,852
177,028	-	-	12,281,087
<u>\$ 293,160</u>	<u>\$ 395,005</u>	<u>\$ 40</u>	<u>\$ 13,660,939</u>
\$ 97,210	\$ (132,721)	\$ 24,400	\$ 321,202
1,746	-	-	512,519
-	-	-	1,879
-	-	(1,539)	(1,115)
-	-	-	109,233
-	-	-	100,361
-	-	-	5,880
14,853	(74,701)	4,044	46,838
-	(109,233)	-	(109,233)
<u>\$ 113,809</u>	<u>\$ (316,655)</u>	<u>\$ 26,905</u>	<u>\$ 987,564</u>

## **BOROUGH OF CHAMBERSBURG**

### **Trust and Agency Funds**

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

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

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

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

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

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

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

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

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

**BOROUGH OF CHAMBERSBURG**  
**Combining Statement of Fiduciary Net Position - Pension Trust Funds**  
**December 31, 2014**

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	Firemen's Pension Fund	Police Pension Fund	Bargaining and Administrative Employees Pension Fund	Total Pension Trust Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 348,490	\$ 618,914	\$ 835,493	\$ 1,802,897
Mutual funds - U.S. Government and Agency Securities	806,481	2,025,757	3,272,737	6,104,975
Mutual funds - Corporate bonds	565,516	1,291,812	2,148,491	4,005,819
Mutual funds - Stocks	3,218,471	7,165,682	12,083,723	22,467,876
Mutual funds - Real estate securities	148,993	377,691	644,570	1,171,254
Contribution receivable - plan member	1,501	2,529	9,745	13,775
Total assets	<u>\$ 5,089,452</u>	<u>\$ 11,482,385</u>	<u>\$ 18,994,759</u>	<u>\$ 35,566,596</u>
<b>NET POSITION</b>				
Held in trust for benefits and other purposes	<u>\$ 5,089,452</u>	<u>\$ 11,482,385</u>	<u>\$ 18,994,759</u>	<u>\$ 35,566,596</u>

**BOROUGH OF CHAMBERSBURG**  
**Combining Statement of Changes in Fiduciary Net Position - Pension Trust Funds**  
**Year Ended December 31, 2014**

	Firemen's Pension Fund	Police Pension Fund	Bargaining and Administrative Employees Pension Fund	Total Pension Trust Funds
<b>ADDITIONS</b>				
Contributions				
Employer	\$ 269,702	\$ 399,615	\$ 640,380	\$ 1,309,697
Plan member	62,106	66,472	246,551	375,129
Total contributions	<u>331,808</u>	<u>466,087</u>	<u>886,931</u>	<u>1,684,826</u>
Investment income:				
Net appreciation (depreciation) in fair value of investments and gains (loss) on sale of investments	168,245	400,695	668,121	1,237,061
Interest, dividends and other	87,708	205,241	339,855	632,804
Total net investment earnings	<u>255,953</u>	<u>605,936</u>	<u>1,007,976</u>	<u>1,869,865</u>
Total additions	<u>587,761</u>	<u>1,072,023</u>	<u>1,894,907</u>	<u>3,554,691</u>
<b>DEDUCTIONS</b>				
Benefits	290,650	567,680	1,450,430	2,308,760
Administrative expenses	1,434	2,602	8,356	12,392
Total deductions	<u>292,084</u>	<u>570,282</u>	<u>1,458,786</u>	<u>2,321,152</u>
Change in net position	295,677	501,741	436,121	1,233,539
Net position - beginning	4,793,775	10,980,644	18,558,638	34,333,057
Net position - ending	<u>\$ 5,089,452</u>	<u>\$ 11,482,385</u>	<u>\$ 18,994,759</u>	<u>\$ 35,566,596</u>

**BOROUGH OF CHAMBERSBURG**  
**Combining Statement of Fiduciary Net Position - Private Purpose Trust Funds**  
**December 31, 2014**

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	<b>Citizen's Reward Fund</b>	<b>Sister City Fund</b>	<b>Project Heat Fund</b>	<b>Total Private Purpose Trust Funds</b>
<b>ASSETS</b>				
Cash and equity in pooled cash and investments	\$ 10,268	\$ 39,218	\$ 17,187	\$ 66,673
Other receivables	<u>7</u>	<u>-</u>	<u>-</u>	<u>7</u>
Total assets	<u>\$ 10,275</u>	<u>\$ 39,218</u>	<u>\$ 17,187</u>	<u>\$ 66,680</u>
<b>NET POSITION</b>				
Held in trust for other purposes	<u>\$ 10,275</u>	<u>\$ 39,218</u>	<u>\$ 17,187</u>	<u>\$ 66,680</u>

**BOROUGH OF CHAMBERSBURG**  
**Combining Statement of Changes in Fiduciary Net Position -**  
**Private Purpose Trust Funds**  
**Year Ended December 31, 2014**

	Citizen's Reward Fund	Sister City Fund	Project Heat Fund	Total Private Purpose Trust Funds
<b>ADDITIONS</b>				
Interest earnings	\$ 22	\$ 6	\$ 2	\$ 30
Public contributions and other revenue	<u>-</u>	<u>13,023</u>	<u>18,430</u>	<u>31,453</u>
Total additions	<u>22</u>	<u>13,029</u>	<u>18,432</u>	<u>31,483</u>
<b>DEDUCTIONS</b>				
Administrative expense	-	-	13,000	13,000
Miscellaneous expense	<u>-</u>	<u>2,660</u>	<u>-</u>	<u>2,660</u>
Total deductions	<u>-</u>	<u>2,660</u>	<u>13,000</u>	<u>15,660</u>
Change in net position	22	10,369	5,432	15,823
Net position, beginning	<u>10,253</u>	<u>28,849</u>	<u>11,755</u>	<u>50,857</u>
Net position, ending	<u>\$ 10,275</u>	<u>\$ 39,218</u>	<u>\$ 17,187</u>	<u>\$ 66,680</u>

**BOROUGH OF CHAMBERSBURG**  
**Combining Statement of Changes in Assets and Liabilities - All Agency Funds**  
**Year Ended December 31, 2014**

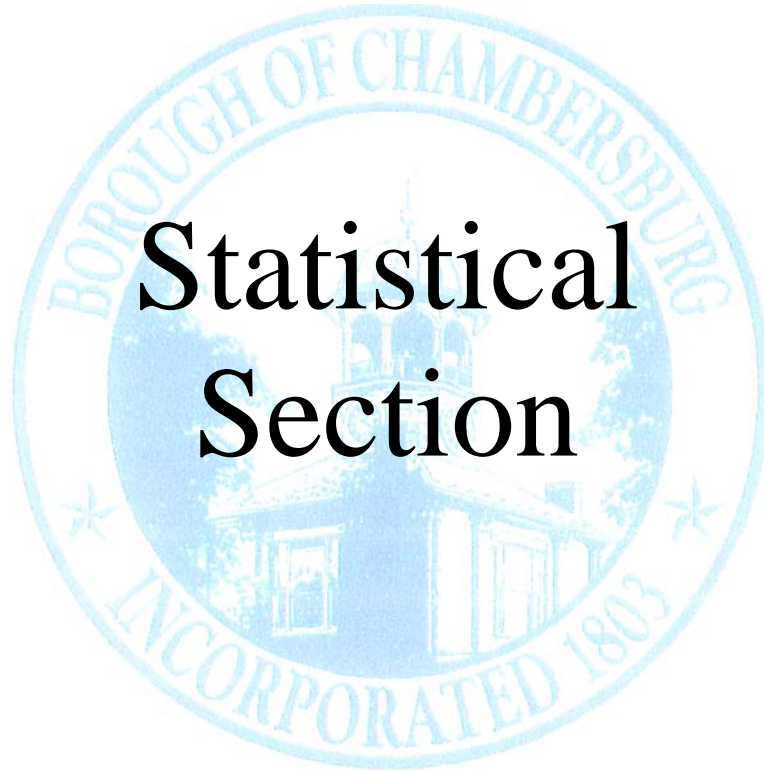
	Balance 1/1/14	Additions	Deductions	Balance 12/31/14
<b>PAYROLL CLEARING FUND</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ -	\$ 12,905,232	\$ 12,905,232	\$ -
Total assets	<u>\$ -</u>	<u>\$ 12,905,232</u>	<u>\$ 12,905,232</u>	<u>\$ -</u>
<b>Liabilities</b>				
Withholdings	\$ -	\$ 4,385,088	\$ 4,385,088	\$ -
Total liabilities	<u>\$ -</u>	<u>\$ 4,385,088</u>	<u>\$ 4,385,088</u>	<u>\$ -</u>
<b>CONSUMER DEPOSIT FUND</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 866,099	\$ 268,079	\$ 233,493	\$ 900,685
Other receivables	145	1,638	1,177	606
Total assets	<u>\$ 866,244</u>	<u>\$ 269,717</u>	<u>\$ 234,670</u>	<u>\$ 901,291</u>
<b>Liabilities</b>				
Consumer deposits	\$ 866,244	\$ 268,367	\$ 233,320	\$ 901,291
Total liabilities	<u>\$ 866,244</u>	<u>\$ 268,367</u>	<u>\$ 233,320</u>	<u>\$ 901,291</u>
<b>TOTAL - ALL AGENCY FUNDS</b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 866,099	\$ 13,173,311	\$ 13,138,725	\$ 900,685
Other receivables	145	1,638	1,177	606
Total assets	<u>\$ 866,244</u>	<u>\$ 13,174,949</u>	<u>\$ 13,139,902</u>	<u>\$ 901,291</u>
<b>Liabilities</b>				
Withholdings	\$ -	\$ 4,385,088	\$ 4,385,088	\$ -
Consumer deposits	866,244	268,367	233,320	901,291
Total liabilities	<u>\$ 866,244</u>	<u>\$ 4,653,455</u>	<u>\$ 4,618,408</u>	<u>\$ 901,291</u>



**BOROUGH OF CHAMBERSBURG**  
**Schedule of Taxes Receivable**  
**Year Ended December 31, 2014**

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	<b>General Purpose</b>	<b>Fire Purpose</b>
Assessed valuation of real property	\$ 195,864,790	\$ 195,864,790
Add: Additions	620,300	620,300
Less: Reductions and exonerations	<u>490</u>	<u>490</u>
Adjusted assessment	196,484,600	196,484,600
Tax rate	<u>21.0</u> mills	<u>2.5</u> mills
Total tax levied	4,126,177	491,212
Add: Penalties	32,496	3,868
Less: Discounts	(71,033)	(8,459)
Collections	<u>(3,861,418)</u>	<u>(459,689)</u>
2014 taxes receivable - December 31, 2014	226,222	26,932
Prior years' taxes	<u>74,832</u>	<u>-</u>
Total taxes receivable - December 31, 2014	<u>\$ 301,054</u>	<u>\$ 26,932</u>



# Statistical Section

## STATISTICAL SECTION UNAUDITED

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

<b>Contents</b>	<b>Page(s)</b>
<b>Financial Trends</b> These schedules contain trend information to help the reader understand how the municipality's financial performance and well-being have changed over time.	<b>91 - 97</b>
<b>Revenue Capacity</b> These schedules contain information to help the reader assess the municipality's most significant local revenue sources, the property tax, and the earned income tax.	<b>98 - 103</b>
<b>Debt Capacity</b> 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.	<b>104 - 108</b>
<b>Demographic and Economic Information</b> These schedules offer economic and demographic indicators to help the reader understand the environment within which the municipality's financial activities take place.	<b>109 - 110</b>
<b>Operating Information</b> 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.	<b>111 - 113</b>

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

## **FINANCIAL TRENDS**

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

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

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

	<u>2014</u>	<u>2013</u>	<u>2012 (a)</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>Governmental activities</b>										
Net investment in capital assets	\$ 22,850,486	\$ 22,561,919	\$ 22,217,709	\$ 25,275,852	\$ 25,907,241	\$ 24,030,856	\$ 22,103,501	\$ 20,030,556	\$ 16,422,498	\$ 13,745,073
Restricted	5,431,916	3,975,045	3,852,332	3,769,761	1,193,916	1,452,889	1,168,346	786,100	392,808	613,697
Unrestricted	4,514,636	5,173,101	3,952,283	4,633,198	7,463,807	9,876,322	10,751,978	10,030,131	9,157,620	8,434,228
Total governmental activities net position	<u>32,797,038</u>	<u>31,710,065</u>	<u>30,022,324</u>	<u>33,678,811</u>	<u>34,564,964</u>	<u>35,360,067</u>	<u>34,023,825</u>	<u>30,846,787</u>	<u>25,972,926</u>	<u>22,792,998</u>
<b>Business-type activities</b>										
Net investment in capital assets	94,346,244	85,933,597	81,864,727	76,493,701	75,126,828	74,790,451	71,707,129	69,516,503	67,563,288	63,674,212
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	43,395,900	35,802,218	30,945,382	30,885,875	33,192,820	27,013,942	30,437,794	31,862,509	23,049,503	23,219,395
Total business-type activities net position	<u>137,742,144</u>	<u>121,735,815</u>	<u>112,810,109</u>	<u>107,379,576</u>	<u>108,319,648</u>	<u>101,804,393</u>	<u>102,144,923</u>	<u>101,379,012</u>	<u>90,612,791</u>	<u>86,893,607</u>
<b>Primary government</b>										
Net investment in capital assets	117,196,730	108,495,516	104,082,436	101,769,553	101,034,069	98,821,307	93,810,630	89,547,059	83,985,786	77,419,285
Restricted	5,431,916	3,975,045	3,852,332	3,769,761	1,193,916	1,452,889	1,168,346	786,100	392,808	613,697
Unrestricted	47,910,536	40,975,319	34,897,665	35,519,073	40,656,627	36,890,264	41,189,772	41,892,640	32,207,123	31,653,623
Total primary government net position	<u>\$ 170,539,182</u>	<u>\$ 153,445,880</u>	<u>\$ 142,832,433</u>	<u>\$ 141,058,387</u>	<u>\$ 142,884,612</u>	<u>\$ 137,164,460</u>	<u>\$ 136,168,748</u>	<u>\$ 132,225,799</u>	<u>\$ 116,585,717</u>	<u>\$ 109,686,605</u>

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

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Expenses</b>										
Governmental activities										
General government	\$ 1,871,895	\$ 1,632,713	\$ 1,696,708	\$ 1,460,984	\$ 1,143,438	\$ 1,380,277	\$ 1,041,494	\$ 1,466,517	\$ 1,043,354	\$ 935,002
Public safety	8,044,957	7,882,241	7,697,570	8,274,656	8,186,805	7,372,746	7,335,996	7,032,498	6,349,063	5,848,946
Public works	1,728,115	1,814,913	1,655,579	2,315,450	2,113,662	1,963,186	1,117,850	542,993	1,852,946	876,150
Culture and recreation	1,383,781	1,378,850	1,353,831	1,442,428	1,931,419	1,453,670	1,469,475	1,237,341	1,019,986	1,019,864
Community development	498,846	655,614	539,858	776,979	313,210	475,765	661,485	579,662	467,084	142,451
Total governmental activities expenses	<u>13,527,594</u>	<u>13,364,331</u>	<u>12,943,546</u>	<u>14,270,497</u>	<u>13,688,534</u>	<u>12,645,644</u>	<u>11,626,300</u>	<u>10,859,011</u>	<u>10,732,433</u>	<u>8,822,413</u>
Business-type activities										
Electric	27,588,665	25,296,812	32,925,694	33,550,331	30,413,576	33,623,997	26,899,617	17,036,148	18,523,367	13,715,436
Gas	7,263,637	7,033,202	6,531,657	7,136,724	7,311,796	8,694,454	10,858,357	9,804,046	10,084,205	10,454,000
Water	3,296,954	3,123,219	2,950,841	2,898,515	2,617,711	2,831,476	2,674,069	2,775,409	2,495,541	2,440,826
Sewer	5,555,216	5,185,515	5,260,073	5,283,679	5,630,067	5,152,404	5,372,469	4,435,959	4,165,673	4,002,632
Sanitation	2,465,248	2,322,274	2,205,691	2,274,672	2,070,085	2,092,023	2,045,442	1,900,908	1,875,660	1,791,125
Parking, traffic and street lights	857,249	761,190	760,007	173,881	166,447	164,223	145,482	146,970	164,675	180,746
Total business-type activities expenses	<u>47,026,969</u>	<u>43,722,212</u>	<u>50,633,963</u>	<u>51,317,802</u>	<u>48,209,682</u>	<u>52,558,577</u>	<u>47,995,436</u>	<u>36,099,440</u>	<u>37,309,121</u>	<u>32,584,765</u>
Total primary government expenses	<u>\$ 60,554,563</u>	<u>\$ 57,086,543</u>	<u>\$ 63,577,509</u>	<u>\$ 65,588,299</u>	<u>\$ 61,898,216</u>	<u>\$ 65,204,221</u>	<u>\$ 59,621,736</u>	<u>\$ 46,958,451</u>	<u>\$ 48,041,554</u>	<u>\$ 41,407,178</u>
<b>Program revenues</b>										
Governmental activities										
Charges for services										
General government	\$ 360,506	\$ 455,531	\$ 334,574	\$ 404,010	\$ 544,572	\$ 455,042	\$ 474,050	\$ 445,288	\$ 491,696	\$ 350,807
Public safety	1,997,494	1,717,115	1,692,575	1,394,915	1,414,129	1,274,477	1,234,849	1,270,041	1,119,281	947,182
Public works	1,784	1,845	806	2,391	2,880	3,366	4,314	10,406	32,156	26,408
Culture and recreation	355,229	402,534	438,791	412,401	413,090	418,973	398,106	388,699	366,255	347,757
Community development	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	2,431,255	2,746,623	2,089,208	2,189,108	1,874,440	1,414,482	1,775,741	1,488,749	1,200,413	1,403,640
Capital grants and contributions	964,645	1,325,376	171,505	511,286	1,118,987	2,901,458	2,026,960	2,994,098	2,921,896	4,844,308
Total governmental activities program revenues	<u>6,110,913</u>	<u>6,649,024</u>	<u>4,727,459</u>	<u>4,914,111</u>	<u>5,368,098</u>	<u>6,467,798</u>	<u>5,914,020</u>	<u>6,597,281</u>	<u>6,131,697</u>	<u>7,920,102</u>
Business-type activities										
Charges for services										
Electric	31,695,974	31,914,866	31,823,441	32,243,631	34,765,216	30,785,021	25,655,849	23,374,049	19,731,687	17,329,059
Gas	9,105,354	8,273,829	7,368,579	7,812,764	8,323,329	9,410,294	10,971,012	10,111,337	10,295,262	11,611,918
Water	3,150,530	3,101,815	3,460,555	3,075,317	3,196,140	3,375,869	3,469,626	3,879,178	3,472,734	3,107,143
Sewer	5,376,373	5,507,845	5,317,072	5,084,952	4,570,569	4,096,262	4,068,865	4,027,596	3,796,020	3,578,237
Sanitation	2,475,937	2,452,154	1,997,409	2,032,789	2,039,950	2,045,885	2,067,715	2,026,588	1,938,838	1,907,319
Parking, traffic and street lights	206,656	179,281	168,168	182,707	134,397	134,927	137,939	145,400	154,740	137,451
Operating grants and contributions	284,758	264,847	139,192	518,395	706,484	168,207	173,335	482,632	178,031	149,268
Capital grants and contributions	11,506,390	2,484,348	3,643,331	1,195,252	1,320,441	3,400,102	2,619,182	2,537,794	1,481,518	1,678,368
Total business-type activities program revenues	<u>63,801,972</u>	<u>54,178,985</u>	<u>53,917,747</u>	<u>52,145,807</u>	<u>55,056,526</u>	<u>53,416,567</u>	<u>49,163,523</u>	<u>46,584,574</u>	<u>41,048,830</u>	<u>39,498,763</u>
Total primary government program revenues	<u>\$ 69,912,885</u>	<u>\$ 60,828,009</u>	<u>\$ 58,645,206</u>	<u>\$ 57,059,918</u>	<u>\$ 60,424,624</u>	<u>\$ 59,884,365</u>	<u>\$ 55,077,543</u>	<u>\$ 53,181,855</u>	<u>\$ 47,180,527</u>	<u>\$ 47,418,865</u>

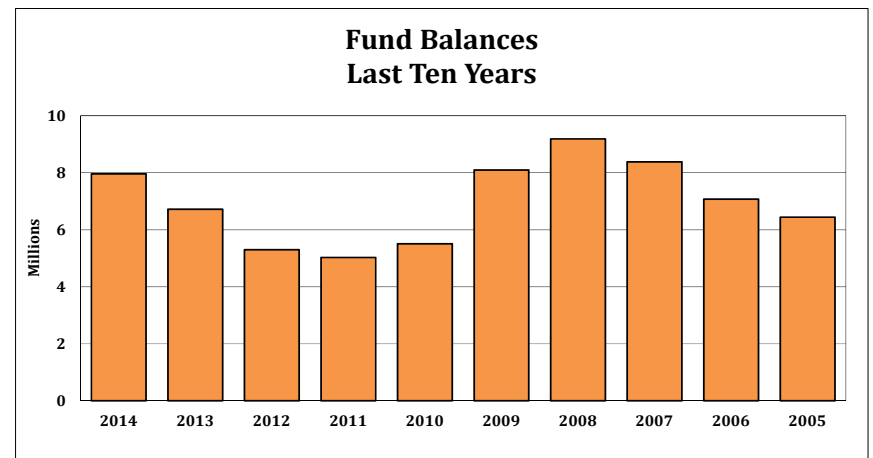
**Schedule 2**  
**Borough of Chambersburg, PA**  
**Changes in Net Position (Continued)**  
**Last Ten Years**  
*(accrual basis of accounting)*

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Net (expense)/revenue</b>										
Governmental activities	\$ (7,416,681)	\$ (6,715,307)	\$ (8,216,087)	\$ (9,356,386)	\$ (8,320,436)	\$ (6,177,846)	\$ (5,712,280)	\$ (4,261,730)	\$ (4,600,736)	\$ (902,311)
Business-type activities	16,775,003	10,456,773	3,283,784	828,005	6,846,844	857,990	1,168,087	10,485,134	3,739,709	6,913,998
Total primary government net expenses	<u>\$ 9,358,322</u>	<u>\$ 3,741,466</u>	<u>\$ (4,932,303)</u>	<u>\$ (8,528,381)</u>	<u>\$ (1,473,592)</u>	<u>\$ (5,319,856)</u>	<u>\$ (4,544,193)</u>	<u>\$ 6,223,404</u>	<u>\$ (861,027)</u>	<u>\$ 6,011,687</u>
<b>General revenues and other changes in net position</b>										
Governmental activities										
Taxes										
Property taxes, levied for general purposes	\$ 4,079,972	\$ 3,871,122	\$ 3,860,019	\$ 3,797,204	\$ 3,732,778	\$ 3,710,125	\$ 3,627,868	\$ 3,486,845	\$ 2,810,388	\$ 2,731,777
Property taxes, levied for specific purposes	486,642	-	-	-	-	-	-	-	-	-
Real estate transfer tax	317,334	261,049	296,618	265,172	240,954	272,005	540,465	816,051	674,435	718,074
Earned income tax	1,840,955	1,804,341	1,753,574	1,561,233	1,524,001	1,390,053	1,907,032	1,568,769	1,629,180	1,428,130
Local services tax	797,699	729,747	747,799	744,131	757,564	860,057	775,600	1,165,990	1,111,662	875,067
Other taxes	60,819	62,682	14,803	14,213	13,408	12,616	11,682	10,565	10,452	5,549
Gain on sale of assets	-	(13,184)	-	-	-	-	-	-	-	287
Unrestricted contributions and grants	-	-	-	-	-	-	22,816	3,926	26,935	99,584
Unrestricted investment earnings	20,707	11,165	19,745	40,144	60,048	181,223	404,894	518,979	437,046	245,268
Miscellaneous income	16,612	29,829	10,557	51,117	24,360	57,152	36,279	125,626	32,651	-
Transfers	882,914	1,646,297	(2,143,515)	1,997,019	1,172,220	1,705,586	1,562,682	1,117,180	1,047,915	(343,963)
Total governmental activities	<u>\$ 8,503,654</u>	<u>\$ 8,403,048</u>	<u>\$ 4,559,600</u>	<u>\$ 8,470,233</u>	<u>\$ 7,525,333</u>	<u>\$ 8,188,817</u>	<u>\$ 8,889,318</u>	<u>\$ 8,813,931</u>	<u>\$ 7,780,664</u>	<u>\$ 5,759,773</u>
Business-type activities										
Unrestricted investment earnings	\$ 90,602	\$ 41,143	\$ 60,705	\$ 125,701	\$ 187,285	\$ 358,101	\$ 969,639	\$ 1,180,310	\$ 951,240	\$ 544,724
Miscellaneous income	23,638	74,087	42,013	103,241	124,596	148,965	190,867	217,957	104,600	-
Transfers	(882,914)	(1,646,297)	2,143,515	(1,997,019)	(1,172,220)	(1,705,586)	(1,562,682)	(1,117,180)	(1,047,912)	343,963
Extraordinary items	-	-	-	-	-	-	-	-	(316,751)	-
Total business-type activities	<u>\$ (768,674)</u>	<u>\$ (1,531,067)</u>	<u>\$ 2,246,233</u>	<u>\$ (1,768,077)</u>	<u>\$ (860,339)</u>	<u>\$ (1,198,520)</u>	<u>\$ (402,176)</u>	<u>\$ 281,087</u>	<u>\$ (308,823)</u>	<u>\$ 888,687</u>
Total primary government	\$ 7,734,980	\$ 6,871,981	\$ 6,805,833	\$ 6,702,156	\$ 6,664,994	\$ 6,990,297	\$ 8,487,142	\$ 9,095,018	\$ 7,471,841	\$ 6,648,460
<b>Change in net position</b>										
Governmental activities	1,086,973	1,687,741	(3,656,487)	(886,153)	(795,103)	2,010,971	3,177,038	4,552,201	3,179,928	4,857,462
Business-type activities	16,006,329	8,925,706	5,530,017	(940,072)	5,986,505	(340,530)	765,911	10,766,221	3,430,886	7,802,685
Total primary government change in net position	<u>\$ 17,093,302</u>	<u>\$ 10,613,447</u>	<u>\$ 1,873,530</u>	<u>\$ (1,826,225)</u>	<u>\$ 5,191,402</u>	<u>\$ 1,670,441</u>	<u>\$ 3,942,949</u>	<u>\$ 15,318,422</u>	<u>\$ 6,610,814</u>	<u>\$ 12,660,147</u>

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

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>General fund</b>										
Unassigned	\$2,532,654	\$2,746,679	\$1,450,260	\$1,259,687	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reserved	-	-	-	-	-	-	-	-	-	51,625
Unreserved	-	-	-	-	1,375,034	2,139,230	3,022,011	3,132,235	3,002,526	2,444,085
<b>Total general fund</b>	<u>2,532,654</u>	<u>2,746,679</u>	<u>1,450,260</u>	<u>1,259,687</u>	<u>1,375,034</u>	<u>2,139,230</u>	<u>3,022,011</u>	<u>3,132,235</u>	<u>3,002,526</u>	<u>2,495,710</u>
<b>All other governmental funds</b>										
Reserved	-	-	-	-	583,627	506,093	439,688	482,736	334,814	438,199
Unreserved, reported in										
Special revenue fund	-	-	-	-	860,642	1,096,594	858,329	455,558	89,893	234,642
Capital reserve funds	-	-	-	-	2,688,148	4,359,108	4,871,296	4,309,406	3,647,518	3,271,894
Liquid fuels tax fund	-	-	-	-	-	-	-	-	-	-
Nonspendable for long term receivables	229,855	241,387	237,186	249,133	-	-	-	-	-	-
Restricted	5,202,061	3,733,658	3,615,146	3,520,628	-	-	-	-	-	-
<b>Total all other governmental funds</b>	<u>5,431,916</u>	<u>3,975,045</u>	<u>3,852,332</u>	<u>3,769,761</u>	<u>4,132,417</u>	<u>5,961,795</u>	<u>6,169,313</u>	<u>5,247,700</u>	<u>4,072,225</u>	<u>3,944,735</u>
<b>Total governmental funds</b>	<u>\$7,964,570</u>	<u>\$6,721,724</u>	<u>\$5,302,592</u>	<u>\$5,029,448</u>	<u>\$5,507,451</u>	<u>\$8,101,025</u>	<u>\$9,191,324</u>	<u>\$8,379,935</u>	<u>\$7,074,751</u>	<u>\$6,440,445</u>

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





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

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>REVENUES</b>				
Real estate taxes	\$ 4,698,871	\$ 3,991,164	\$ 3,783,960	\$ 3,754,875
Local enabling taxes	2,970,211	2,780,009	2,588,481	2,602,256
Licenses and permits	332,478	381,972	349,126	320,776
Fines and forfeits	182,691	169,126	147,438	122,283
Investment earnings	13,914	7,363	12,817	22,777
Intergovernmental	3,357,515	3,674,830	2,055,872	2,418,840
Program income	-	-	-	-
Charges for services	2,062,651	1,844,936	1,840,196	1,638,809
Miscellaneous	187,075	257,232	220,524	297,500
Contributions and donations	4,636	349,025	124,660	134,832
Total revenues	<u>13,810,042</u>	<u>13,455,657</u>	<u>11,123,074</u>	<u>11,312,948</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,321,670	1,287,815	1,098,876	1,106,857
Public safety				
Police department	4,175,714	3,980,135	4,065,329	4,230,668
Emergency services	3,581,379	3,396,910	3,210,618	2,412,176
Fire code	-	-	-	-
Planning and zoning	432,463	474,599	329,461	537,731
General health and ambulance service	-	-	-	1,053,206
Public works				
Highways	2,591,445	2,396,425	1,442,803	1,447,497
Parking, traffic control, and transit system	-	-	-	476,187
Street lighting	-	-	-	-
Airport	-	-	-	-
Culture and recreation	1,508,108	1,220,489	1,164,260	1,555,752
Community development	237,696	681,306	521,509	568,877
Capital projects	-	-	-	-
Housing rehabilitation grants/loans	-	-	-	-
Debt service				
Principal retirement	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	<u>13,848,475</u>	<u>13,437,679</u>	<u>11,832,856</u>	<u>13,388,951</u>
Excess (deficiency) of revenues over expenditures	<u>(38,433)</u>	<u>17,978</u>	<u>(709,782)</u>	<u>(2,076,003)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of assets	-	-	-	-
Transfers in (out)	1,281,279	1,401,154	982,926	1,598,000
Total other financing sources and uses	<u>1,281,279</u>	<u>1,401,154</u>	<u>982,926</u>	<u>1,598,000</u>
Net change in fund balances	<u>\$ 1,242,846</u>	<u>\$ 1,419,132</u>	<u>\$ 273,144</u>	<u>\$ (478,003)</u>
Debt service as a percentage of non-capital expenditures	00.0%	00.0%	00.0%	00.0%
Debt service as a percentage of total expenditures	0.000%	0.000%	0.000%	0.000%

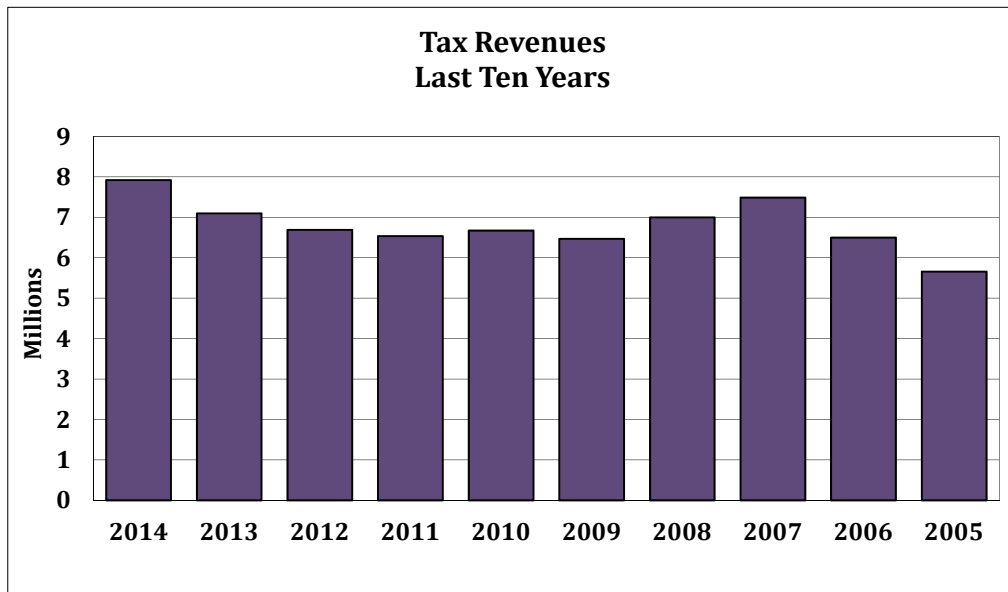
	2010	2009	2008	2007	2006	2005
\$	3,732,778	\$ 3,710,125	\$ 3,579,097	\$ 3,496,353	\$ 2,812,617	\$ 2,699,852
	2,620,238	2,438,571	3,115,435	3,795,794	3,378,559	2,990,956
	357,550	329,480	314,841	283,832	327,849	12,216
	130,940	127,416	147,943	134,912	124,607	104,554
	37,461	130,960	304,813	433,095	340,051	169,742
	2,045,106	1,854,862	2,203,624	4,128,114	2,963,293	5,390,700
	-	-	-	-	-	34,413
	1,792,542	1,551,711	1,533,643	1,609,239	1,429,528	1,257,871
	212,953	217,277	225,042	286,146	406,735	333,743
	79,094	392,826	767,176	-	-	99,584
	<u>11,008,662</u>	<u>10,753,228</u>	<u>12,191,614</u>	<u>14,167,485</u>	<u>11,783,239</u>	<u>13,093,631</u>
	1,265,367	1,039,126	995,568	1,524,590	1,221,598	1,047,575
	4,597,965	4,105,028	4,007,937	3,998,185	3,745,351	3,273,532
	2,056,357	1,790,115	1,768,874	1,804,011	1,703,609	1,369,481
	-	-	-	-	-	93,158
	455,054	371,105	424,173	454,234	359,499	295,959
	1,184,088	1,086,075	995,078	770,771	798,504	771,723
	2,107,854	2,168,345	1,330,447	962,915	2,553,405	2,845,568
	990,662	684,238	448,458	476,549	718,504	186,535
	-	-	-	-	-	189,927
	-	-	-	-	-	-
	1,803,470	1,394,860	1,493,780	1,189,479	1,058,650	1,668,362
	487,577	559,625	1,198,910	2,765,619	661,039	-
	-	-	-	-	-	-
	-	-	-	-	-	124,857
	-	-	-	-	-	-
	-	-	-	-	-	-
	<u>14,948,394</u>	<u>13,198,517</u>	<u>12,663,225</u>	<u>13,946,353</u>	<u>12,820,159</u>	<u>11,866,677</u>
	<u>(3,939,732)</u>	<u>(2,445,289)</u>	<u>(471,611)</u>	<u>221,132</u>	<u>(1,036,920)</u>	<u>1,226,954</u>
	-	-	-	-	-	-
	1,346,158	1,330,307	1,283,000	1,084,052	1,671,226	(312,436)
	<u>1,346,158</u>	<u>1,330,307</u>	<u>1,283,000</u>	<u>1,084,052</u>	<u>1,671,226</u>	<u>(312,436)</u>
\$	<u>(2,593,574)</u>	<u>(1,114,982)</u>	<u>811,389</u>	<u>1,305,184</u>	<u>634,306</u>	<u>914,518</u>
	00.0%	00.0%	00.0%	00.0%	00.0%	00.0%
	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>Function/Program</b>										
Governmental activities										
General government	\$ 394,215	\$ 488,079	\$ 366,191	\$ 1,297,380	\$ 2,029,383	\$ 635,089	\$ 2,513,514	\$ 3,764,057	\$ 1,399,348	\$ 1,000,257
Public safety	3,274,261	3,204,865	2,639,445	2,095,069	2,190,353	1,937,743	2,016,269	1,364,935	1,655,801	995,819
Public works	1,442,069	1,763,380	564,311	4,860	261,626	2,870,251	532,278	1,015,251	2,180,286	4,740,355
Culture and recreation	444,977	501,333	550,572	675,646	413,090	425,909	539,959	422,506	393,682	347,757
Community development	555,391	691,367	606,940	841,156	473,646	598,806	312,000	30,532	502,580	835,914
Subtotal governmental activities	<u>6,110,913</u>	<u>6,649,024</u>	<u>4,727,459</u>	<u>4,914,111</u>	<u>5,368,098</u>	<u>6,467,798</u>	<u>5,914,020</u>	<u>6,597,281</u>	<u>6,131,697</u>	<u>7,920,102</u>
Business-type activities										
Electric	31,747,722	31,982,784	32,759,537	32,517,943	35,088,796	32,316,324	26,568,799	23,787,570	20,634,722	17,714,633
Gas	9,182,534	8,388,751	7,530,410	7,913,084	8,405,864	9,488,238	11,149,104	10,129,533	10,496,579	11,707,046
Water	3,176,857	3,222,033	3,481,859	3,174,372	4,022,392	4,420,697	4,273,076	4,407,194	3,759,890	3,903,315
Sewer	16,925,664	7,925,879	7,933,656	6,235,990	5,243,703	4,958,834	4,919,105	6,050,383	4,025,793	4,092,000
Sanitation	2,545,943	2,476,723	2,034,451	2,112,945	2,153,694	2,095,168	2,112,950	2,062,631	1,974,758	1,942,027
Parking, traffic and street lights	223,252	182,815	177,834	191,473	142,077	137,306	140,489	147,263	157,088	139,742
Subtotal business type activities	<u>63,801,972</u>	<u>54,178,985</u>	<u>53,917,747</u>	<u>52,145,807</u>	<u>55,056,526</u>	<u>53,416,567</u>	<u>49,163,523</u>	<u>46,584,574</u>	<u>41,048,830</u>	<u>39,498,763</u>
Total primary government	<u>\$ 69,912,885</u>	<u>\$ 60,828,009</u>	<u>\$ 58,645,206</u>	<u>\$ 57,059,918</u>	<u>\$ 60,424,624</u>	<u>\$ 59,884,365</u>	<u>\$ 55,077,543</u>	<u>\$ 53,181,855</u>	<u>\$ 47,180,527</u>	<u>\$ 47,418,865</u>

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

<b>Fiscal Year</b>		<b>Real Estate</b>	<b>Kasher Fire Tax</b>	<b>Real Estate Transfer</b>	<b>Earned Income</b>	<b>Local Services Tax</b>	<b>Cable TV Franchise Fees</b>	<b>Payments in Lieu of Taxes</b>	<b>Total</b>
2014	(1)	\$ 4,170,114	\$ 467,938	\$ 317,334	\$ 1,879,124	\$ 773,753	\$ 246,599	\$ 60,819	\$ 7,915,681
2013		3,928,482	-	261,049	1,771,072	747,888	324,337	62,682	7,095,510
2012		3,769,157	-	296,618	1,571,261	720,602	315,504	14,803	6,687,945
2011		3,740,662	-	265,172	1,499,019	702,064	313,867	14,213	6,534,997
2010		3,702,670	-	240,954	1,638,419	757,564	315,038	13,408	6,668,053
2009		3,690,751	-	272,005	1,313,267	860,057	319,990	12,616	6,468,686
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		2,699,853	-	718,074	1,148,766	875,067	209,203	5,549	5,656,512



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

Source: Borough of Chambersburg Finance Department.

## **REVENUE CAPACITY**

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

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

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

Tax Year	-----Direct Rate-----			:-----Overlapping Debt-----:			
	General Real Estate Tax	Kasher Fire Tax	Total Direct	Chambersburg Area Sch Dist	Franklin County	Franklin County Library	
2014	(1)	21.00	2.50	23.50	96.12	25.65	1.05
2013		20.00	0.00	20.00	93.69	25.65	1.05
2012		20.00	0.00	20.00	92.76	25.15	0.8
2011		20.00	0.00	20.00	92.76	25.15	0.8
2010		20.00	0.00	20.00	89.62	25.15	0.8
2009		20.00	0.00	20.00	84.98	24.65	0.8
2008		20.00	0.00	20.00	80.98	21.95	0.8
2007		20.00	0.00	20.00	76.91	21.75	0.6
2006		17.00	0.00	17.00	70.68	21.75	0.6
2005		17.00	0.00	17.00	67.00	20.75	0.6

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

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**

<b>Fiscal Year Ended December 31,</b>	<b>Agricultural Property</b>	<b>Residential Property</b>	<b>Commercial Property</b>	<b>Industrial Property</b>	<b>Vacant Property</b>	<b>Tax Exempt Property</b>	<b>Total Estimated Assessed Value</b>	<b>Total Taxable Assessed Value</b>	<b>Chambersburg Municipal Millage Rate</b>
2014	\$ 261,890	\$ 99,169,650	\$ 84,175,730	\$ 9,647,700	\$ 2,609,820	\$ 51,635,840	\$ 247,500,630	\$ 195,864,790	23.50
2013	261,890	98,871,380	83,431,360	9,021,630	2,654,140	51,986,140	246,226,540	194,240,400	20.00
2012	267,630	98,678,800	82,147,740	9,006,850	2,784,410	51,973,840	244,859,270	192,885,430	20.00
2011	267,630	98,098,920	80,602,420	9,296,000	2,802,080	51,726,140	242,793,190	191,067,050	20.00
2010	267,630	96,846,110	78,000,260	9,383,290	2,888,840	51,559,840	238,945,970	187,386,130	20.00
2009	267,630	95,560,690	78,327,490	9,709,350	2,782,180	51,027,070	237,674,410	186,647,340	20.00
2008	267,630	92,976,990	74,950,820	10,007,730	2,911,350	50,946,250	232,060,770	181,114,520	20.00
2007	321,620	90,319,950	68,040,640	9,698,490	2,977,070	50,832,230	222,190,000	171,357,770	20.00
2006	331,460	87,762,230	64,269,630	9,698,490	2,111,770	50,389,070	214,562,650	164,173,580	17.00
2005	319,440	85,328,290	63,225,610	9,698,490	2,025,380	50,528,540	211,125,750	160,597,210	17.00

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

**Schedule 9**  
**Borough of Chambersburg, PA**  
**Principal Taxpayers**  
**12/31/2014 and 12/31/2005**

**December 31, 2014**

Taxpayer	Estimated Actual Values of Real Property (1)	Rank	Percentage of Assessed Valuation
Chbg Health Srv/Chbg Hospital	\$ 12,652,430	1	6.46%
Menno-Haven, Inc	5,485,100	2	2.80%
Chambersburg Crossing LP	4,946,620	3	2.53%
Wilsey/Holsum-Ventura Food LLC	2,849,540	4	1.45%
American Real Estate	2,340,650	5	1.20%
ProLogis	1,780,100	6	0.91%
Wayne Avenue LLC	1,628,060	7	0.83%
Chambersburg Cold Storage	1,491,010	8	0.76%
Tanya K. Nitterhouse	1,356,770	9	0.69%
Chbg Area Development Corp	1,200,050	10	0.61%
Total	<u>\$ 35,730,330</u>		<u>18.24%</u>
Total Taxable Assessed Valuation	<u><b>\$ 195,864,790</b></u>		

**December 31, 2005**

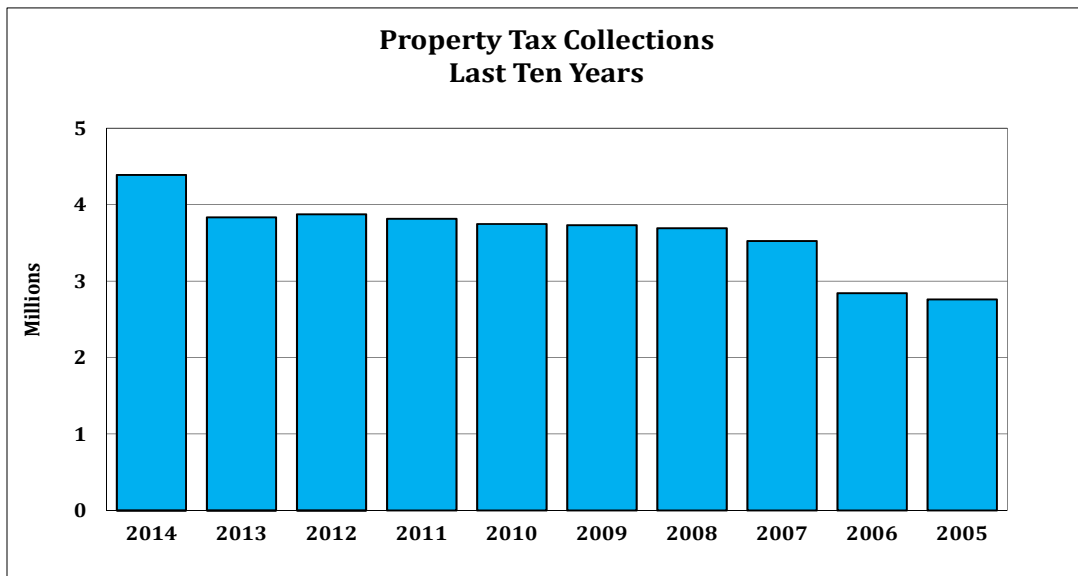
Taxpayer	Estimated Actual Values of Real Property (1)	Rank	Percentage of Assessed Valuation
Menno-Haven, Inc	\$ 5,479,480	1	3.41%
Chbg Health Srv/Chbg Hospital	3,989,240	2	2.48%
American Real Estate	2,340,650	3	1.46%
Wilsey/Holsum-Ventura Food LLC	2,219,730	4	1.38%
Dermody Owen LLC	1,770,950	5	1.10%
Tanya K. Nitterhouse	1,657,070	6	1.03%
Chambersburg Cold Storage	1,491,010	7	0.93%
Chbg Area Development Corp	1,170,300	8	0.73%
Chambersburg Business Park LP	1,150,980	9	0.72%
Franklin Properties Co	1,095,000	10	0.69%
	<u>\$ 22,364,410</u>		<u>13.93%</u>
Total Taxable Assessed Valuation	<u><b>\$ 160,597,210</b></u>		

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



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

Fiscal Year Ended Dec 31,	Taxes Levied for the Fiscal Year	Collections within the Fiscal Year of the Levy		Collections In Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2014 (1)(2)	\$ 4,617,616	\$ 4,387,275	95.01%	\$ -	\$ 4,387,275	95.01%
2013	3,897,692	3,650,686	93.66%	182,358	3,833,044	98.34%
2012	3,872,274	3,593,392	92.80%	277,753	3,871,145	99.97%
2011	3,821,341	3,523,898	92.22%	290,767	3,814,665	99.83%
2010	3,747,723	3,527,832	94.13%	219,466	3,747,298	99.99%
2009	3,732,947	3,521,879	94.35%	209,576	3,731,455	99.96%
2008	3,691,170	3,449,448	93.45%	241,491	3,690,939	99.99%
2007 (3)	3,524,433	3,327,598	94.42%	196,604	3,524,202	99.99%
2006	2,842,065	2,689,089	94.62%	152,976	2,842,065	100.00%
2005	2,760,042	2,611,898	94.63%	148,144	2,760,042	100.00%



(1) The Borough's property tax mill rate increased from 20.0 to 21.0, and increase of 5.00%.

(2) Beginning in 2014, the Borough assessed a Richard Kasher Fire Tax.

(3) 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
2014	1.00%	\$ 1,900,071	\$ 60,254	\$ 1,839,818
2013	1.00%	1,763,576	50,104	1,713,472
2012	1.00%	1,726,825	41,883	1,684,942
2011	1.00%	1,545,659	36,156	1,509,503
2010	1.00%	1,506,994	40,290	1,466,704
2009	1.00%	1,532,436	38,505	1,493,931
2008	1.00%	1,768,256	34,413	1,733,843
2007	1.00%	1,604,820	41,275	1,563,545
2006	1.00%	1,517,056	38,543	1,478,513
2005	1.00%	1,359,818	31,052	1,328,766

Source: Franklin County Area Tax Bureau

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

Income Range	Number of tax filers									
	2014 (1)	2013	2012	2011	2010	2009	2008	2007	2006	2005
> \$1,000,000		1	1	0	0	0	0	1	0	0
\$500,000 - \$999,999		6	15	12	12	17	16	16	15	12
\$200,000 - \$499,000		58	45	64	65	45	44	43	34	32
\$100,000 - \$199,000		187	183	192	198	163	148	140	132	116
\$50,000 - \$99,000		1,347	1,365	1,453	1,442	1,216	1,148	1,099	1,008	924
<\$50,000		7,046	7,135	6,923	6,445	6,941	7,455	7,079	7,344	7,377
Total		<u>8,645</u>	<u>8,744</u>	<u>8,644</u>	<u>8,162</u>	<u>8,382</u>	<u>8,811</u>	<u>8,378</u>	<u>8,533</u>	<u>8,461</u>

Income Range	% of total earned income taxes paid									
	2014 (1)	2013	2012	2011	2010	2009	2008	2007	2006	2005
> \$1,000,000		0.37%	0.61%	0.00%	0.00%	0.00%	0.00%	0.41%	0.00%	0.00%
\$500,000 - \$999,999		1.53%	3.21%	2.76%	2.95%	3.76%	3.54%	3.51%	3.42%	3.11%
\$200,000 - \$499,000		6.75%	5.07%	6.85%	6.96%	4.98%	4.88%	5.05%	3.86%	3.91%
\$100,000 - \$199,000		8.73%	8.63%	8.64%	9.15%	7.80%	7.10%	6.87%	6.64%	6.06%
\$50,000 - \$99,000		32.73%	32.89%	32.50%	33.05%	29.12%	27.73%	27.18%	25.64%	24.76%
<\$50,000		49.89%	49.59%	49.25%	47.89%	54.34%	56.75%	56.98%	60.44%	62.16%
Total		<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Total Personal Income		<u>\$306,751,179</u>	<u>\$310,489,463</u>	<u>\$296,903,258</u>	<u>\$286,781,775</u>	<u>\$273,204,270</u>	<u>\$270,954,117</u>	<u>\$263,147,886</u>	<u>\$255,114,215</u>	<u>\$243,248,314</u>
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(1) Information for year ended 12/31/2014 not yet available  
Source: Franklin County Area Tax Bureau

## **DEBT CAPACITY**

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

These schedules include:

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

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

<b>Governmental Activities (1)</b>		<b>Business Type Activities (1)</b>									
<b>Fiscal Year</b>	<b>General Obligation Bonds</b>	<b>Electric Department General Obligation Bonds</b>	<b>Electric Department General Obligation Notes</b>	<b>Gas Department General Obligation Notes</b>	<b>Sewer Treatment Plant General Obligation Bonds</b>	<b>Sewer Treatment Plant General Obligation Notes</b>	<b>Water Plant Revenue Notes Payable (2)</b>	<b>Sanitation Department General Obligation Notes</b>	<b>Total Primary Government</b>	<b>Percentage of Personal Income</b>	<b>Per Capita</b>
2014	0	\$ 11,188,200	\$ 1,463,106	\$ -	\$ 766,800	\$ 6,296,894	\$ -	\$ 614,202	\$ 20,329,202	4.834%	1,003
2013	0	12,220,000	1,508,357	38,417	1,315,000	58,667	2,463,360	-	17,603,801	4.186%	869
2012	0	13,217,900	27,467	38,417	1,847,100	58,667	2,649,126	-	17,838,677	4.242%	880
2011	0	14,095,208	-	-	2,364,792	-	2,640,542	-	19,100,542	4.542%	942
2010	0	15,033,600	-	-	2,866,400	-	2,845,376	-	20,745,376	5.309%	1,024
2009	0	15,941,300	-	-	3,353,700	-	2,370,233	-	21,665,233	6.257%	1,206
2008	0	16,355,000	-	-	3,955,000	-	2,338,177	-	22,648,177	6.541%	1,261
2007	0	17,240,000	-	-	4,340,000	-	2,556,619	-	24,136,619	6.971%	1,344
2006	0	17,550,000	-	-	4,715,000	-	2,732,990	-	24,997,990	7.220%	1,392
2005	0	18,355,000	-	-	4,720,000	-	4,200,000	-	27,275,000	7.877%	1,519

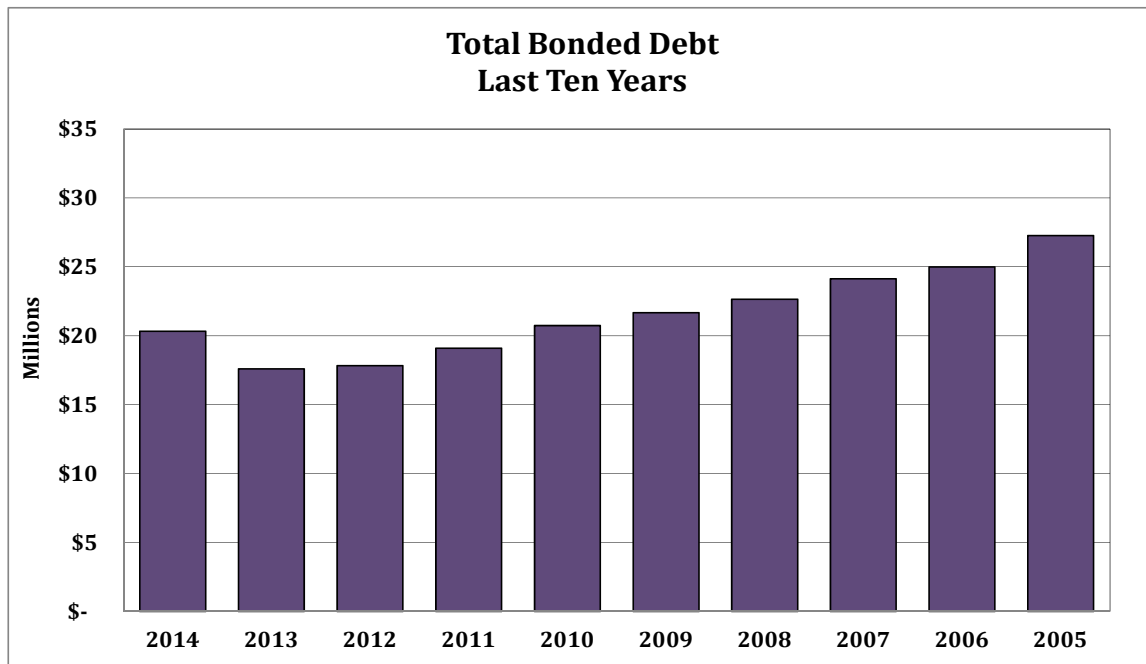
(1) Details regarding the Borough's outstanding debt can be found in the Note 5 in the current financial statements.

(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**

<b>General Bonded Debt Outstanding</b>					
	<b>Net Non-electoral debt</b>	<b>Lease rental debt</b>	<b>Total Primary Government</b>	<b>% of Assessed Valuation</b>	<b>Debt per Capita</b>
2014	\$ 20,329,202	\$ -	\$ 20,329,202	10.38%	\$ 1,003
2013	17,603,801	-	17,603,801	9.06%	869
2012	17,838,677	-	17,838,677	9.25%	880
2011	19,100,542	-	19,100,542	10.00%	942
2010	20,745,376	-	20,745,376	11.07%	1,024
2009	21,665,233	-	21,665,233	11.61%	1,206
2008	22,648,177	-	22,648,177	12.50%	1,261
2007	24,136,619	-	24,136,619	14.09%	1,344
2006	24,997,990	-	24,997,990	15.23%	1,392
2005	27,275,000	-	27,275,000	16.98%	1,519



Source: Borough of Chambersburg Finance Department.

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

**General Bonded Debt Outstanding**

<b>Fiscal Year</b>	<b>Three year average revenue borrowing base</b>	<b>Legal debt limit</b>	<b>Total Debt Applicable to limit</b>	<b>Legal Debt margin (1)</b>	<b>Legal Debt margin %</b>
2014	\$ 69,894,292	\$ 174,735,731	\$ 20,329,202	\$ 154,406,529	88.37%
2013	64,949,167	162,372,917	17,603,801	144,769,116	89.16%
2012	65,007,250	162,518,125	17,838,677	144,679,448	89.02%
2011	64,107,572	160,268,931	19,100,542	141,168,389	88.08%
2010	62,787,531	156,968,828	20,745,376	136,223,452	86.78%
2009	60,298,760	150,746,900	21,665,233	129,081,667	85.63%
2008	57,735,693	144,339,233	22,648,177	121,691,056	84.31%
2007	54,371,026	135,927,564	24,136,619	111,790,945	82.24%
2006	49,400,865	123,502,163	24,997,990	98,504,173	79.76%
2005	44,163,564	110,408,911	27,275,000	83,133,911	75.30%

**(1) Legal Debt Margin: (12/31/2014)**

a	Average revenues past 3 yrs	69,894,292	(\$209,682,877 / 3)
b	Legal debt limit (2.5 time average rev)	174,735,731	
c	Debt outstanding @ 12/31/2014	(20,329,202)	
	Legal Debt Margin (b-c)	<b>\$ 154,406,529</b>	

Source: Borough of Chambersburg Finance Department

**Schedule 16**  
**Borough of Chambersburg, PA**  
**Computation of Direct and Overlapping Debt**  
**December 31, 2014**

<b>Jurisdiction</b>	<b>Total Debt Outstanding</b>	<b>Estimated Percentage Applicable (a)</b>	<b>Amount Applicable To Borough of Chbg</b>
<b>Direct</b>			
Borough of Chambersburg (Governmental Activities)	\$ -		\$ -
<b>Overlapping</b>			
Chambersburg School Dist	139,820,000	28.6771%	40,096,362
County of Franklin	35,421,500	13.8817%	4,917,101
Total Overlapping Debt	175,241,500		45,013,463
Total	\$ 175,241,500		\$ 45,013,463

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

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

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



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

<b>Water Revenue Loan Payable (1)</b>						
<b>Fiscal Year</b>	<b>Utility Service Charges</b>	<b>Less: Operating Expenses</b>	<b>Net Available Revenue</b>	<b>Debt Service</b>		<b>Coverage</b>
				<b>Principal</b>	<b>Interest</b>	
2014	\$ 3,131,530	\$ 3,364,685	\$ (233,155)	\$ 2,463,360	\$ (3,618)	-0.09
2013	3,080,915	3,109,390	(28,475)	185,766	84,924	-0.11
2012	3,440,721	2,833,995	606,726	211,416	85,112	2.05
2011	3,054,195	2,800,078	254,117	204,834	91,121	0.86
2010	3,169,299	2,580,434	588,865	213,664	84,117	1.98
2009	3,375,869	2,831,476	544,393	223,025	60,540	1.92
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

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

Source: Borough of Chambersburg Finance Department

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

## **DEMOGRAPHIC AND ECONOMIC INFORMATION**

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

Demographic and Economic Statistics

Schedule 18

Principal Employers

Schedule 19

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

<b>Fiscal Year</b>	<b>Population (1)</b>	<b>Per Capita Personal Income (1)</b>	<b>Per Capita Household Income (1)</b>	<b>Median Household Income (1)</b>	<b>Median Age (1)</b>	<b>Educational Attainment Bachelor's Degree or Higher (1)</b>	<b>School Enrollment (1)</b>	<b>Unemployment Rate (1)</b>	<b>Median Value of Residential Property (1)</b>	<b>Total Assessed Property Value (2)</b>	<b>Total Personal Income (3)</b>
2014	20,602	\$ 20,851	\$ 49,388	\$ 39,960	36.2	21.30%	4,532	9.40%	\$ 159,200	\$ 195,864,790	(4)
2013	20,508	20,342	48,383	39,491	36.1	19.90%	4,738	8.50%	156,500	194,240,400	\$ 306,751,179
2012	20,425	20,750	48,325	36,586	36.5	19.80%	4,469	7.50%	157,700	192,885,430	310,489,463
2011	20,268	20,750	48,348	38,246	37.1	21.00%	4,713	8.60%	161,000	191,067,050	296,903,258
2010	20,268	20,750	48,348	38,246	37.1	21.00%	4,713	8.60%	161,000	187,386,130	286,781,775
2009	17,862	19,278	41,641	32,336	40	17.90%	3,635	3.90%	86,500	186,647,340	273,204,270
2008	17,862	19,278	41,641	32,336	40	17.90%	3,635	3.90%	86,500	181,114,520	270,954,117
2007	17,862	19,278	41,641	32,336	40	17.90%	3,635	3.90%	86,500	171,357,770	263,147,886
2006	17,862	19,278	41,641	32,336	40	17.90%	3,635	3.90%	86,500	164,173,580	255,114,215
2005	17,862	19,278	41,641	32,336	40	17.90%	3,635	3.90%	86,500	160,597,210	243,248,314

- (1) American Fact Finder (5-year estimate) based on latest information available
- (2) Franklin County Assessor's Office
- (3) Franklin County Area Tax Bureau
- (4) Information for year ended 12/31/2014 not yet available

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

Employer	2014			2005		
	Employees	Rank	Percentage of Total Borough Employment	Employees	Rank	Percentage of Total Borough Employment
Summit Health Services	2,899	1	11.19%	1,626	1	7.14%
Chambersburg School District	1,100	2	4.25%	1,004	2	4.41%
County of Franklin	687	3	2.65%	853	3	3.75%
Menno Haven, Inc	584	4	2.25%	543	4	2.39%
Ventura Foods	423	5	1.63%	380	5	1.67%
Staples Direct	331	6	1.28%	----		----
T.B. Woods, Inc	300	7	1.16%	343	6	1.51%
Farmers & Merchants Trust Co.	280	8	1.08%	209	8	0.92%
Knouse Foods	267	9	1.03%	184	10	0.81%
Borough of Chambersburg	205	10	0.79%	188	9	0.83%
K-Mart Regional Specialty Center	200		0.77%	300	7	1.32%
<b>Total</b>	<b>7,276</b>		<b>28.08%</b>	<b>5,630</b>		<b>24.75%</b>
<b>Total Employees</b>	<b>25,904</b>	<b>(1)</b>		<b>22,764</b>		

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

Borough of Chambersburg

## **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**

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Function/Program</b>										
<b>General government:</b>										
Administration	2	2	2	2	2	3	2	2	2	2
Clerical	12	11	10	11	11	11	11	11	11	11
Code Enforcement	1	2	2	2	4	4	4	4	4	4
Community Development	1	1	1	1	1	1	1	1	0	0
Engineering	4	4	4	4	4	4	4	3	3	3
Finance	19	19	20	20	22	20	20	18	18	18
Information Technology	5	5	5	5	5	5	5	5	5	5
Personnel	2	2	2	2	2	2	2	2	2	2
Planning/Zoning	1	1	1	1	1	1	1	1	1	1
Public Information	0	0	0	0	0	0	0	0	0	0
<b>Public works:</b>										
Administration	3	3	2	2	2	2	2	2	2	2
Central Garage	3	3	3	4	4	4	4	4	4	4
Labor/Maintenance	6	5	6	6	6	6	6	6	7	7
Sanitation	12	11	11	11	11	11	11	11	9	9
<b>Recreation:</b>										
Administration	2	2	2	2	2	2	2	2	2	2
Labor/Maintenance	3	3	3	3	4	4	4	4	4	4
Pool	0	0	0	0	0	0	0	0	0	0
Seasonal	0	0	0	0	0	0	0	0	0	0
Tennis	0	0	0	0	0	0	0	0	0	0
<b>Public safety:</b>										
Fire Administration	2	2	2	2	2	2	2	2	2	2
Fire Personnel	21	21	21	21	21	21	22	21	21	18
Police Administration	1	1	1	1	1	1	1	1	1	1
Police Personnel	32	33	31	31	33	33	33	33	30	30
911	0	0	0	0	0	0	0	0	0	0
<b>Utilities:</b>										
Administration	6	6	6	6	6	6	6	6	6	6
Electric Distribution	9	9	9	9	9	9	9	9	9	9
Electric Generation	11	11	11	9	9	9	8	8	8	8
Electric System Maintenance	1	1	1	1	0	0	0	0	0	0
Gas Distribution	8	8	8	8	8	8	8	8	8	8
Stores/Warehouse/Call Center	6	6	6	6	6	6	6	6	6	6
Water Distribution	2	3	3	3	4	3	3	3	3	3
Water Treatment Plant	7	6	6	7	7	8	8	8	6	6
Sewer Collection/Conveyance	5	5	4	4	4	4	4	4	4	4
Sewer Treatment Plant	11	10	10	10	10	10	13	13	13	13
Traffic Signal/Street Lights	1	1	0	0	0	0	0	0	0	0
<b>Totals</b>	<b>199</b>	<b>197</b>	<b>193</b>	<b>194</b>	<b>201</b>	<b>200</b>	<b>202</b>	<b>198</b>	<b>191</b>	<b>188</b>

Source: Borough of Chambersburg Human Resources Department

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

Function/Program	2014	2013	2012	2011
<b>General government:</b>				
Lien letter & tax certification requests	65	70	90	91
<b>Community development:</b>				
Building permits issued	444	444	384	351
Estimated value of construction	\$ 8,397,058	\$ 6,108,000	\$ 40,002,841	\$ 14,890,487
Occupancy permits issued	53	59	73	54
Number of planning commission Agenda items	15	8	11	14
<b>Public works:</b>				
Roads resurfaced (linear feet)	2,671	5,053	1,402	9,605
Roads reconstructed (linear feet)	1,932	149	5,237	0
Tons of snow melting salt used	1,322	775	482	595
<b>Recreation:</b>				
Pool attendance	17,300	21,500	32,035	34,111
Number of utilization events (2)	1,702	1,791	1,773	1,977
Number of consumers served	87,600	104,100	97,131	75,265
Number of seasonal programs	232	231	240	151
<b>Police:</b>				
Calls for service	14,650	14,639	13,743	13,847
Total arrests	1,478	1,520	1,520	1,567
Part I offenses reported (major offenses)	1,089	1,171	1,176	1,102
Part I offenses cleared (percentage)	44.0%	39.0%	38.0%	35.0%
Part II offenses reported (major offenses)	1,866	1,904	1,829	2,079
Part II offenses cleared (percentage)	37.0%	40.0%	40.0%	35.0%
DUI arrests	141	145	153	141
<b>Fire:</b>				
Total number of responses	869	626	861	925
Responses involving loss	6	6	0	5
Structure fires	39	46	20	32
Volunteer hours	83,503	83,731	81,597	85,009
False alarms/false calls	101	99	132	118
Total calls for assistance	3,992	3,772	3,503	3,529
<b>Utilities:</b>				
Electric department				
Units billed (kwh)	319,544,389	310,888,474	295,123,824	299,890,758
Billed revenue	\$ 29,951,885	\$ 30,869,982	\$ 31,174,432	\$ 31,751,606
Gas department				
Units billed (100 cu. ft.)	11,519,811	10,144,132	8,995,037	9,933,703
Billed revenue	\$ 9,315,187	\$ 7,996,195	\$ 7,260,743	\$ 8,034,808
Water department				
Units billed (10 cu. ft.)	13,660,004	13,680,994	13,796,641	13,706,080
Billed revenue	\$ 2,827,392	\$ 2,850,251	\$ 2,862,527	\$ 2,842,906
Sewer treatment plant				
Units billed (10 cu. ft.)	24,803,706	25,504,521	25,712,303	24,620,125
Billed revenue	\$ 5,276,763	\$ 5,392,759	\$ 4,968,169	\$ 4,917,654
Sanitation department				
Units billed (cu. yds.)	141,880	142,169	141,130	146,364
Billed revenue	\$ 2,377,421	\$ 2,378,282	\$ 1,946,578	\$ 1,975,707

	2010	2009	2008	2007	2006	2005
	87	73	55	42	41	45
	342	337	398	463	338	277
\$	75,907,998	\$ 19,856,490	\$ 3,798,670	\$ 60,752,500	\$ 55,624,200	\$ 32,147,498
	70	91	133	68	44	53
	15	34	33	52	59	62
	2,725	4,500	11,904	14,500	28,200	8,900
	6,700	2,550	0	0	2,200	0
	675	336	420	546	150	100
	28,783	30,700	32,714	33,224	34,491	37,513
	2,199	1,714	1,859	1,130	2,068	1,936
	76,426	69,813	74,431	73,002	79,783	80,030
	153	91	82	77	92	86
	13,235	13,439	14,584	14,698	14,564	14,298
	1,614	1,587	780	1,000	978	1,031
	1,158	1,260	1,356	1,337	1,187	1,020
	39.0%	40.0%	35.0%	32.2%	27.5%	36.7%
	1,898	1,826	2,053	2,042	2,129	1,837
	36.0%	36.0%	23.0%	38.5%	36.1%	39.3%
	136	112	145	153	151	146
	892	947	1,068	1,216	1,219	1,246
	3	7	5	3	0	2
	29	30	20	31	(1)	19
	86,180	87,190	88,195	86,342	112,414	87,807
	147	148	171	144	205	225
	3,680	3,626	4,461	4,769	4,543	4,856
	297,488,630	283,303,708	301,419,493	298,904,180	280,162,497	270,674,464
\$	34,534,887	\$ 29,658,637	\$ 25,122,123	\$ 22,832,498	\$ 19,350,942	\$ 16,909,558
	9,490,142	9,331,406	9,548,283	9,263,225	8,764,951	9,408,519
\$	8,355,397	\$ 9,546,728	\$ 10,804,867	\$ 9,931,409	\$ 11,161,166	\$ 10,926,767
	14,755,234	14,573,232	14,601,233	14,666,433	14,922,136	14,738,824
\$	2,903,732	\$ 2,855,138	\$ 2,856,052	\$ 2,824,616	\$ 2,805,748	\$ 2,590,999
	23,970,170	23,577,112	24,492,922	22,945,608	21,063,582	25,142,782
\$	4,386,674	\$ 3,805,662	\$ 3,699,207	\$ 3,579,563	\$ 3,289,890	\$ 3,375,059
	149,709	150,805	157,123	154,436	143,248	139,650
\$	1,989,396	\$ 1,994,205	\$ 2,015,815	\$ 1,974,698	\$ 1,891,367	\$ 1,856,212

(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**

<b>Function/Program</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>General government:</b>				
Square footage occupied	45,912	45,912	45,912	45,912
Inspection vehicles	1	1	1	1
Other departmental vehicles	7	6	6	5
<b>Public works:</b>				
Number of traffic signals	47	45	45	45
Street lights	1,862	2,166	2,166	2,163
Vehicles	12	12	12	12
<b>Recreation:</b>				
Number of parks	16	16	16	16
Acerage of park lands	88	88	88	88
Recreation centers	1	1	1	1
Recreation center square footage	19,975	19,975	19,975	19,975
Tennis courts	5	5	5	5
Ball fields	3	4	4	4
Skate parks	2	2	2	2
Vehicles	3	3	3	3
<b>Public safety:</b>				
Square footage of emergency services dept	18,947	18,947	18,947	18,947
Square footage of police department	15,048	15,048	15,048	15,048
Fire vehicles/ambulances	13	12	11	12
Police vehicles	14	14	14	15
<b>Utilities:</b>				
Electric Department				
Value of plant in service	\$ 74,814,439	\$ 73,507,952	\$ 69,699,796	\$ 69,529,818
Vehicles	12	11	11	9
Gas Department				
Value of plant in service	\$ 14,762,161	\$ 13,627,925	\$ 12,489,239	\$ 12,395,373
Vehicles	9	9	9	9
Water Department				
Value of plant in service	\$ 32,414,692	\$ 32,266,422	\$ 28,401,148	\$ 28,410,834
Vehicles	8	7	7	7
Sewer Treatment Plant				
Value of plant in service	\$ 44,061,410	\$ 43,816,263	\$ 42,412,493	\$ 42,407,403
Vehicles	6	6	6	6
Sanitation Department				
Value of plant in service	\$ 634,126	\$ 572,435	\$ 528,551	\$ 528,449
Vehicles	11	11	11	10

2010	2009	2008	2007	2006	2005
45,912	16,571	16,571	16,571	16,571	16,571
2	2	2	2	2	2
5	5	5	5	5	5
45	45	40	40	35	35
2,162	2,161	1,500	1,500	1,500	1,500
11	11	11	11	11	11
16	16	16	16	16	14
88	88	81	81	81	78
1	1	1	1	1	1
19,975	20,154	20,154	20,154	20,154	20,154
5	5	9	10	10	12
4	4	4	4	4	5
2	2	2			
3	3	3	3	3	3
18,947	9,526	9,526	9,526	9,526	9,526
15,048	10,726	10,726	10,726	10,726	10,726
11	9	9	9	9	10
15	13	12	13	13	13
\$ 68,795,448	\$ 60,896,827	\$ 63,374,252	\$ 60,902,232	\$ 57,912,422	\$ 61,554,987
9	9	8	9	8	8
\$ 12,039,244	\$ 10,825,895	\$ 11,053,344	\$ 10,752,079	\$ 10,336,655	\$ 9,708,207
10	10	9	9	9	7
\$ 28,341,731	\$ 25,690,405	\$ 26,612,637	\$ 26,063,089	\$ 25,506,678	\$ 26,361,379
7	7	7	7	7	7
\$ 42,040,874	\$ 38,313,773	\$ 39,038,610	\$ 38,578,161	\$ 36,284,115	\$ 36,574,119
6	6	6	6	6	6
\$ 520,425	\$ 555,737	\$ 502,148	\$ 498,893	\$ 465,795	\$ 473,423
8	8	8	7	7	8

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



# Single Audit Section



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Chambersburg, as of and for the year ended December 31, 2014, and the related notes to the financial statements which collectively comprise the Borough's basic financial statements, and have issued our report thereon dated June 25, 2015.

### **INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as finding 2014-001 to be a material weakness.



## **COMPLIANCE AND OTHER MATTERS**

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

## **BOROUGH OF CHAMBERSBURG'S RESPONSE TO FINDINGS**

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

## **PURPOSE OF THIS REPORT**

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

*Smith Elliott Kearns & Company, LLC*

Chambersburg, Pennsylvania  
June 25, 2015



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

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

### **REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM**

We have audited the Borough of Chambersburg's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Borough of Chambersburg's major federal programs for the year ended December 31, 2014. The Borough of Chambersburg's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

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

#### ***Auditor's Responsibility***

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

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

#### ***Opinion on Each Major Federal Program***

In our opinion, the Borough of Chambersburg complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.



## REPORT INTERNAL CONTROL OVER COMPLIANCE

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

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

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

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

*Smith Elliott Kearns & Company, LLC*

Chambersburg, Pennsylvania  
June 25, 2015

**BOROUGH OF CHAMBERSBURG**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2014**

<b>Grantor Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass Through Grantor's Number</b>	<b>Cash Receipts</b>	<b>Modified Accrual Basis Expenditures</b>
<b>U.S. Department of Housing and Urban Development Program:</b>				
Community Development Block Grant	14.228	N/A	\$ -	\$ 574
<u>Passed-through the PA. Dept. of Community and Economic Development</u>				
Community Development Block Grant	14.228	C000050346	50,000	50,000
Community Development Block Grant	14.228	C000052219	52,935	50,924
Community Development Block Grant	14.228	C000053394	60,072	56,873
Community Development Block Grant	14.228	C000059081	18,765	20,018
Franklin County HOME Grant	14.239	C000026927	1,303	1,303
HOME Grant	14.239	C000046786	6,355	6,355
HOME Grant	14.239	C000050792	150,358	81,560
HOME Grant	14.239	C000050780	597	597
HOME Grant	14.239	C000050801	87,303	51,208
Total passed-through the PA. Dept. of Community and Economic Development			<u>427,688</u>	<u>318,838</u>
<b>Total U.S. Department of HUD</b>			<u>427,688</u>	<u>319,412</u>
<b>U.S. Department of Agriculture</b>				
Environmental Quality Incentive Program	10.912	69-3A75-12-208	<u>102,045</u>	<u>74,931</u>
<b>Total U.S. Department of Agriculture</b>			<u>102,045</u>	<u>74,931</u>
<b>U.S. Department of Transportation</b>				
<u>Passed-through the PA. Dept. of Transportation</u>				
Highway Planning and Construction	20.205	089955	<u>513,372</u>	<u>800,000</u>
<b>Total U.S. Department of Transportation</b>			<u>513,372</u>	<u>800,000</u>
<b>U.S. Department of Homeland Security</b>				
SAFER - Hiring Grant	97.044	EMW-2011-FH-00453	<u>622,143</u>	<u>601,960</u>
<b>Total U.S. Department of Homeland Security</b>			<u>622,143</u>	<u>601,960</u>
<b>U.S. Department of Justice</b>				
Justice Assistance Grant	16.738	2011-JG-0624237	<u>9,800</u>	<u>9,800</u>
<b>Total U.S. Department of Justice</b>			<u>9,800</u>	<u>9,800</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 1,675,048</u>	<u>\$ 1,806,103</u>



**BOROUGH OF CHAMBERSBURG**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended December 31, 2014**

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**NOTE 1 GENERAL**

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

**NOTE 2 BASIS OF ACCOUNTING**

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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**

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

**NOTE 4 FEDERAL AWARDS BY CFDA NUMBER**

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	<b>CFDA No.</b>	<b>Expenditures</b>	<b>Percent</b>
SAFER - Hiring Grant	97.044	\$ 601,960	33.4%
Highway Planning and Construction	20.205	800,000	44.3%
HOME Grant	14.239	141,023	7.8%
Environmental Quality Incentive Program	10.912	74,931	4.1%
Community Development Block Grant	14.228	178,389	9.9%
Justice Assistance Grant	16.738	9,800	0.5%
		<u>\$ 1,806,103</u>	<u>100.0%</u>

**BOROUGH OF CHAMBERSBURG**  
**Schedule of Findings and Questioned Costs**  
**December 31, 2014**

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**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal control over major program:

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

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

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

Identification of the major programs:

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

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

Auditee qualified as low-risk auditee?  Yes  No

**BOROUGH OF CHAMBERSBURG**  
**Schedule of Findings and Questioned Costs (Continued)**  
**December 31, 2014**

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**Section II - Financial Statement Findings**

**A. Material Weakness in Internal Control**

**Finding Reference:** 2014-001 - Grant Classification

*Condition:* During 2014, there was an audit adjustment necessary for federal and state grants that were not properly recorded as appropriate grant revenue.

*Criteria:* All federal and state revenues should be properly recorded to ensure proper reporting on the Schedule of Expenditures of Federal Awards and the financial statements.

*Cause:* Due to a lack of management oversight, a lack in communication between departments, and not having adequate internal control related to identifying federal and state revenues, the revenue and related receivable was incorrectly recorded as of December 31, 2014.

*Effect:* The financial statements would have been misstated without an audit adjustment.

*Recommendation:* We recommend that all grants received by the Borough be reviewed by the Finance Department to ensure proper reporting of the federal and state grant revenue in the financial statements.

*Response:* Individual departments will be required to submit all future executed grant agreements to the Assistant Director of Finance, for review and consent, immediately upon execution, in order to accurately identify the source of anticipated grant revenues, and thereby ensure accurate recording of the same.

**B. Compliance Findings**

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

**Section III - Federal Award Findings and Questioned Costs**

**A. Significant Deficiencies in Internal Control**

None noted

**B. Compliance Findings**

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

**BOROUGH OF CHAMBERSBURG**  
**Summary Schedule of Prior Audit Findings Related to Federal Awards**  
**December 31, 2014**

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**Findings related to federal awards:**

None