

*Borough of Chambersburg
Pennsylvania*



*Comprehensive Annual
Financial Report*

*For the Year Ended
December 31, 2008*

Prepared By the Department of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Borough of Chambersburg
Pennsylvania

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2007

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



A stylized handwritten signature in black ink.

President

A handwritten signature in black ink that reads "Jeffrey R. Enen".

Executive Director

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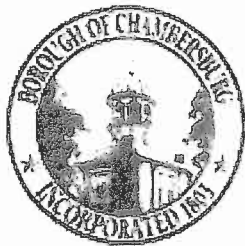
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Introductory Section



Borough of Chambersburg

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

Letter of Transmittal for 2008 Comprehensive Annual Financial Report

June 30, 2009

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, 2008, 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 four years' reports.

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

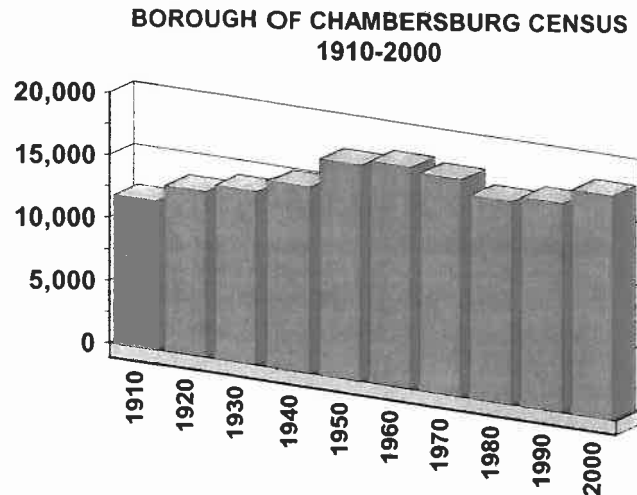
The MD&A is management's analysis of the municipality's financial position based on currently known facts as of the date of the auditor's report. It is required to precede the financial statements and provide the following analysis:

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

THE BOROUGH OF CHAMBERSBURG

General Information

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



According to the U.S. Bureau of the Census, the Borough's population increased from 16,647 to 17,862 between 1990 and 2000, an increase of 7.0 percent during the period. The accompanying graph depicts the Borough's population over the twentieth century.

Municipal Services and Facilities

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

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

Governmental Organization

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

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

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

The Director of Finance, who is appointed by the Borough Manager, is the chief financial officer of the Borough. The Director of Finance exercises the powers otherwise granted to the Borough Treasurer position under the laws of the Commonwealth of Pennsylvania. As such, the Director of Finance is charged with the responsibility of receiving, disbursing, and maintaining custody of all funds of the Borough and serves as Pension Funds Chief Administrative Officer. The position also includes the duties of serving as department head of the Administrative Services Fund, an internal service fund which is responsible for computer services, cashiering, accounting and the Parking Department as well as the custodial services and maintenance of City Hall. The Director of Finance advises the Borough Manager and Town Council concerning financial matters and assists the Borough Manager in the preparation of the annual budget.

Departmental Highlight – Chambersburg Fire Department

In 1790, when the village of Chambersburg, PA consisted entirely of log or frame houses, the risk of fire hazard was extremely great, especially with the use of wood fires in the open hearth. The necessity of providing protection from fire was seriously considered and the Friendship Fire Company was formed. It was basically an organization of volunteering citizens equipped with buckets.

Along with the expansion of the village from a few houses to a borough of the first magnitude, the formation of additional companies became necessary. Between 1790 and 1920, equipment evolved from buckets to hand pumps, to hose reels, to steam fire engines. By 1935, modernized motor drawn and motor driven apparatus helped the volunteers of Chambersburg keep pace with technology of the times.

As an aside, when the fire department was still in its infancy, an incident of historical proportions occurred in the sleepy little town of Chambersburg on July 30, 1864. Local residents learned on the morning of that fateful day that yet another Confederate cavalry raid was approaching their town. Most people were not overly concerned because the rebels had occupied the town in October, 1862 and then again in June, 1864, shortly before the Battle of Gettysburg. In this raid by 2,800 cavalymen, Confederate soldiers broke into houses, evicted residents and smashed furniture. Then they heaped the broken pieces into piles and set them on fire. By eight a.m. the town was completely in flames. This action was due to the citizens' inability to pay a ransom of \$100,000 in gold or \$500,000 in "greenbacks".

As the town burned, renegade soldiers robbed citizens, looted stores and drank whatever liquor they could find. Some demanded ransom to spare a home, but torched it anyway even after ransom was paid. Not all Confederates participated in the sacking of Chambersburg. One captain actually assisted residents in dousing their burning possessions. Colonel William Peters simply refused to participate in such a barbaric act and was promptly placed under arrest by Confederate General McCausland. Additionally, the Masonic Temple was spared when a Confederate officer, who was a Mason, posted guards to protect the building from the arsonists. Other Confederates helped frantic citizens retrieve household goods before their homes were burned. In the end, as many as 500 structures went up in flames at a total loss of more than \$1.6 million. In spite of the widespread arson and looting, only one civilian life was lost by smoke inhalation while angry citizens killed at least five Confederates by the time the raiders had withdrawn. At least 2,000 residents were left homeless.

McCausland's raid would be the last time that Confederates entered Pennsylvania during the Civil War and the Pennsylvanians who lived through it never forgot. When McCausland died in 1927 at age ninety, some obituaries in Northern newspapers still referred to him as the "Hun of Chambersburg." Chambersburg also has the infamous distinction of being the only northern town to be burned to the ground during the Civil War. Additionally, Chambersburg suffered more Confederate incursions than any other area north of the Mason Dixon line.

By 1943, the Chambersburg Fire Department consisted of five companies, strategically located and equipped with three American LaFrance pumpers, an aerial truck with 65 foot ladder, a chemical hose wagon, a service truck with booster pump, a foamite equipped truck, a squad and chemical car and an ambulance. The companies were entirely volunteer, with only the drivers of the apparatus receiving pay from the Borough. The fire houses and equipment were owned by the Borough, and under the care of the Property Committee and the Fire Committee of the Borough Council.

In 1953, G. Stewart Klenzing, who had been elected Fire Marshall by his colleagues of the Borough Council, was responsible for the Borough's fire properties, equipment, and paid personnel. John L. Shatzer, appointed as Fire Chief from among the volunteer fire companies, directed the activities of the firemen at fires and in other emergencies. The Fire Chief was assisted by a number of directors selected by the fire companies from among their membership. There were approximately 250 active volunteer firemen divided about equally among the fire companies.

There were 287 hydrants located at close intervals along streets in the Borough. The Fire Alarm System consisted of 70 Gamewell alarm boxes installed throughout the community and connected to indicators in the station houses to the General Alarm Bell in City Hall and to the Electric Plant from which the General Alarm whistle was sounded. The alarm system operated from a central control panel with a punch tape recorder at the Electric Light Plant.

In 1974, Borough Council hired the first paid fire chief to head the department. Thus began a rapid change to move from a company-oriented to a departmental system. The new chief led a process of equipment replacement and a reduction of fire stations from five to three with a new Headquarters Fire Station built in 1976. These changes laid the foundation for today's Fire Department.

The Chambersburg Fire Department Mission Statement is as follows: "*The Chambersburg Fire Department will deliver superior fire prevention/suppression and emergency medical services to protect the lives and property of the citizens of Chambersburg with a combination department*".

Currently, the fire department is headed by an Emergency Services Chief who also serves as the Fire Prevention Official and an Assistant Emergency Services Chief who also serves as the Emergency Management Coordinator. The department consists of 21 career firefighters along with an equal number of volunteers from the fire companies. The department utilizes 4 pumpers and an aerial truck for fire suppression and 2 ambulances for medical emergencies. The department is dispatched to emergency calls by the Franklin County 9-1-1 emergency communications center.

In 2008 the department responded to 3,393 calls for emergency medical services. It also responded to 1,068 fire calls which included 20 structural fires resulting in only 5 fire losses. Department personnel also conducted about 500 fire inspections. The department expenditures for 2008 totaled \$2,789,294 which represented 25.5% of the General Fund expenditures.

Economic Environment - Historical

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

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

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

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

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

Economic Environment - Today

The construction of the interstate highway system in the 1960's resulted in Interstate 81 being on the eastern edge of the Borough. Chambersburg has become a magnet for distribution warehouses to facilitate the flow of goods on the East Coast. Authorities are examining their options on how Interstate 81 can be improved to handle the abundant truck traffic that transverses the highway daily. Additionally, CSX Transportation has announced plans to construct an intermodal facility near the Borough. 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 2008 were:

EMPLOYER	PRIMARY BUSINESS	AVERAGE NUMBER OF EMPLOYEES
Summit Health	Health Care	3,097
Chambersburg Area School District	Public Education	1,178
County of Franklin	Government	949
Menno Haven, Inc.	Retirement Community	581
T B Woods, Inc.	Power Transmission Equipment	440
Ventura Foods	Food Packaging	405
K-Mart Regional Specialty Center	Distribution Warehousing	355
Staples	Retailing	325
F & M Trust Company	Financial Services	285
Knouse Foods	Food Packaging	213

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

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

EMPLOYER	PRIMARY BUSINESS	AVERAGE NUMBER OF EMPLOYEES
Letterkenny Army Depot/Tenants	Repair Military Vehicles and Missiles/Misc.	3,400
Target Distribution Center	Distribution Warehousing	600
Martins Famous Pastry Shop	Potato Bread and Rolls	485
WalMart	Retailing	480
Ingram Book Group Inc.	Book Distribution	400
Valley Quarries	Stone and Asphalt Products	300

FINANCIAL INFORMATION

Borough management has taken the initiative to prepare a Comprehensive Annual Financial Report (CAFR) starting with fiscal year ending 12/31/04 and thereafter. The CAFR provides readers of our financial statements with much additional information relating to the financial condition of the Borough of Chambersburg. Among these include information regarding our local taxpayers, employers and a plethora of similar information encompassing the past ten years. We are honored and pleased that our efforts have resulted in our receiving the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association (GFOA) for the four previous reports. We are again cognizant of the implications of our continuing to strive for such a prestigious award and will continue to pursue it. With this award, we have been designated as having attained the "highest standards in governmental accounting and financial reporting".

Accounting/Budgetary Control System

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

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

The concept of reasonable assurance recognizes that:

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

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

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

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

RISK MANAGEMENT

The Borough of Chambersburg insures much of its business risk through commercial insurance carriers. Since the Borough has a number of special risks (i.e., Police Professional, Boiler and Machinery), the Borough transfers its risks to a number of commercial carriers. In 2008, Penn National Mutual Casualty Insurance Company provided the Borough with coverage in two major areas, property and automobile liability.

While the Borough transfers much of its risk to commercial carriers, it self-insures its risk in areas of workers' compensation, general liability, errors and omissions, and unemployment compensation. The Borough has established funds to underwrite the risk in these areas. In the workers' compensation area, the Borough is funding for the risk resulting from job related injury or illness to its employees. The exposure is limited by a specific excess workers' compensation policy with a \$1 million limit and retention of \$500,000. The Borough's workers' compensation program is subject to state regulation and certified annually by the PA Department of Labor and Industry, Bureau of Workers' Compensation. Unlike the workers' compensation fund, the Borough retains losses in the general liability area on an unlimited basis. Both workers' compensation and general liability losses are subject to annual independent actuarial review. Additionally, the losses in both areas are reviewed by the Borough's safety committee with the ultimate objective of eliminating on the job hazardous conditions, accidents and injuries.

CASH MANAGEMENT

The Borough of Chambersburg's Investment Policy, approved by Town Council under the authority permitted by the Commonwealth of Pennsylvania to establish its own investment policy, provides the guidance for the Borough's investment program. The policy stresses preservation of capital and protection of investment principal as primary objectives. A secondary consideration is the optimization of investment returns at acceptable levels of risk.

According to the Borough Code of the Commonwealth of Pennsylvania, authorized type of investments for boroughs shall be:

1. United State Treasury bills
2. Short-term obligations of the United States Government or its agencies or instrumentalities
3. Certain deposits in savings accounts or time deposits, other than certificates of deposit, or share accounts of institutions insured by certain federal and state insurance agencies
4. Obligations of the United States of America or any of its agencies or instrumentalities; the Commonwealth of Pennsylvania or any of its agencies or instrumentalities; or of any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the United States of America, the Commonwealth of Pennsylvania, or political subdivisions of the Commonwealth of Pennsylvania or any of their agencies or instrumentalities
5. Shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, provided that the only investments of that company are in the authorized investments for borough funds above
6. Certificates of deposit if secured by proper collateral

The Borough Code also allows the Borough to join with one or more other political subdivisions with its investments. The Borough participates in these "pooled deposit programs" such as the Pennsylvania Local Government Investment Trust (PLGIT) whose purpose is "to provide Pennsylvania municipal entities with an instrumentality or agency to pool their temporary cash reserves in order to invest such temporary cash reserves to greater advantage under the daily supervision of professional investment advisors." It also participates in the Pennsylvania Treasurer's INVEST Program for Local Governments and Nonprofits. The Borough also has an account with the Pennsylvania Municipal Investment Program but to this date has not invested through this organization.

Cash and checks are deposited daily in an account at the F & M Trust Company. Collected funds on this account are transferred daily via the Automated Clearing House (ACH) process to our PLGIT Operating Funds account, which is an interest bearing account. This account is used as our main checking account and also is used to send out and receive wire transfers. Funds that are not needed for immediate account payable, are invested in long term investments based on conservative cash flow projections.

The investment portfolio at December 31, 2008, excluding pension funds, consisted of 38.5% in the Borough of Chambersburg's *TreasuryDirect* account which is composed entirely of U.S. Treasury notes and bills, 13.9% in pooled deposits programs and 8.05% in bank deposits. There were investments in Certificate of Deposits which were backed by the full faith and credit of the U. S. Government on December 31, 2008 of \$14,346,564 or 39.56% of the portfolio.

The Borough uses a passive investment style in which securities have been held until they mature. It has a *TreasuryDirect* account with the Department of the Treasury, Bureau of the Public Debt, in which the Treasury securities are held in book entry form. All purchases are made at the Department of Treasury's publicly announced auctions through the *TreasuryDirect* web site which results in no brokerage fees being charged to us.

The composite average yield as of December 31, 2008 was 3.482%, compared to the following benchmarks: 2-year U.S. Treasury note, .875%; 6-month Treasury bill, .289%; daily Federal Funds Rate, .26%; and PLGIT 7 day average rate of 1.53%. The average maturity of the U. S. Treasury portfolio at December 31, 2008 was 230 days with the weighted average maturity being about 254 days. The pooled funds average maturity was 1 day.

Long Term Financial Planning

Financial planning for the long term generally consists of a "five-year" plan similar to the annual budget committed to by the Borough. The long term plan typically extends an additional four years and is updated annually as economic conditions change. The plan is extended by one year annually while the "expired" or current year is eliminated.

INDEPENDENT AUDIT

The independent accounting firm, Smith Elliott Kearns & Company, LLC, audited the basic financial statement of the Borough of Chambersburg for fiscal year 2008. The financial statements have received an unqualified opinion indicating that, in all material respects, the Borough's basic financial statements are presented fairly and in conformity with accounting principles generally accepted in the United States of America. Auditing standards generally accepted in the United States of America and the standards set forth in the General Accounting Office's Government Auditing Standards were used by the auditors in conducting the engagement. The auditors' report on internal controls and compliance with applicable laws and regulations can be found in the report.

ACKNOWLEDGMENTS

The preparation of this report was made possible by the special efforts of all the members of the Finance Department. Their diligent and tireless efforts on a year round basis have provided us with the human resources and pride necessary to produce an award winning financial report.

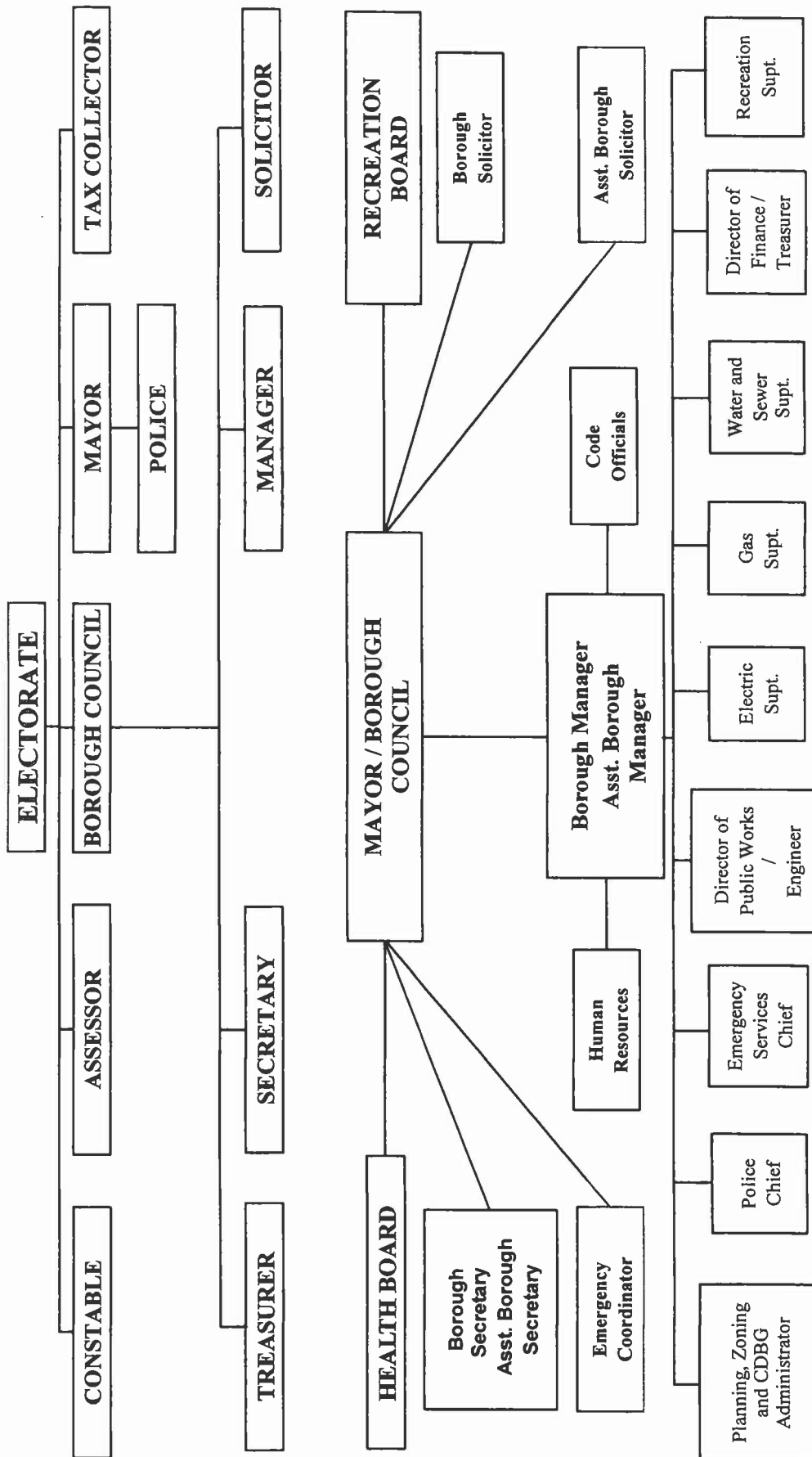
Finally, a special thanks is extended to the Borough Manager, Mr. Eric W. Oyer, and to the Mayor and the members of Town Council whose support enables the Borough of Chambersburg to strive for excellence in its financial reporting and to maintain high standards of financial integrity.

Respectfully submitted,



Casimir L. Rzomp, Jr.
Director of Finance

BOROUGH OF CHAMBERSBURG



12/02/2008

**2009 ROSTER
MAYOR AND MEMBERS OF TOWN COUNCIL
OF THE BOROUGH OF CHAMBERSBURG, PENNSYLVANIA**

MAYOR

Peter Lagiovane
610 Wallace Avenue
Chambersburg, PA 17201
2008-2009
(r) 264-8231; Mayors Office 261-3243

COUNCILMEN

William F. McLaughlin
1306 Edgar Avenue
President of Council
First Ward 2008-2011
(r) 263-4241 (c) 860-7779

Tom Newcomer
129 Highfield Lane South
Second Ward 2008-2011
(r) 267-0430

Elaine M. Swartz
326 Cosell Drive
Third Ward 2008-2011
(r) 267-2120

Sharon A. Bigler
359 High Street
Assistant Finance Chairman
Fourth Ward 2008-2011
(r) 263-5524

Robert A. Wareham, Sr.
953 E. McKinley Street
Vice President of Council
Fifth Ward 2008-2011
(r) 263-8915

Allen B. Coffman
112 Pennsylvania Avenue
First Ward 2006-2009
(r) 267-2739

Janet L. Lukic
264 Woodvale Drive
Second Ward 2006-2009
(r) 263-8574

Glenn K. Manns
332 Suelinn Drive
Finance Chairman
Third Ward 2006-2009
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Mary Beth Shank
528 W. King Street
Fourth Ward 2006-2009
(c) 360-8220

Heath Talhelm
840 Brandon Drive
Fifth Ward 2006-2009
(c) 301-573-5235

Council Meetings - 7:00 P.M.
Regular Public: 2nd and 4th Mondays - Council Chambers
Public Workshop: 3rd Monday – Council Chambers

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

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Borough Manager
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Deputy Manager
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David C. Finch
Assistant Borough Manager
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Tanya Mickey
Borough Secretary
(r) 369-0079 (b) 261-3254

Jamia L. Wright
Assistant Borough Secretary
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Thomas J. Finucane
Borough Solicitor
(r) 369-2944 (b) 264-4104

Welton J. Fischer
Assistant Borough Solicitor
(r) 262-2987 (b) 264-8020

Ron Pezon
Electric Superintendent
(r) 264-9054 (b) 261-3250

Jeff Heverly
Assistant Electric Superintendent
(c) 814-591-0539 (b) 261-3250

John Leary
Gas Superintendent
(r) 263-6898 (b) 261-3234

Jon Mason
Assistant Gas Superintendent
(b) 263-6385 (c) 729-2171

Carl S. Rundquist
Water and Sewer Superintendent
(r) 267-3273 (b) 261-3237

A. Elwood Sord
Assistant Water and Sewer Superintendent
(r) 261-2587 (b) 261-3233 (c) 729-2179

Robert L. Wagner
Borough Engineer/Public Works Director
(r) 263-8089 (b) 261-3228

Terrence Osborne
Emergency Services Chief
(r) 729-7413 (b) 261-3230

William F. Dubbs, Jr.
Asst. Emergency Services Chief/Fire Code Enforcement Officer
Emergency Management Coordinator
(r) 264-3228 (b) 261-3230

David Arnold
Police Chief
(b) 264-4131

Guy Shall
Recreation Superintendent
(b) 261-3275

Julie Redding
Assistant Recreation Superintendent
(r) 267-3588 (b) 261-3275

Phil Wolgemuth
Planning/Zoning/CDBG Administrator
(r) unlisted (b) 261-3232

William Lockbaum
Property Maintenance Code Officer
(r) unlisted (b) 261-3262

Patti Fogal
Property Maintenance Code Officer
(r) 264-5380 (b) 263-3319

Casimir L. Rzomp, Jr.
Borough Treasurer/ Finance Director
(r) 352-7945 (b) 261-3248

Nancy Foster
Assistant Borough Treasurer
(r) 352 -3882 - (b) 261-3244

James S. Clapper
Wage Tax Collector
(r) 264-8639 (b) 263-5141

William H. "Buzz" Shank III
Borough Tax Collector
(r) 264-1147 (b) 263-6565

(r) = residence
(b) = business





INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Chambersburg, as of and for the year ended December 31, 2008, which collectively comprise the Borough's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Borough of Chambersburg's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Chambersburg as of December 31, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Notes 7 and 8, the Borough adopted Government Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2009 on our consideration of the Borough of Chambersburg's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.



To the Mayor and Borough Council
Borough of Chambersburg

The management's discussion and analysis on pages 3 to 14, the schedules of historical pension information on pages 51 to 53, and the general fund and special revenue fund – grant programs budgetary comparison schedules on pages 54-55 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit such information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Chambersburg'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 accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Borough of Chambersburg. The combining and individual nonmajor fund financial statements and schedules, and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken 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 express no opinion on them.

Smith Elliott Kearns & Company, LLC

Chambersburg, Pennsylvania
June 24, 2009

BOROUGH OF CHAMBERSBURG, PENNSYLVANIA
Management's Discussion and Analysis
for the Year Ended December 31, 2008
Unaudited

The management of the Borough of Chambersburg provides the following information as an introduction, overview, and analysis of the Borough's financial statements for the year ended December 31, 2008. Readers should also review the basic financial statements and related footnotes on pages 15-49 to further enhance their understanding of the Borough's financial performance.

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

Using this Annual Financial Report

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

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

Reporting on the Borough of Chambersburg as a Whole

Statement of Net Assets and Statement of Activities

These government-wide statements answer the question "How did the Borough as a whole do financially during 2008?" They are prepared on the accrual basis of accounting, much the same way as for a private enterprise. This basis of accounting includes all assets and liabilities and takes into account all of the reporting year's revenues and expenses regardless of when the cash was received or paid.

- *The Statement of Net Assets.* This statement (page 15) reports all assets and liabilities of the Borough as of December 31, 2008. The difference between total assets and total liabilities is reported as "net assets". Increases in net assets generally indicate an improvement in financial position while decreases may indicate a deterioration of financial position.
- *The Statement of Activities.* This statement (page 16) serves the purpose of the traditional income statement. It provides consolidated reporting of the results of all activities of the Borough for the year ended December 31, 2008. Changes in net assets are recorded in the period in which the underlying event takes place, which may differ from the period in which cash is received or disbursed. The Statement of Activities displays the expense of the Borough's various programs net of related revenues, as well as a separate presentation of revenues available for general purposes.

A more detailed explanation of these statements is found in note 1 on pages 26 to 34 in the Notes to the Financial Statements.

BOROUGH OF CHAMBERSBURG, PENNSYLVANIA
Management's Discussion and Analysis
for the Year Ended December 31, 2008
Unaudited

Reporting on the Borough of Chambersburg's Most Significant Funds

Fund financial statements

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

- *Governmental funds.* Governmental funds are used to account for "governmental-type" activities. Unlike the government-wide financial statements, governmental fund statements use a "flow of financial resources" measurement focus. That is to say, the operating statement of a governmental fund attempts to answer the question "Are there more or less resources that can be spent in the near future as a result of events and transactions of the reporting period?" Increases in spendable resources are reported in the operating statement as "revenues" or "other financing sources." Decreases in spendable resources are reported as "expenditures" or "other financing uses." We describe the differences between governmental funds and governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) in reconciliations presented on pages 18 and 20.

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

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

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

The Borough of Chambersburg's Electric, Gas, Water, and Sewer Funds are all considered to be major funds and are displayed separately in the proprietary fund statements on pages 21 through 23. The Borough has two other proprietary funds, Sanitation and Parking, the activities of which are combined into one column for non-major funds.

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

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

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

Fiduciary fund statements are on pages 24 - 25 of this report.

BOROUGH OF CHAMBERSBURG, PENNSYLVANIA
Management's Discussion and Analysis
for the Year Ended December 31, 2008
Unaudited

Other Information

Notes to the basic financial statements

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

Required supplementary information

In addition to the basic financial statements and notes, this report also contains required supplementary information (RSI). RSI includes schedules of historical pension information and budgetary schedules for the general fund and grant programs fund. This data is on pages 51 through 56 of this report.

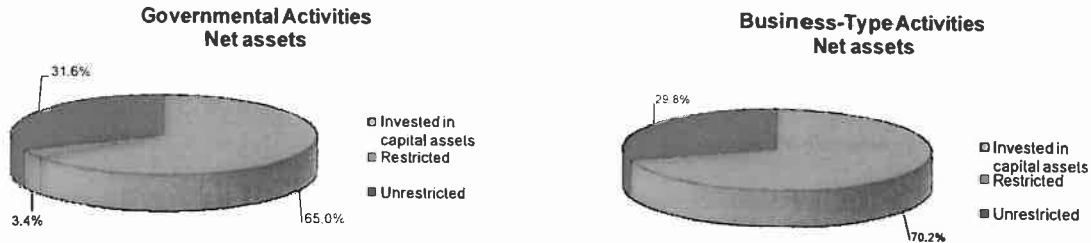
The Borough of Chambersburg as a Whole

The following table presents condensed information on net assets as of December 31, 2008.

	<u>Net Assets</u> <u>December 31, 2008 and 2007</u>					
	2008 Governmental Activities	2007 Governmental Activities	2008 Business-Type Activities	2007 Business-Type Activities	2008 Total	2007 Total
<u>Assets:</u>						
Current and other assets	\$ 13,843.153	\$ 12,492.981	\$ 36,940.373	\$ 36,268.997	\$ 50,783.526	\$ 48,761.978
Capital assets	22,103.501	20,030.556	93,892.140	92,951.660	115,995.641	112,982.216
Total assets	<u>35,946.654</u>	<u>32,523.537</u>	<u>130,832.513</u>	<u>129,220.657</u>	<u>166,779.167</u>	<u>161,744.194</u>
<u>Liabilities:</u>						
Current liabilities	1,391.899	1,398.251	7,203.380	5,047,045	8,595,279	6,445,296
Other liabilities	530,930	278,499	21,484.210	22,794,600	22,015,140	23,073,099
Total liabilities	<u>1,922.829</u>	<u>1,676.750</u>	<u>28,687.590</u>	<u>27,841.645</u>	<u>30,610.419</u>	<u>29,518.395</u>
<u>Net Assets:</u>						
Invested in capital assets, net of debt	22,103.501	20,030.556	71,707.129	69,516.503	93,810.630	89,547,059
Restricted	1,168,346	786,100	0	0	1,168,346	786,100
Unrestricted	<u>10,751.978</u>	<u>10,030.131</u>	<u>30,437.794</u>	<u>31,862.509</u>	<u>41,189.772</u>	<u>41,892.640</u>
Total net assets	<u>\$ 34,023.825</u>	<u>\$ 30,846.787</u>	<u>\$ 102,144.923</u>	<u>\$ 101,379.012</u>	<u>\$ 136,168.748</u>	<u>\$ 132,225,799</u>

BOROUGH OF CHAMBERSBURG, PENNSYLVANIA
Management's Discussion and Analysis
for the Year Ended December 31, 2008
Unaudited

The breakdown of net assets is as follows at December 31, 2008:



In total, combined net assets were at \$136.2 million at December 31, 2008.

The following tables present condensed information on the changes in net assets for the years ended December 31, 2008 and 2007.

Changes in Net Assets
For the Year Ended December 31, 2008

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Activities</u>
<u>Revenues</u>			
Program Revenues:			
Charges for services	\$ 2,111,319	\$ 46,371,006	\$ 48,482,325
Operating grants and contributions	1,775,741	173,335	1,949,076
Capital Grants and contributions	2,026,960	2,619,182	4,646,142
General revenues:			
Property taxes	3,627,868	0	3,627,868
Real estate transfer tax	540,465	0	540,465
Earned income tax	1,907,032	0	1,907,032
Local services tax	775,600	0	775,600
Payments in lieu of taxes	11,682	0	11,682
Unrestricted contributions and grants	22,816	0	22,816
Investment earnings	404,894	969,639	1,374,533
Miscellaneous income	36,279	190,867	227,146
Total revenues	<u>\$ 13,240,656</u>	<u>\$ 50,324,029</u>	<u>\$ 63,564,685</u>

BOROUGH OF CHAMBERSBURG, PENNSYLVANIA
Management's Discussion and Analysis
for the Year Ended December 31, 2008
Unaudited

Changes in Net Assets (Continued)
For the Year Ended December 31, 2008

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Activities</u>
<u>Expenses</u>			
General government	\$ 1,041,494	\$ 0	\$ 1,041,494
Public safety	7,335,996	0	7,335,996
Public works	1,117,850	0	1,117,850
Community development	661,485	0	661,485
Culture and recreation	1,469,475	0	1,469,475
Interest on long-term debt	0	0	0
Electric	0	26,899,617	26,899,617
Gas	0	10,858,357	10,858,357
Water	0	2,674,069	2,674,069
Sewer	0	5,372,469	5,372,469
Other business-type activities	<u>0</u>	<u>2,190,924</u>	<u>2,190,924</u>
 Total expenses	 <u>11,626,300</u>	 <u>47,995,436</u>	 <u>59,621,736</u>
 Excess before transfers	 <u>1,614,356</u>	 <u>2,328,593</u>	 <u>3,942,949</u>
 Transfers	 <u>1,562,682</u>	 <u>(1,562,682)</u>	 <u>0</u>
 Change in net assets	 <u>\$ 3,177,038</u>	 <u>\$ 765,911</u>	 <u>\$ 3,942,949</u>

BOROUGH OF CHAMBERSBURG, PENNSYLVANIA
Management's Discussion and Analysis
for the Year Ended December 31, 2008
Unaudited

Changes in Net Assets
For the Year Ended December 31, 2007

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u> <u>Activities</u>
<u>Revenues</u>			
Program Revenues:			
Charges for services	\$ 2,114,434	\$ 43,564,148	\$ 45,678,582
Operating grants and contributions	1,488,749	129,164	1,617,913
Capital Grants and contributions	2,994,098	2,891,262	5,885,360
General revenues:			
Property taxes	3,486,845	0	3,486,845
Real estate transfer tax	816,051	0	816,051
Earned income tax	1,568,769	0	1,568,769
Local services tax	1,240,990	0	1,240,990
Payments in lieu of taxes	10,565	0	10,565
Gain on Sale of Assets	0	0	0
Unrestricted contributions and grants	3,926	0	3,926
Investment earnings	518,979	1,180,310	1,699,289
Miscellaneous income	125,626	217,957	343,583
Total revenues	<u>14,369,032</u>	<u>47,982,841</u>	<u>62,351,873</u>
<u>Expenses</u>			
General government	1,466,517	0	1,466,517
Public safety	7,032,498	0	7,032,498
Public services	542,993	0	542,993
Community development	579,662	0	579,662
Parks and recreation	1,237,341	0	1,237,341
Electric	0	17,036,148	17,036,148
Gas	0	9,804,046	9,804,046
Water	0	2,775,409	2,775,409
Sewer	0	4,435,959	4,435,959
Other business-type activities	0	2,047,878	2,047,878
Total expenses	10,859,011	36,099,440	46,958,451
Excess before transfers	3,510,021	11,883,401	15,393,422
Transfers	1,117,180	(1,117,180)	0
Change in net assets	<u>\$ 4,627,201</u>	<u>\$ 10,766,221</u>	<u>\$ 15,393,422</u>

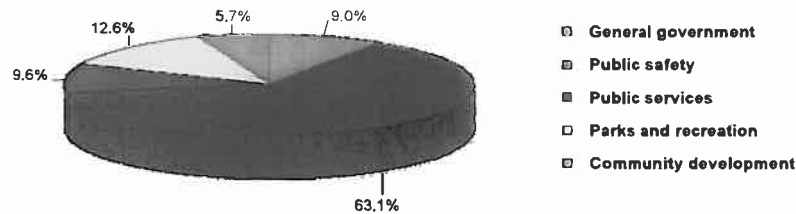
BOROUGH OF CHAMBERSBURG, PENNSYLVANIA

Management's Discussion and Analysis for the Year Ended December 31, 2008 Unaudited

The Borough's governmental type's single largest revenue source, real estate taxes, increased by \$111,713 or 3.3% in 2008. This was a smaller increase than the 24.1% for the year ended December 31, 2007. The increase was due to an increase in the taxable assessed value of 5.7% for year ended 2008. There was no increase in the mill rate for 2008.

Expenses of governmental activities break down as follows:

**Governmental Expenses by Program
2008**



Total governmental expenditures for 2008 were \$11.6 million. Public safety, which consisted primarily of police, fire and ambulance services, comprised 63.1% of the total governmental expenditures. Public service expenses, which include streets overlaying and repairs were 9.6%. Leisure time activities represented by the parks and recreation portion of expenditures were 12.6% of the total. General government expenditures were 9.0%. Community development comprised 5.7% of total expenditures.

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

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

**Expenses and Program Revenue - Governmental Activities
Year Ended December 31, 2008**

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Governmental activities					
General government	\$ 1,041,494	\$ 474,050	\$ 1,070,112	\$ 969,352	\$ 1,472,020
Public safety	7,335,996	1,234,849	7,735	773,685	(5,319,727)
Public works	1,117,850	4,314	385,894	142,070	(585,572)
Culture and recreation	1,469,475	398,106	0	141,853	(929,516)
Community development	661,485	0	312,000	0	(349,485)
Total Governmental Activities	\$ 11,626,300	\$ 2,111,319	\$ 1,775,741	\$ 2,026,960	(\$ 5,712,280)

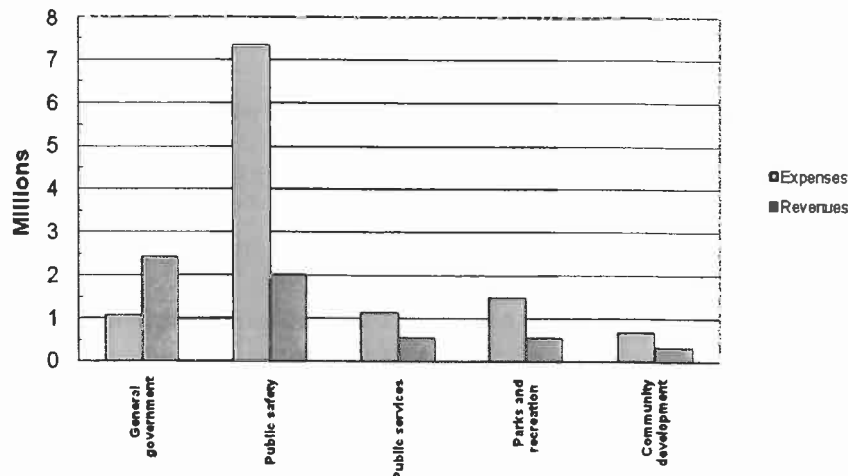
BOROUGH OF CHAMBERSBURG, PENNSYLVANIA

Management's Discussion and Analysis for the Year Ended December 31, 2008 Unaudited

Expenses and Program Revenue - Governmental Activities Year Ended December 31, 2007

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Governmental activities					
General government	\$ 1,466,517	\$ 445,288	\$ 712,607	\$ 2,606,162	\$ 2,297,540
Public safety	7,032,498	1,270,041	20,411	74,483	(5,667,563)
Public works	542,993	10,406	725,199	279,646	472,258
Culture and recreation	1,237,341	388,699	0	33,807	(814,835)
Community development	579,662	0	30,532	0	(549,130)
Total Governmental Activities	\$ 10,859,011	\$ 2,114,434	\$ 1,488,749	\$ 2,994,098	(\$ 4,261,730)

Expenses and Program Revenue - Governmental Activities 2008



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

Business-type activities

Business-type net assets increased \$765,911 in 2008. Each business-type activity, except for water and parking, had an increase in receipts from sales of service. Electric receipts increased 9.8%, gas receipts increased 8.5%, water receipts decreased 10.6%, sewer receipts increased 1.0%, sanitation receipts increased 2.0% and parking department receipts decreased 5.1%. The total increase in billed revenues was \$2,806,858 or 6.4%.

BOROUGH OF CHAMBERSBURG, PENNSYLVANIA
Management's Discussion and Analysis
for the Year Ended December 31, 2008
Unaudited

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

Expenses and Program Revenue - Business-type Activities
For Year Ended December 31, 2008

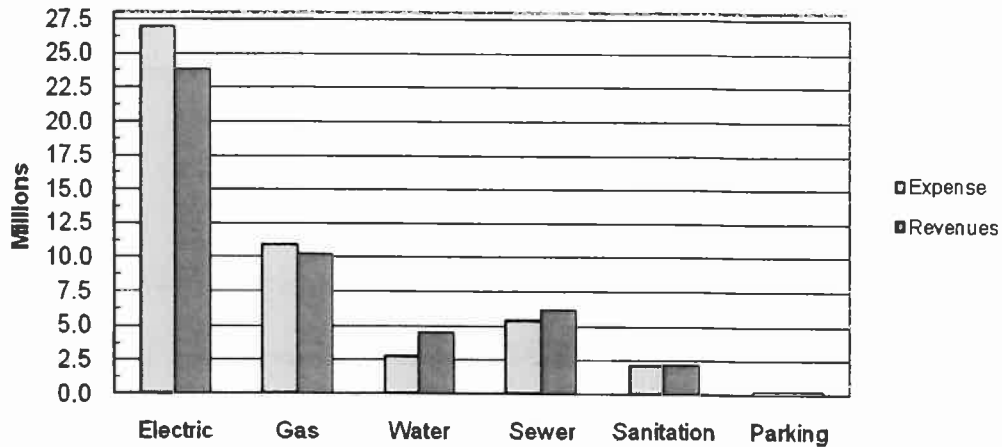
	Expenses	Charges for Services	Operating Grant and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Electric	\$26,899,617	\$25,655,849	\$ 50,950	\$ 862,000	(\$ 330,818)
Gas	10,858,357	10,971,012	22,300	155,792	290,747
Water	2,674,069	3,469,626	28,950	774,500	1,599,007
Sewer	5,372,469	4,068,865	23,350	826,890	(453,364)
Sanitation	2,045,442	2,067,715	45,235	0	67,508
Parking	145,482	137,939	2,550	0	(4,993)
Total business-type activities	<u>\$47,995,436</u>	<u>\$46,371,006</u>	<u>\$ 173,335</u>	<u>\$ 2,619,182</u>	<u>\$ 1,168,087</u>

Expenses and Program Revenue - Business-type Activities
For Year Ended December 31, 2007

	Expenses	Charges for Services	Operating Grant and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Electric	\$17,036,148	\$23,374,049	\$ 37,039	\$ 376,482	\$ 6,751,422
Gas	9,804,046	10,111,337	16,196	2,000	325,487
Water	2,775,409	3,879,178	21,048	506,968	1,631,785
Sewer	4,435,959	4,027,596	16,975	2,005,812	1,614,424
Sanitation	1,900,908	2,026,588	36,043	0	161,723
Parking	146,970	145,400	1,863	0	293
Total business-type activities	<u>\$36,099,440</u>	<u>\$43,564,148</u>	<u>\$ 129,164</u>	<u>\$ 2,891,262</u>	<u>\$10,485,134</u>

BOROUGH OF CHAMBERSBURG, PENNSYLVANIA
Management's Discussion and Analysis
for the Year Ended December 31, 2008
Unaudited

**Expenses and Program Revenue - Business-Type Activities
2008**



Individual funds summary and analysis

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

The combined fund balances of the Borough's governmental funds at December 31, 2008 were \$9.1 million as compared to \$8.3 million at December 31, 2007.

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 fund balance decreased from \$3,132,235 to \$3,022,011.

Budget variations

Operations for the Borough's general fund resulted in an overall favorable net budget variance of \$1,243,146 for the year ended December 31, 2008. That means that we had an increase in net inflows of \$1,243,146 more than budgeted. We budgeted a **net deficit** of **-\$1,353,370** (negative), but finished the year with a **net deficit** of **-\$110,224** (negative). Total expenditures exceeded total revenues by \$840,224 and net interfund transfers from other Borough funds amounted to \$730,000 creating the overall negative results of -\$110,224 for net receipts.

We had a favorable budget variance of \$911,630 or 8.0% of total **budgeted expenditures** (\$11,370,270). We also had a favorable budget variance of \$1,098,516 or 12.9% of total budgeted revenues (\$8,519,900). Also, we transferred \$300,000 less than budgeted from the enterprise departments into the general fund. We originally budgeted \$1,597,000 to be transferred from the enterprise funds into the general fund, but only transferred \$1,297,000 into the general fund, which is \$300,000 less. Additionally, we transferred \$567,000 to the General Capital Reserve Fund, which is \$467,000 more than what was budgeted (\$100,000).

BOROUGH OF CHAMBERSBURG, PENNSYLVANIA

Management's Discussion and Analysis for the Year Ended December 31, 2008 Unaudited

Much of the favorable revenue variance, **\$674,032 or 61.36%** of the total, was due to under estimates in the budgeted amounts for taxes. Among the under estimated items were: real estate taxes (\$111,096), deed transfer taxes (\$140,465), earned income taxes (\$187,658) and local service taxes (\$225,000). Local economic activity apparently was better than was predicted during budget preparations.

Additionally we had under estimates in departmental revenues of **\$343,243 or 31.24%** of the total revenue variance. These were largely made up of positive variances in ambulance service fees (\$110,398), and recreation department revenues (\$37,664). The ambulance service receipts variance is the result of an underestimation of receipts budgeted for 2008. The net receipts totaled \$660,398 and were budgeted at \$550,000. There was significant increase in activity over what was expected. Current year real estate tax collections were also in excess of the budgeted amount by **\$143,135 or 13.1%** of the total revenue variance. These individual "budgeting discrepancies" account for approximately 92.6% of the total revenue variance.

On the expenditure side, of the favorable variance (\$911,630), **25.4% (\$231,549)** can be attributed to over budgeting expenditures for the Fire & Ambulance Departments, particularly for salaries of fire apparatus operators (\$302,511). Additionally, **14.7% (\$133,822)** can be attributed to over budgeting expenditures for the Police Department, **27.3% (\$248,659)** for the Highway Department and **15.0% (\$136,306)** for the Recreation Department. The overbudgeting in these four departments accounted for 82.3% (\$750,336) of the total favorable expenditure variance.

Changes in fund equity

The fund balance in the *General Fund* decreased by \$110,224 in 2008. This was because current expenditures (\$10,458,640) exceeded total revenues (\$9,618,416) by \$840,224. Net transfers in (\$730,000) from other operating departments offset a large portion of the deficiency leaving \$110,224 as the net decrease in fund balance for the General Fund. The underlying reason for the decrease in resources available to the General Fund was basically a decrease in tax revenues over the previous year. Total tax revenues for 2008 were \$6,694,532 as compared to \$7,217,147 for 2007. That revenue decrease of \$522,615 was augmented by an increase in expenditures of \$658,142 for 2008 over those in 2007. These two factors alone facilitated a decrease in resources of \$1,180,757 over the previous year. In summary, our General Fund revenues decreased by 6.3% while expenditures increased by 6.7%.

The fund balance in the *Grants Programs Fund* increased by \$45,712 in 2008. This was after a substantial decrease in activity, particularly of a Community Development nature, within that fund. Revenues decreased by \$2,126,549 to \$1,098,993 in 2008 while expenditures decreased by \$2,051,269 to \$1,055,374. This increase in resources provided an overall increase in the fund balance for 2008 while we had a decrease in fund balance of \$81,722 for 2007.

The net assets in the *enterprise funds* increased by \$650,680 or .7% compared to an increase of \$10,167,171 or 12.35% for 2007. Most of the increase for 2008 can be attributed to the water department, whose net assets increased by \$1,894,837 or 8.4% over 2007. Operating revenues increased minimally by \$16,068 or .6% to \$2,959,899 while operating expenses decreased by \$157,397 or .6% to \$2,623,036. The net assets for the electric department decreased by \$1,018,370 or 2.8% to a total of \$35,606,767. Operating revenues increased by \$2,276,550 or 9.7% over 2007. Operating expenses increased substantially by \$9,794,777 or 59.9% to a total of \$26,269,125. A major element in the increase in expenditures for 2008 was the necessity to purchase more electricity for resale on the open market causing an increase in expenditures of \$ 8,271,999 or 84.45% of the overall increase in the electric department expenditures. Also, the net assets in the gas department decreased by \$11,361 or .1% over 2007. The fund balance for the sewer department decreased by \$308,990 or 1.4% over 2007. Revenues increased by 3.9% to \$3,814,225 while expenditures increased by 18.2% to \$5,094,840. Much of this increase can be attributed to inflow and infiltration studies required by the Department of Environmental Protection. This requirement resulted in additional expenses in excess of \$ 100,000 along with additional required collection system maintenance of \$ 187,292. Together these two items increased sewer department expenditures by more than \$ 300,000 or approximately 38.15% of the total increase in departmental expenditures. Lastly, the net assets in the "other enterprise funds" (sanitation and parking) increased by \$94,564 or 5.9% to \$1,702,626. Operating revenues increased by \$33,453 or 1.5% to \$2,205,441 while operating expenses also increased by \$137,035 or 6.6% to \$2,208,688.

The net assets in the *Internal Services Funds* increased by a total of \$558,258 or 4.4% compared to an increase of \$847,791 or 7.2% in 2007. Operating revenues totaled \$3,806,194, increasing by 6.3% over last year's operating revenues of \$3,581,705. Operating expenditures totaled \$3,944,202 increasing by .3% over last year's operating expenditures of \$3,934,150.

BOROUGH OF CHAMBERSBURG, PENNSYLVANIA

Management's Discussion and Analysis for the Year Ended December 31, 2008 Unaudited

Capital asset and debt administration

Capital asset activity

Public Works continued its multi-million dollar capital program. In the 2002-2008 timeframe, the Borough will have invested as much as \$6.7 million on improving its street and alley system. In 2008 the Public Works Department resurfaced ten (10) streets (or portions thereof) in addition to a stormwater improvement project. Significant business-type capital activity involved all the utility departments. The Electric Department invested in the continued conversion of the distribution system from 4Kv to 12Kv and connected almost 100 new services. The Gas, Water and Sewer Departments continued to replace and upgrade mains to stay ahead of the State and Borough resurfacing projects.

Additional detail on the capital asset activity for the year ended December 31, 2008 is presented in the Notes to the Basic Financial Statements in note 4.

Debt

A summary of outstanding debt at December 31, 2008 and 2007 is as follows:

	<u>General Obligation Bonds</u>	
	<u>December 31, 2008</u>	<u>December 31, 2007</u>
Governmental activities	\$ 0	\$ 0
Business-type activities	20,310,000	21,580,000
	<u>Pennsylvania ("Pennvest" Water Projects)</u>	
Governmental activities	0	0
Business-type activities	<u>2,338,177</u>	<u>2,556,544</u>
Total outstanding debt	<u>\$ 22,648,177</u>	<u>\$ 24,136,544</u>

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

Contacting the Borough's management

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

BOROUGH OF CHAMBERSBURG

STATEMENT OF NET ASSETS December 31, 2008

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets			
Cash and equity in pooled cash and investments	\$ 11,677,566	\$ 27,182,843	\$ 38,860,409
Taxes receivable, net of allowance	218,243	0	218,243
Accounts receivable, net of allowance	148,108	5,798,146	5,946,254
Due from other governments	983,283	7,489	990,772
Other receivables	165,405	157,737	323,142
Inventories	368,328	3,559,761	3,928,089
Prepaid expenses	4,571	54,163	58,734
Total current assets	<u>13,565,504</u>	<u>36,760,139</u>	<u>50,325,643</u>
Noncurrent assets			
Noncurrent receivables	277,649	0	277,649
Deferred charges	0	180,234	180,234
Capital assets not being depreciated:			
Land	402,715	826,334	1,229,049
Construction in progress	6,539,078	4,032,076	10,571,154
Capital assets net of accumulated depreciation:			
Utility plant in service	0	85,936,075	85,936,075
Land improvements	1,175,091	31,099	1,206,190
Buildings and improvements	1,620,162	267,598	1,887,760
Machinery, equipment and furniture	2,081,032	2,798,958	4,879,990
Infrastructure	10,285,423	0	10,285,423
Total noncurrent assets	<u>22,381,150</u>	<u>94,072,374</u>	<u>116,453,524</u>
Total assets	<u>\$ 35,946,654</u>	<u>\$ 130,832,513</u>	<u>\$ 166,779,167</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 706,059	\$ 4,599,561	\$ 5,305,620
Accrued wages and withholdings	199,487	325,733	525,220
Accrued interest expense	0	213,647	213,647
Unearned revenues	99,359	99,066	198,425
Long-term liabilities: Due within one year			
Bonds and notes payable	0	1,480,925	1,480,925
Compensated absences	341,013	384,271	725,284
Liability for self-insured losses	45,981	100,177	146,158
Total current liabilities	<u>1,391,899</u>	<u>7,203,380</u>	<u>8,595,279</u>
Noncurrent liabilities			
Long-term liabilities: Due in more than one year			
Bonds and notes payable	0	20,704,086	20,704,086
Compensated absences	222,036	510,758	732,794
Net OPEB obligation	185,254	0	185,254
Liability for self-insured losses	123,640	269,366	393,006
Total noncurrent liabilities	<u>530,930</u>	<u>21,484,210</u>	<u>22,015,140</u>
Total liabilities	<u>1,922,829</u>	<u>28,687,590</u>	<u>30,610,419</u>
NET ASSETS			
Invested in capital assets, net of related debt	22,103,501	71,707,129	93,810,630
Restricted for:			
Program expenditures	1,168,346	0	1,168,346
Unrestricted	<u>10,751,978</u>	<u>30,437,794</u>	<u>41,189,772</u>
Total net assets	<u>34,023,825</u>	<u>102,144,923</u>	<u>136,168,748</u>
Total liabilities net assets	<u>\$ 35,946,654</u>	<u>\$ 130,832,513</u>	<u>\$ 166,779,167</u>

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

BOROUGH OF CHAMBERSBURG

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2008

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets				
	Primary Government				Total
	Expenses	Charges for Services	Program Revenue Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities					
General government	\$ 1,041,494	\$ 474,050	\$ 1,070,112	\$ 969,352	\$ 1,472,020
Public safety	7,335,996	1,234,849	7,735	773,685	(5,319,727)
Public works	1,117,850	4,314	385,894	142,070	(585,572)
Culture and recreation	1,469,475	398,106	0	141,853	(929,516)
Community development	661,485	0	312,000	0	(349,485)
Total governmental activities	11,626,300	2,111,319	1,775,741	2,026,960	(5,712,280)
Business-type activities					
Electric	26,899,617	25,655,849	50,950	862,000	0 (330,818)
Gas	10,858,357	10,971,012	22,300	155,792	0 290,747
Water	2,674,069	3,469,626	28,950	774,500	0 1,599,007
Sewer	5,372,469	4,068,865	23,350	826,890	0 (453,364)
Sanitation	2,045,442	2,067,715	45,235	0	0 67,508
Parking	145,482	137,939	2,550	0	0 (4,993)
Total business-type activities	47,995,436	46,371,006	173,335	2,619,182	1,168,087
Total primary government	\$ 59,621,736	\$ 48,482,325	\$ 1,949,076	\$ 4,646,142	(\$ 5,712,280)
					\$ 1,168,087 (\$ 4,544,193)
General revenues:					
Taxes:					
Property taxes, levied for general purposes	\$ 3,627,868	\$ 0	\$ 0	\$ 0	\$ 3,627,868
Real estate transfer tax	540,465	0	0	0	540,465
Earned income tax	1,907,032	0	0	0	1,907,032
Local services tax	775,600	0	0	0	775,600
Other taxes	11,682	0	0	0	11,682
Grants and contributions not restricted to specific programs	22,816	0	0	0	22,816
Unrestricted investment earnings	404,894	969,639	0	0	1,374,533
Miscellaneous income	36,279	190,867	0	0	227,146
Transfers	1,562,682	(1,562,682)	0	0	0
Total general revenues and transfers	8,889,318	(402,176)	0	0	8,487,142
Change in net assets	3,177,038	765,911	0	0	3,942,949
Net assets - beginning - as restated	30,846,787	101,379,012	0	0	132,225,799
Net assets - ending	\$ 34,023,825	\$ 102,144,923	\$ 0	\$ 0	\$ 136,168,748

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

BOROUGH OF CHAMBERSBURG

BALANCE SHEET GOVERNMENTAL FUNDS December 31, 2008

	General Fund	Special Revenue Fund Grant Programs	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and equity in pooled cash and investments	\$ 2,773.216	\$ 71.349	\$ 5,846.691	\$ 8,691.256
Taxes receivable, net	218.243	0	0	218.243
Due from other funds	0	0	0	0
Receivable from other governments	572.349	250.934	0	823.283
Other receivables, net	176.036	139.215	250.409	565.660
Total assets	<u>\$ 3,739.844</u>	<u>\$ 461.498</u>	<u>\$ 6,097.100</u>	<u>\$ 10,298.442</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 286,262	\$ 233,360	\$ 146,972	\$ 666,594
Deferred revenue	262,298	134	0	262,432
Accrued wages, benefits and withholdings	169.273	1,573	7.246	178.092
Total liabilities	<u>717.833</u>	<u>235,067</u>	<u>154,218</u>	<u>1,107,118</u>
Fund balances				
Reserved for long term loans	0	64,392	213.257	277,649
Reserved for grant programs	0	162,039	0	162,039
Unreserved - special revenue liquid fuels	0	0	858,329	858,329
Unreserved - capital reserve fund	0	0	4,871,296	4,871,296
Unreserved	3,022.011	0	0	3,022.011
Total fund balances	<u>3,022.011</u>	<u>226,431</u>	<u>5,942,882</u>	<u>9,191,324</u>
Total liabilities and fund balances	<u>\$ 3,739.844</u>	<u>\$ 461,498</u>	<u>\$ 6,097.100</u>	<u>\$ 10,298.442</u>

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

BOROUGH OF CHAMBERSBURG

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
December 31, 2008**

Total fund balance - governmental funds	\$ 9,191,324
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.	21,028,409
Taxes receivable are not available soon enough to pay for the current period's expenditures, and therefore are not recorded in the fund financial statements.	323,073
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.	(185,254)
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.	4,143,719
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.	(477,446)
Total net assets - governmental activities	<u>\$ 34,023,825</u>

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

BOROUGH OF CHAMBERSBURG

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

For the Year Ended December 31, 2008

	General Fund	Special Revenue Fund Grant Programs	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 6,694,532	\$ 0	\$ 0	\$ 6,694,532
Licenses and permits	314,841	0	0	314,841
Fines and forfeits	147,943	0	0	147,943
Investment earnings	114,025	2,073	188,715	304,813
Intergovernmental	686,525	1,010,412	506,687	2,203,624
Charges for services	1,533,643	0	0	1,533,643
Contributions and donations	0	0	767,176	767,176
Miscellaneous	126,907	86,508	11,627	225,042
Total revenues	<u>9,618,416</u>	<u>1,098,993</u>	<u>1,474,205</u>	<u>12,191,614</u>
EXPENDITURES				
Current:				
General government	779,613	65,099	55,788	900,500
Public Safety				
Police department	3,967,353	4,937	35,647	4,007,937
Fire department	1,725,815	0	43,059	1,768,874
General health and ambulance service	985,431	0	9,647	995,078
Planning and zoning	424,173	0	0	424,173
Public works				
Highways	991,941	245,533	92,973	1,330,447
Other	420,802	0	27,656	448,458
Culture and recreation	1,068,444	141,596	283,740	1,493,780
Community development	0	598,209	600,701	1,198,910
Miscellaneous expenditures	95,068	0	0	95,068
Total expenditures	<u>10,458,640</u>	<u>1,055,374</u>	<u>1,149,211</u>	<u>12,663,225</u>
Excess (deficiency) of revenues over expenditures	(840,224)	43,619	324,994	(471,611)
OTHER FINANCING SOURCES (USES)				
Transfers in	1,297,000	6,917	551,824	1,855,741
Transfers out	(567,000)	(4,824)	(917)	(572,741)
Total other financing sources and uses	<u>730,000</u>	<u>2,093</u>	<u>550,907</u>	<u>1,283,000</u>
Net change in fund balances	(110,224)	45,712	875,901	811,389
Fund balances - beginning - as restated	3,132,235	180,719	5,066,981	8,379,935
Fund balances - ending	<u>\$ 3,022,011</u>	<u>\$ 226,431</u>	<u>\$ 5,942,882</u>	<u>\$ 9,191,324</u>

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

BOROUGH OF CHAMBERSBURG

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2008**

Net change in fund balances - total governmental funds: \$ 811,389

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	(871,579)	
Capital outlays	<u>2,955,585</u>	
		2,084,006

Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain on the sale of the assets. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold.

(26,551)

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.

168,115

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:

(117,693)

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.

(185,254)

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.

443,026

Change in net assets - governmental activities

\$ 3,177,038

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

BOROUGH OF CHAMBERSBURG

STATEMENT OF NET ASSETS PROPRIETARY FUNDS December 31, 2008

	Enterprise Funds		
	Electric Fund	Gas Fund	Water Fund
ASSETS			
Current assets			
Cash and equity in pooled cash and investments	\$ 6,585,121	\$ 558,749	\$ 9,086,072
Accounts receivable, net	2,939,100	1,751,540	274,972
Receivables from other governments	0	0	0
Other receivables	37,225	2,942	53,722
Inventories	673,985	1,896,799	58,639
Prepaid expenses	32,660	1,959	2,359
Total current assets	<u>10,268,091</u>	<u>4,211,989</u>	<u>9,475,764</u>
Noncurrent assets			
Deferred charges	132,223	0	0
Capital assets			
Land	447,512	37,716	206,068
Buildings and system	62,363,741	10,859,283	26,142,193
Improvements other than buildings	34,081	0	0
Machinery and equipment	528,918	156,345	264,376
Construction in progress	1,472,159	490,754	881,887
Less accumulated depreciation	(20,084,220)	(4,175,666)	(9,991,653)
Total capital assets	<u>44,762,191</u>	<u>7,368,432</u>	<u>17,502,871</u>
Total noncurrent assets	<u>44,894,414</u>	<u>7,368,432</u>	<u>17,502,871</u>
Total assets	<u>\$ 55,162,505</u>	<u>\$ 11,580,421</u>	<u>\$ 26,978,635</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 2,853,513	\$ 1,032,858	\$ 123,428
Accrued wages payable	64,247	48,227	37,118
Accrued interest payable	208,877	0	4,770
Unearned revenue	11,901	87,165	0
Compensated absences - current	113,309	37,539	54,807
Liability for self insured losses - current	0	0	0
Bonds, notes and loans payable - current	891,473	0	223,707
Total current liabilities	<u>4,143,320</u>	<u>1,205,789</u>	<u>443,830</u>
Noncurrent liabilities			
Compensated absences	203,592	29,448	54,828
Liability for self insured losses	0	0	0
Bonds, notes and loans payable	15,208,826	0	2,114,470
Total noncurrent liabilities	<u>15,412,418</u>	<u>29,448</u>	<u>2,169,298</u>
Total liabilities	<u>19,555,738</u>	<u>1,235,237</u>	<u>2,613,128</u>
NET ASSETS			
Invested in capital assets, net of related debt	28,661,892	7,368,432	15,164,694
Unrestricted	6,944,875	2,976,752	9,200,813
Total net assets	<u>35,606,767</u>	<u>10,345,184</u>	<u>24,365,507</u>
Total liabilities and net assets	<u>\$ 55,162,505</u>	<u>\$ 11,580,421</u>	<u>\$ 26,978,635</u>

Enterprise Funds			Internal Service Funds
Sewer Fund	Other Enterprise Funds	Total	
\$ 2,887,566	\$ 1,559,243	\$ 20,676,751	\$ 9,492,402
719,404	96,050	5,781,066	24,920
7,489	0	7,489	0
16,112	9,256	119,257	56,142
127,885	0	2,757,308	1,170,781
3,659	3,567	44,204	14,530
<u>3,762,115</u>	<u>1,668,116</u>	<u>29,386,075</u>	<u>10,758,775</u>
48,011	0	180,234	0
14,300	112,124	817,720	13,984
38,765,811	77,329	138,208,357	154,866
0	49,748	83,829	0
258,499	551,921	1,760,059	0
1,184,556	2,720	4,032,076	6,726,688
(18,494,554)	(606,047)	(53,352,140)	(3,478,207)
<u>21,728,612</u>	<u>187,795</u>	<u>91,549,901</u>	<u>3,417,331</u>
<u>21,776,623</u>	<u>187,795</u>	<u>91,730,135</u>	<u>3,417,331</u>
<u>\$ 25,538,738</u>	<u>\$ 1,855,911</u>	<u>\$ 121,116,210</u>	<u>\$ 14,176,106</u>
\$ 460,241	\$ 43,542	\$ 4,513,582	\$ 125,444
37,989	28,796	216,377	68,007
62,744	0	276,391	0
0	0	99,066	0
59,761	36,257	301,673	120,510
0	0	0	146,158
365,745	0	1,480,925	0
<u>986,480</u>	<u>108,595</u>	<u>6,888,014</u>	<u>460,119</u>
74,299	44,690	406,857	151,592
0	0	0	393,006
<u>3,380,790</u>	<u>0</u>	<u>20,704,086</u>	<u>0</u>
<u>3,455,089</u>	<u>44,690</u>	<u>21,110,943</u>	<u>544,598</u>
<u>4,441,569</u>	<u>153,285</u>	<u>27,998,957</u>	<u>1,004,717</u>
17,982,077	187,795	69,364,890	3,417,331
<u>3,115,092</u>	<u>1,514,831</u>	<u>23,752,363</u>	<u>9,754,058</u>
<u>21,097,169</u>	<u>1,702,626</u>	<u>93,117,253</u>	<u>13,171,389</u>
<u>\$ 25,538,738</u>	<u>\$ 1,855,911</u>	<u>\$ 121,116,210</u>	<u>\$ 14,176,106</u>

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

9,027,670

Net assets of business-type activities

\$ 102,144,923

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

BOROUGH OF CHAMBERSBURG

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

For the Year Ended December 31, 2008

	Enterprise Funds		
	Electric Fund	Gas Fund	Water Fund
OPERATING REVENUES			
Charges for services	\$ 25,277,346	\$ 10,930,151	\$ 2,848,550
Miscellaneous	342,679	40,861	111,349
Total operating revenues	<u>25,620,025</u>	<u>10,971,012</u>	<u>2,959,899</u>
OPERATING EXPENSES			
Production, gathering, treatment and transmission	5,396,326	498,980	1,479,073
Operation and maintenance	0	0	0
Collection and disposal	0	0	0
Purchase of energy for sale	15,472,497	9,250,722	0
Customer accounting and administrative	3,605,367	838,530	580,253
Claim payments and special services	0	0	0
Increase (decrease) in expected unpaid losses	0	0	0
Miscellaneous expense	0	0	0
Depreciation and amortization	1,794,935	279,522	563,710
Total operating expenses	<u>26,269,125</u>	<u>10,867,754</u>	<u>2,623,036</u>
Operating income (loss)	<u>(649,100)</u>	<u>103,258</u>	<u>336,863</u>
NONOPERATING REVENUES (EXPENSES)			
Connection fees	0	0	493,964
Interest and investment revenue	251,699	63,866	307,392
Gain (loss) on sale of assets	(912)	(6,577)	(3,883)
Reimbursement for health insurance	0	0	0
Other nonoperating revenues	38,928	0	90,112
Intergovernmental revenues	50,950	22,300	28,950
Interest expense	(671,935)	0	(61,061)
Total nonoperating revenues (expenses)	<u>(331,270)</u>	<u>79,589</u>	<u>855,474</u>
Income (loss) before contributions and transfers	<u>(980,370)</u>	<u>182,847</u>	<u>1,192,337</u>
Capital contributions and grants	862,000	155,792	774,500
Transfers in	0	0	0
Transfers out	<u>(900,000)</u>	<u>(350,000)</u>	<u>(72,000)</u>
Change in net assets	<u>(1,018,370)</u>	<u>(11,361)</u>	<u>1,894,837</u>
Total net assets - beginning	<u>36,625,137</u>	<u>10,356,545</u>	<u>22,470,670</u>
Total net assets - ending	<u>\$ 35,606,767</u>	<u>\$ 10,345,184</u>	<u>\$ 24,365,507</u>

Enterprise Funds			Internal Service Funds
Sewer Fund	Other Enterprise Funds	Total	
\$ 3,745,005	\$ 2,127,774	\$ 44,928,826	\$ 3,804,773
69,220	77,667	641,776	1,421
<u>3,814,225</u>	<u>2,205,441</u>	<u>45,570,602</u>	<u>3,806,194</u>
2,296,635	0	9,671,014	0
0	62,300	62,300	3,138,590
925,553	1,785,583	2,711,136	0
0	0	24,723,219	0
589,653	336,540	5,950,343	337,558
0	0	0	174,461
0	0	0	201,769
0	0	0	0
<u>1,282,999</u>	<u>24,265</u>	<u>3,945,431</u>	<u>495,362</u>
<u>5,094,840</u>	<u>2,208,688</u>	<u>47,063,443</u>	<u>3,944,202</u>
(1,280,615)	(3,247)	(1,492,841)	(138,008)
251,555	0	745,519	0
106,049	49,141	778,147	322,934
(134,779)	0	(146,151)	8,774
0	0	0	236,793
52,960	885	182,885	47,865
23,350	47,785	173,335	40,900
(154,400)	0	(887,396)	0
<u>144,735</u>	<u>97,811</u>	<u>846,339</u>	<u>657,266</u>
(1,135,880)	94,564	(646,502)	519,258
826,890	0	2,619,182	0
0	0	0	160,000
0	0	(1,322,000)	(121,000)
(308,990)	94,564	650,680	558,258
<u>21,406,159</u>	<u>1,608,062</u>	<u>92,466,573</u>	<u>12,613,131</u>
<u>\$ 21,097,169</u>	<u>\$ 1,702,626</u>	<u>\$ 93,117,253</u>	<u>\$ 13,171,389</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

115,231

Change in net assets of business-type
activities

\$ 765,911

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

BOROUGH OF CHAMBERSBURG
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2008

	Enterprise Funds		
	Electric Fund	Gas Fund	Water Fund
Cash flows from operating activities:			
Receipts from customers/interfund services provided	\$ 25,360.629	\$ 10,903.265	\$ 3,051.147
Payments to suppliers	(21,172.488)	(9,965.980)	(817,217)
Payments to and on behalf of employees	(1,991.581)	(832.409)	(1,150,181)
Net cash provided (used) by operating activities	<u>2,196,560</u>	<u>104,876</u>	<u>1,083,749</u>
Cash flows from capital and related financing activities:			
Grants and reimbursements received	0	0	140,111
Proceeds from capital debt	0	0	0
Purchase of capital assets	(1,106.603)	(414.222)	(459,661)
Proceeds from sale of assets	0	0	0
Proceeds from tap fees	0	0	493,964
Principal paid on capital debt	(885,000)	0	(218,367)
Interest and fiscal charges paid on capital debt	(651,526)	0	(61,447)
Net cash provided (used) by capital and related financing activities	<u>(2,643,129)</u>	<u>(414,222)</u>	<u>(105,400)</u>
Cash flows from non-capital financing activities:			
Transfer from other funds	0	0	0
Transfer to other funds	(900,000)	(350,000)	(72,000)
Refund received for health insurance	0	0	0
Grants received	<u>50,950</u>	<u>22,300</u>	<u>28,950</u>
Net cash provided (used) by non-capital financing activities	<u>(849,050)</u>	<u>(327,700)</u>	<u>(43,050)</u>
Cash flows from investing activities:			
Interest and dividends received	<u>244,861</u>	<u>65,596</u>	<u>285,881</u>
Net cash provided (used) by investing activities	<u>244,861</u>	<u>65,596</u>	<u>285,881</u>
Net increase (decrease) in cash and cash equivalents	<u>(1,050,758)</u>	<u>(571,450)</u>	<u>1,221,180</u>
Cash and cash equivalents - beginning of the year	<u>7,635,879</u>	<u>1,130,199</u>	<u>7,864,892</u>
Cash and cash equivalents - end of the year	<u>\$ 6,585,121</u>	<u>\$ 558,749</u>	<u>\$ 9,086,072</u>
Reconciliation of income from operations to net cash provided (used) by operating activities			
Operating income (loss)	(\$ 649,100)	\$ 103,258	\$ 336,863
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization expense	1,794,935	279,522	563,710
Miscellaneous nonoperating income	38,928	0	90,112
(Increase) decrease in:			
Accounts receivable	(298,457)	(93,563)	1,136
Inventories	(63,544)	(346,676)	(179)
Prepaid expenses	(1,783)	(59)	1,000
Increase (decrease) in:			
Accounts payable and accrued expenses	1,375,448	136,578	91,107
Unearned revenue	<u>133</u>	<u>25,816</u>	<u>0</u>
Net cash provided (used) by operating activities	<u>\$ 2,196,560</u>	<u>\$ 104,876</u>	<u>\$ 1,083,749</u>
Non-cash investing, capital and non-capital financing activities			
Donated assets from developers	<u>\$ 862,000</u>	<u>\$ 155,792</u>	<u>\$ 774,500</u>

		Enterprise Funds			
		Other Enterprise		Internal Service	
Sewer Fund	Funds	Total	Funds		
\$ 3,815,048	\$ 2,202,909	\$ 45,332,998	\$ 3,951,784		
(2,457,481)	(1,246,570)	(35,659,736)	(1,335,606)		
(1,240,354)	(867,686)	(6,082,211)	(2,163,813)		
<u>117,213</u>	<u>88,653</u>	<u>3,591,051</u>	<u>452,365</u>		
30,767	0	170,878	0		
0	0	0	0		
(60,049)	(29,146)	(2,069,681)	(303,377)		
0	0	0	10,914		
251,555	0	745,519	0		
(385,000)	0	(1,488,367)	0		
(134,070)	0	(847,043)	0		
(296,797)	(29,146)	(3,488,694)	(292,463)		
0	0	0	160,000		
0	0	(1,322,000)	(121,000)		
0	0	0	236,793		
<u>23,350</u>	<u>47,785</u>	<u>173,335</u>	<u>40,900</u>		
<u>23,350</u>	<u>47,785</u>	<u>(1,148,665)</u>	<u>316,693</u>		
<u>101,750</u>	<u>45,690</u>	<u>743,778</u>	<u>303,577</u>		
<u>101,750</u>	<u>45,690</u>	<u>743,778</u>	<u>303,577</u>		
(54,484)	152,982	(302,530)	780,172		
<u>2,942,050</u>	<u>1,406,261</u>	<u>20,979,281</u>	<u>8,712,230</u>		
<u>\$ 2,887,566</u>	<u>\$ 1,559,243</u>	<u>\$ 20,676,751</u>	<u>\$ 9,492,402</u>		
(\$ 1,280,615)	(\$ 3,247)	(\$ 1,492,841)	(\$ 138,008)		
1,282,999	24,265	3,945,431	495,362		
52,960	885	182,885	47,865		
(52,137)	(3,417)	(446,438)	4,121		
2,436	0	(407,963)	92,760		
(145)	(436)	(1,423)	(1,969)		
111,715	70,603	1,785,451	(47,766)		
0	0	25,949	0		
<u>\$ 117,213</u>	<u>\$ 88,653</u>	<u>\$ 3,591,051</u>	<u>\$ 452,365</u>		
<u>\$ 55,500</u>	<u>\$ 0</u>	<u>\$ 1,847,792</u>	<u>\$ 0</u>		

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

BOROUGH OF CHAMBERSBURG

STATEMENT OF FIDUCIARY NET ASSETS

December 31, 2008

	Pension Trust Funds	Private Purpose Trust Funds	Agency Funds
ASSETS			
Cash and equity in pooled cash and investments	\$ 1,354,006	\$ 51,998	\$ 885,615
Mutual funds - U.S. Securities	7,924,192	0	0
Mutual funds - Stocks	11,264,925	0	0
Mutual funds - Real estate securities	539,666	0	0
Other receivables	0	68	5,318
Total assets	<u>\$ 21,082,789</u>	<u>\$ 52,066</u>	<u>\$ 890,933</u>
LIABILITIES			
Consumer deposits	0	0	890,933
Total liabilities	<u>0</u>	<u>0</u>	<u>890,933</u>
NET ASSETS			
Held in trust for benefits and other purposes	<u>21,082,789</u>	<u>52,066</u>	<u>0</u>
Total liabilities and net assets	<u>\$ 21,082,789</u>	<u>\$ 52,066</u>	<u>\$ 890,933</u>

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

BOROUGH OF CHAMBERSBURG

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
For the Year Ended December 31, 2008

	Pension Trust Funds	Private Purpose Trust Funds
ADDITIONS		
Contributions		
Employer - contributions	\$ 983,746	\$ 0
Public contributions and other revenue	<u>0</u>	<u>6,659</u>
Total contributions	<u>983,746</u>	<u>6,659</u>
Investment income:		
Net appreciation (depreciation) in fair value of investments and gain (loss) on sale of investments	(6,753,120)	0
Interest, dividends, and other	<u>670,724</u>	<u>1,251</u>
Total net investment earnings	<u>(6,082,396)</u>	<u>1,251</u>
 Total additions	 <u>(5,098,650)</u>	 <u>7,910</u>
DEDUCTIONS		
Benefits	1,465,016	0
Administrative expenses	8,275	0
Miscellaneous expenses	<u>0</u>	<u>0</u>
Total deductions	<u>1,473,291</u>	<u>0</u>
 Change in net assets	 (6,571,941)	 7,910
Net assets - beginning	<u>27,654,730</u>	<u>44,156</u>
Net assets - ending	<u>\$ 21,082,789</u>	<u>\$ 52,066</u>

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

NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Nature of Operations

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

Reporting Entity

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

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

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

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

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

The Municipal Authority of the Borough of Chambersburg (the "Authority") is governed by a Board appointed by Borough Council. The Authority had no financial activity during 2008. See Note 11 for additional information.

Fund Accounting

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

Note 1. Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

Governmental Funds

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

The Borough reports the following major governmental funds:

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

Special Revenue Fund - Grant Programs is used to account for the majority of the grants obtained by the Borough for the governmental activities

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

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

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

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

Proprietary Funds

Proprietary funds are used to account for activities similar to those found in the private sector, where the focus of proprietary funds is on the determination of net earnings and capital maintenance. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds). Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements, which are for the private sector issued after November 30, 1989, for reporting business-type activities and proprietary funds, and Accounting Principles Board (APB) opinions, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

The Borough's proprietary funds consist of:

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

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

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

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.

Note 1. Summary of Significant Accounting Policies (Continued)

Proprietary Funds (Continued)

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

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

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

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

- **Operating Revenues** - Operating revenues include activities that have the characteristics of exchange transactions, such as (1) utility billings; (2) penalties and late charges; and (3) other miscellaneous sales.
- **Nonoperating Revenues** - Nonoperating revenues include activities that have the characteristics of non-exchange transactions (in which the Borough receives value without directly giving equal value in return), such as contributions and grants, and other revenues that are defined as nonoperating revenues by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting* and GASB No. 34, such as investment earnings. Tap fees are also considered nonoperating since they are charged based on future capacity needs of the system and are not based on an exchange-type transaction.

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

The Borough's internal service funds consist of:

Stores Fund – The Stores Department is responsible for the purchase, storage, and 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, utility meter reading, and parking meter operations as well as the operation and maintenance of Borough Hall.

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

Fiduciary Fund Types

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

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

The Firemen's pension fund is used to account for the accumulation of resources for pension benefit payments to qualified fire department employees. The Police pension fund is used to account for the accumulation of resources for pension benefit payments to qualified public safety (police) employees. The Bargaining and Administrative Employees pension 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. The Citizen's Reward trust fund is used to hold contributions from private citizens for the purpose of rewarding police informants for their assistance in solving crime. The Sister City trust fund is used to hold money that accumulates for the specific purpose of "sister city" (Gotemba, Japan) activities. The Project Heat trust fund was established to hold contributions from citizens for the purpose of assisting others pay their utility bills. The Payroll Clearing fund is 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. The Consumer Deposits fund is a trust fund used to hold deposits on behalf of utility customers. 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 of the Borough.

Basis of Presentation

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

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Borough, and for each function or program of the Borough's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient for the goods or

Note 1. Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

services offered by the program and grants and contributions that are restricted to meeting the operation or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Borough, with certain limited exceptions. The comparison of direct expenses and program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Borough. The net assets restricted for program expenditures are restricted by external grantors and contributors, or laws or regulations of other governments.

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

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

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

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

Basis of Accounting

The government-wide, proprietary, and fiduciary fund (except agency fund) financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Net assets (total assets less total liabilities) are used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased net assets. Depreciation is charged as expense against current operations and accumulated depreciation is reported on the statement of net assets. The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Revenue from federal, state, and other grants designated for payment of specific Borough expenditures is recognized when the

Note 1. Summary of Significant Accounting Policies (Continued)

Basis of Accounting (Continued)

related expenditures are incurred; accordingly, when such funds are received, they are recorded as deferred revenues until earned. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. When both restricted and unrestricted resources are available for use, it is the Borough's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general fund, liquid fuels fund, capital projects, grant program, and proprietary funds. All annual appropriations lapse at year end and must be reappropriated. Budgets are not revised during the year. Encumbrance accounting is utilized for internal management purposes, but not for financial reporting.

Use of Estimates

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

Cash, Cash Equivalents and Investments

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

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.

Note 1. Summary of Significant Accounting Policies (Continued)

Capital Assets

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

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

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

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

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

Net Assets

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

Interfund Transactions

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

Allowance for Uncollectible Accounts

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

Loans Receivable

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

Long-Term Obligations

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

Bond premium and discounts, loss on refinancing, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount and loss on refinancing. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Pension Trust Funds

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

Deferred Compensation Plan

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

Compensated Absences

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

Note 1. Summary of Significant Accounting Policies (Continued)

Compensated Absences (Continued)

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

⇒ **Administrative and Bargaining Unit** - 1% per year of service of unused sick leave up to a maximum of 90 days pay for employees with at least five (5) years of continuous employment.

⇒ **Police** - any sick leave accumulated in excess of 100 days at \$ 30-\$ 40 per day.

⇒ **Fire** - 15% to 27.5% of accumulated sick leave, up to a maximum of 1,012.8 hours.

Other Postemployment Benefits Other Than Pension

In June 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension*. This statement establishes standards for the measurement, recognition, and display of other postemployment benefit expenditures and related liabilities, note disclosures, and if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.. The financial statements incorporate the changes required by Statement No. 45. See Note 8.

Statement of Cash Flows - Proprietary Fund

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

Deficit Net Assets

The Administrative Services Fund (an internal service fund) has a deficit balance of \$ 248,949 at December 31, 2008, which has resulted from previous funding of the capital reserve fund.

Note 2. Cash and Cash Equivalents

The Borough is authorized to invest in the following:

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

Note 2. Cash and Cash Equivalents (Continued)

Deposits

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Borough's deposits may not be returned to it. The Borough does not have a written policy for custodial credit risk. As of December 31, 2008, \$ 250,904 of the Borough's bank balance of \$ 566,937 was exposed to credit risk. All of the \$ 250,904 was uninsured and collateralized with securities held by the pledging bank's trust department, but not in the Borough's name.

Investments

As of December 31, 2008, the Borough's investments were as follows:

Investment Type	Fair Value	Credit Quality
		Rating
PLGIT/PLGIT PLUS	\$ 7,585,118	AAA _m
PLGIT - CDs	13,095,019	AAA _m
Merrill Lynch - CDs	1,251,545	N/A
PA Invest Program	2,917,649	AAA _m
US Treasury Bills and Notes	14,256,983	N/A

Credit Risk – Investments

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

Included in cash and cash equivalents on the statement of net assets are pooled investments in the Pennsylvania Local Government (PLGIT) of \$ 7,585,118. 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
U.S. T-Bills	1,749,952	1,749,952	0
U.S. T-Notes	12,507,031	8,404,375	4,102,656

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.

Note 2. Cash and Cash Equivalents (Continued)

Municipal Pension Plans

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

	Total Fair Value	Investment Maturities
Investment		
Money Market Funds	\$ 1,354,005	N/A
Open End Mutual Funds	<u>19,728,784</u>	N/A
Total	<u>\$ 21,082,789</u>	

Credit Risk

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

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.

Note 3. Taxes and Other Receivables

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

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

Note 3. Taxes and Other Receivables (Continued)

Receivables as of December 31, 2008 for the Borough's governmental activities, including the applicable allowances for uncollectible accounts are as follows:

Real estate	\$ 218,243
Earned income tax	732,349
Real estate transfer tax	29,330
Ambulance billings	179,927
Loans receivable	308,126
Grants receivable	250,934
Other	199,023
Allowance for uncollectible accounts	(125,244)
Receivables - full accrual basis	1,792,688
Taxes not receivable within 60 days and allocation of internal service funds not recorded in fund financial statements	(185,502)
Receivables - modified accrual basis	<u>\$ 1,607,186</u>

Note 4. Capital Assets

Capital asset activity for the Borough consists of the following as of and for the year ended December 31, 2008:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Cost:				
Capital assets not being depreciated				
Land	\$ 402,715	\$ 0	\$ 0	\$ 402,715
Construction-in-progress	4,927,813	1,992,485	(381,220)	6,539,078
Capital assets				
Land improvements	2,039,818	80,792	0	2,120,610
Buildings	4,518,195	9,645	0	4,527,840
Machinery and equipment	4,581,605	197,208	(109,647)	4,669,166
Infrastructure - roads	9,056,348	809,491	0	9,865,839
Infrastructure - railroads	2,478,702	0	0	2,478,702
Infrastructure - other	1,606,662	348,262	(25,000)	1,929,924
Total cost	<u>29,611,858</u>	<u>3,437,883</u>	<u>(515,867)</u>	<u>32,533,874</u>
Less accumulated depreciation:				
Land improvements	(859,936)	(85,583)	0	(945,519)
Buildings	(2,801,832)	(105,846)	0	(2,907,678)
Machinery and equipment	(2,338,017)	(350,038)	99,921	(2,588,134)
Infrastructure - railroads	(1,041,530)	(99,148)	0	(1,140,678)
Infrastructure - highways	(2,080,719)	(246,340)	0	(2,327,059)
Infrastructure - other	(382,706)	(146,099)	7,500	(521,305)
Total accumulated depreciation	<u>(9,504,740)</u>	<u>(1,033,054)</u>	<u>107,421</u>	<u>(10,430,373)</u>
Capital assets, net	<u>\$ 20,107,118</u>	<u>\$ 2,404,829</u>	<u>(\$ 408,446)</u>	<u>\$ 22,103,501</u>
Business-Type Activities:				
Cost:				
Capital assets not being depreciated				
Land	\$ 826,334	\$ 0	\$ 0	\$ 826,334
Construction-in-progress	3,222,915	1,332,300	(523,139)	4,032,076
Capital assets				
Utility plant in service	134,104,158	4,238,618	(610,214)	137,732,562
Land improvements	84,800	0	0	84,800
Buildings	586,100	0	(168)	585,932
Machinery and equipment	6,061,926	416,418	(111,804)	6,366,540
Total cost	<u>144,886,233</u>	<u>5,987,336</u>	<u>(1,245,325)</u>	<u>149,628,244</u>
Less accumulated depreciation:				
Utility plant in service	(48,431,381)	(3,829,407)	464,301	(51,796,487)
Land improvements	(52,849)	(852)	0	(53,701)
Buildings	(303,305)	(15,116)	87	(318,334)
Machinery and equipment	(3,225,697)	(452,078)	110,193	(3,567,582)
Total accumulated depreciation	<u>(52,013,232)</u>	<u>(4,297,453)</u>	<u>574,581</u>	<u>(55,736,104)</u>
Capital assets, net	<u>\$ 92,873,001</u>	<u>\$ 1,689,883</u>	<u>(\$ 670,744)</u>	<u>\$ 93,892,140</u>

Note 4. Capital Assets (Continued)

Depreciation expense for the year ended December 31, 2008 was charged to expense functions, including the internal service fund allocations, as follows:

	Governmental Activities	Business-Type Activities
General government	\$ 188,965	\$ 0
Public Safety	231,929	0
Public Services	485,139	0
Parks and recreation	127,021	0
Electric	0	1,947,134
Gas	0	334,750
Water	0	611,803
Sewer	0	1,317,345
Sanitation	0	70,996
Parking	0	15,425
	<u>\$ 1,033,054</u>	<u>\$ 4,297,453</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 (31%) and the business-type activities (69%). These allocations were changed in 2008, compared to 2007, thus the beginning balances do not match the previous year financial statements due to reallocating the beginning balance of the internal service funds using the new allocations.

Note 5. Long-term Liabilities

The changes in long-term liabilities during the year ended December 31, 2008 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Unamortized Bond Loss/Discount	Current Portion	Long-term Portion
Governmental Activities:							
Liability for self-insured losses	\$ 217,390	\$ 68,532	(\$ 116,301)	\$ 169,621	\$ 0	\$ 45,981	\$ 123,640
Compensated Absences	415,393	530,227	(382,571)	563,049	0	341,013	222,036
Total long-term liabilities	<u>\$ 632,783</u>	<u>\$ 598,759</u>	<u>(\$ 498,872)</u>	<u>\$ 732,670</u>	<u>\$ 0</u>	<u>\$ 386,994</u>	<u>\$ 345,676</u>
Business-Type Activities							
Bonds and notes payable							
(A) Sewer 2004 GO Bond	\$ 4,340,000	\$ 0	(\$ 385,000)	\$ 3,955,000	(\$ 208,465)	\$ 365,745	\$ 3,380,790
(B) Electric 2002 GO Bond	3,860,000	0	(430,000)	3,430,000	(23,656)	438,279	2,968,065
(C) Electric 2003 GO Bond	3,380,000	0	(425,000)	2,955,000	(26,614)	433,064	2,495,322
(E) Electric 2007 GO Bond	10,000,000	0	(30,000)	9,970,000	(204,431)	20,130	9,745,439
(D) Water PennVest Loan	2,556,544	0	(218,367)	2,338,177	0	223,707	2,114,470
Subtotal - bonds and notes	<u>24,136,544</u>	<u>0</u>	<u>(1,488,367)</u>	<u>22,648,177</u>	<u>(463,166)</u>	<u>1,480,925</u>	<u>20,704,086</u>
Liability for self-insured losses	523,543	99,377	(253,377)	369,543	0	100,177	269,366
Compensated absences	552,141	837,530	(494,642)	895,029	0	384,271	510,758
Total long-term liabilities	<u>\$ 25,212,228</u>	<u>\$ 936,907</u>	<u>(\$ 2,236,386)</u>	<u>\$ 23,912,749</u>	<u>(\$ 463,166)</u>	<u>\$ 1,965,373</u>	<u>\$ 21,484,210</u>

The General Fund has been used in prior years to liquidate the liability for compensated absences in the Governmental Activities.

Note 5. Long-term Liabilities (Continued)

Internal Service Fund Allocation

The liability for self-insured losses and compensated absences information shown above for governmental activities and business-type activities includes the allocation of self-insured losses and use of compensated absences of internal services funds. This allocation is based on the applicable usage of each internal service fund by the governmental activities (31%) and the business-type activities (69%).

- (A) General Obligation Bonds – Series of 2004 - On April 6, 2004, the Borough issued General Obligation Bonds in the principal amount of \$ 5,545,000 to be used to currently refund the Borough's outstanding General Obligation Bonds, Series of 1999 and to pay the costs of issuing and insuring the Bonds. Annual principal installments of the debt vary from \$ 105,000 to \$ 505,000 and are due through July 1, 2017. Interest rates vary from 1.49% to 3.80% and interest is payable every January 1 and July 1.
- (B) General Obligation Bonds – Series of 2002 - On September 15, 2002, the Borough issued General Obligation Bonds in the principal amount of \$ 10,000,000 to be used for the acquisition, construction and equipping of certain improvements to the existing electrical system; additions, alterations and/or renovations to existing Borough electric system facilities; and the costs of issuing the Bonds. Annual installments of the debt to be paid from the Electric Fund vary from \$ 430,000 to \$ 545,000 and are due from through September 1, 2015. Interest rates vary from 3.00% to 4.00%. Interest is payable every March 1 and September 1.
- (C) General Obligation Bonds – Series of 2003 - On January 1, 2003, the Borough issued General Obligation Bonds in the principal amount of \$ 9,900,000 to be used for the acquisition, construction and equipping of certain improvements to the existing electrical system; additions, alterations and/or renovations to existing Borough electric system facilities; and the costs of issuing the Bonds. Annual installments of the debt to be paid from the Electric Fund vary from \$ 105,000 to \$ 520,000 and are due through September 1, 2015. Interest rates vary from 3.00% to 4.15%. Interest is payable every March 1 and September 1.
- (D) General Obligation Bonds – Series of 2007 - On June 1, 2007, the Borough issued General Obligation Bonds in the principal amount of \$10,000,000 to be used for a partial refunding of the General Obligation Bonds, Series of 2002 and 2003 and the costs of issuing the Bonds. Annual installments of the debt are to be paid from the Electric Fund vary from \$ 30,000 to \$1,475,000 and are due through September 1, 2022. Interest rates vary from 3.60% to 4.00%. Interest is payable every March 1 and September 1.
- (E) Pennvest Loan - On July 27, 2001, the Borough entered into a loan agreement with the Pennsylvania Infrastructure Investment Authority for \$ 4,400,000 to be used to partially finance the construction of a water system in the Borough, and Green and Guilford Townships. Interest rates range from 2.501% to 3.331%. Principal and interest payments are payable monthly, are based on the full amount of the loan and are due through October 2024. The future principal and interest payments shown below are based on this amount.

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, 2008:

	Series of 2002		Series of 2003		Series of 2004	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 440,000	\$ 127,517	\$ 435,000	\$ 109,491	\$ 390,000	\$ 126,177
2010	455,000	113,217	450,000	95,353	395,000	117,208
2011	470,000	97,293	465,000	79,604	410,000	107,135
2012	490,000	80,373	480,000	62,631	420,000	95,654
2013	505,000	62,243	500,000	44,631	435,000	82,845
2014 - 2018	1,070,000	64,600	625,000	29,464	1,905,000	178,368
2019 - 2023	0	0	0	0	0	0
2024	0	0	0	0	0	0
	<u>\$ 3,430,000</u>	<u>\$ 545,243</u>	<u>\$ 2,955,000</u>	<u>\$ 421,174</u>	<u>\$ 3,955,000</u>	<u>\$ 707,387</u>

	Series of 2007		PennVest Loan		Total
	Principal	Interest	Principal	Interest	
2009	\$ 35,000	\$ 387,895	\$ 223,707	\$ 58,889	\$ 2,333,676
2010	35,000	386,635	229,553	66,952	2,343,918
2011	40,000	385,375	237,317	59,188	2,350,912
2012	40,000	383,935	245,344	51,161	2,349,098
2013	40,000	382,475	253,642	42,863	2,348,699
2014 - 2018	4,195,000	1,710,275	1,148,614	82,709	11,009,030
2019 - 2023	5,585,000	567,885	0	0	6,152,885
2024	0	0	0	0	0
	<u>\$ 9,970,000</u>	<u>\$ 4,204,475</u>	<u>\$ 2,338,177</u>	<u>\$ 361,762</u>	<u>\$ 28,888,218</u>

Subsequent Event

On March 1, 2009, the Borough issued General Obligation Bonds in the principal amount of \$ 10,000,000 to be used to be used to currently refund the Borough's outstanding General Obligations Bonds, Series of 2002, 2003, and a portion of the 2004 Series and to pay the costs of issuing and insuring the Bonds.

Note 6. Interfund Transfers

Interfund transfers consisted of the following during 2008:

	Transfers In	Transfers Out
Major Governmental Funds:		
General Fund	\$ 1,297,000	\$ 567,000
Special Revenue	6,917	4,824
Nonmajor Governmental Funds:		
Capital Reserve	551,824	917
Major Proprietary Funds:		
Electric	0	900,000
Gas	0	350,000
Water	0	72,000
Internal Service Funds:		
Motor	0	50,000
Engineering	0	25,000
Worker's Compensation	160,000	0
Administrative services	0	46,000
	<u>\$ 2,015,741</u>	<u>\$ 2,015,741</u>

Note 6. Interfund Transfers (Continued)

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

Note 7. Pension Plans

Plan Description

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

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

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

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

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

Summary of Significant Accounting Policies

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

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

At December 31, 2008, there were no individual investments in excess of 5% of plan net assets. In addition, the plans did not have any investment transactions with related parties during the year.

Note 7. Pension Plans (Continued)

Contributions and Funding Policy

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

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

Annual Pension Cost and Net Pension Obligations

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

Three Year Trend Information

Year Ended	Annual Pension Cost (APC)	% of APC Contributed	Net Pension Obligation
<u>General</u>			
12/31/08	418,654	100%	0
12/31/07	438,129	100%	0
12/31/06	351,368	100%	0
<u>Police</u>			
12/31/08	453,071	100%	0
12/31/07	454,641	100%	0
12/31/06	404,176	100%	0
<u>Firemen</u>			
12/31/08	112,021	100%	0
12/31/07	131,129	100%	0
12/31/06	109,004	100%	0

Note 7. Pension Plans (Continued)***Actuarial Methods and Assumptions***

	General Employees	Police	Firemen
Actuarial valuation date	1/1/2009	1/1/2009	1/1/2009
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method	Level Dollar Closed	Level Dollar Closed	Level Dollar Closed
Remaining amortization period	14 years	16 years	15 years
Asset valuation method	Five year smoothed value	Five year smoothed value	Five year smoothed value
Actuarial assumptions:			
Investment rate of return	8%	8%	8%
Projected salary increases	6%	6%	6%
Cost-of-living adjustments	N/A	4%	4%

Funded Status and Funding Progress

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

	Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	(Overfunded) Unfunded AAL ("UAAL")	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
General	1/1/2009	14,754,595	17,342,609	2,588,014	85.10%	6,873,071	37.70%
Police	1/1/2009	7,237,116	9,833,514	2,596,398	73.60%	1,824,708	142.30%
Firemen	1/1/2009	3,308,399	4,619,052	1,310,653	71.60%	1,231,786	106.40%

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

Note 7. Pension Plans (Continued)

Financial Statements

The following are financial statements as of December 31, 2008 for the individual pension plans maintained by the Borough:

	Firemen's Pension Fund	Police Pension Fund	Bargaining and Administrative Employees Pension Fund	Total Pension Trust Funds
ASSETS				
Cash and cash equivalents	\$ 153,211	\$ 392,154	\$ 808,641	\$ 1,354,006
Mutual funds - U.S. Securities	1,037,435	2,195,984	4,690,773	7,924,192
Mutual funds - Stocks	1,495,140	3,298,043	6,471,742	11,264,925
Mutual funds - Real estate securities	70,744	144,749	324,173	539,666
Total assets	<u>\$ 2,756,530</u>	<u>\$ 6,030,930</u>	<u>\$ 12,295,329</u>	<u>\$ 21,082,789</u>
NET ASSETS				
Held in trust for benefits and other purposes	<u>\$ 2,756,530</u>	<u>\$ 6,030,930</u>	<u>\$ 12,295,329</u>	<u>\$ 21,082,789</u>
ADDITIONS				
Contributions				
Employer - contributions	\$ 112,021	\$ 453,071	\$ 418,654	\$ 983,746
Total contributions	<u>112,021</u>	<u>453,071</u>	<u>418,654</u>	<u>983,746</u>
Investment income:				
Net appreciation (depreciation) in fair value of investments and gains (loss) on sale of investments	(864,476)	(1,876,369)	(4,012,275)	(6,753,120)
Interest, dividends and other	<u>87,577</u>	<u>186,968</u>	<u>396,179</u>	<u>670,724</u>
Total net investment income/(loss)	(776,899)	(1,689,401)	(3,616,096)	(6,082,396)
Total additions	<u>(664,878)</u>	<u>(1,236,330)</u>	<u>(3,197,442)</u>	<u>(5,098,650)</u>
DEDUCTIONS				
Benefits	188,826	408,386	867,804	1,465,016
Administrative expenses	<u>1,224</u>	<u>1,752</u>	<u>5,299</u>	<u>8,275</u>
Total deductions	<u>190,050</u>	<u>410,138</u>	<u>873,103</u>	<u>1,473,291</u>
Change in net assets	(854,928)	(1,646,468)	(4,070,545)	(6,571,941)
Net assets - beginning	<u>3,611,458</u>	<u>7,677,398</u>	<u>16,365,874</u>	<u>27,654,730</u>
Net assets - ending	<u>\$ 2,756,530</u>	<u>\$ 6,030,930</u>	<u>\$ 12,295,329</u>	<u>\$ 21,082,789</u>

Note 8. Postemployment Healthcare Plan

GASB 45 (*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*) was adopted during the year. The provisions of this standard are being implemented prospectively.

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. To continue coverage upon retirement, the retiree must reimburse the Borough 102% of the Borough's cost of coverage. 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.

Note 8. Postemployment Healthcare Plan (Continued)*Funding Policy*

The contribution requirements of plan members and the Borough are established and may be amended by the Borough. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by the Borough. For fiscal year 2008, the Borough contributed \$ 58,720 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 \$7,069, 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)	\$ 243,974
Employer contributions made	(58,720)
Increase in net OPEB obligation	185,254
Net OPEB obligation – beginning of the year	0
Net OPEB obligation – end of the year	<u>\$ 185,254</u>

The Borough's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	12/31/08 Net OPEB Obligation
2008	\$ 243,974	24%	\$ 185,254

Funded Status and Funding Progress

As of January 1, 2009, the most recent actuarial valuation date, the plan had the following funding status and progress:

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

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.

Note 8. Postemployment Healthcare Plan (Continued)*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, 2008 actuarial valuation, the entry age normal cost method was used. The actuarial assumption included a 4.5 percent investment rate of return (net of administrative expenses), annual salary increases of 6% and an annual healthcare cost trend rate of 8.5 percent in 2008, decreasing .5 percent to an ultimate rate of 5% in 2015 and later. The actuarial value of assets was based on the fair value of assets, of which there are none. The UAAL is being amortized based on a level dollar 30 year open period.

Note 9. Risk Management

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

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

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

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

	Liability Beginning	Current Year Claims and Changes in Estimates	Claim Payments	Liability Ending
2008				
Self-insurance fund	\$ 142,799	(\$ 37,075)	(\$ 11,920)	\$ 93,804
Workers' compensation fund	598,134	3,215	(155,989)	445,360
2007				
Self-insurance fund	\$ 142,460	\$ 1,437	(\$ 1,134)	\$ 142,799
Workers' compensation fund	461,000	346,793	(209,659)	598,134

Note 9. Risk Management (Continued)

The Borough is part of the Capital Region Insurance Trust (CRIT). This trust consists of a group of municipalities that have pooled their interests together in order to establish a self funded medical insurance plan in order to better control insurance rates. The Borough pays a premium to CRIT that consists of a portion for actual claim expenses, administrative costs, reinsurance costs and a reserve account. At year end, the actual claims of the Borough are reviewed and the reserve account is used to fund any excess claims for the Borough over premiums paid during the year. If any funds remain in the reserve account, 15% of the total reserve balance could possibly be used to fund claim overages for the trust. The reinsurance policy that is purchased through the Pennsylvania Municipal Health Insurance Cooperative is used to pay the claims. Therefore, the expense recognized by the Borough is limited to the premiums paid during the year. Any potential refund of the reserve account is calculated and received by the Borough several months after year end. Total payments by the Borough to CRIT during the year were \$ 2,797,306. During 2008, the Borough received \$ 236,793 from CRIT as a refund for prior premiums paid.

Note 10. Commitments

Projects for which the Borough has contractual commitments at December 31, 2008 are as follows:

Project Description	Electric	Total contractual commitments			General	Costs paid as of 12/31/08	Costs to complete
		Gas	Water	Sewer			
Penndot Route 30 utility relocation	\$ 0	\$ 0	\$ 275,000	\$ 25,000	\$ 0	\$ 281,664	\$ 18,336
EPA water project	0	0	250,000	0	0	176,330	73,670
Pumping Station on Progress Road	0	0	0	550,000	0	474,795	75,205
Mill Road/Rt 11 South end project	0	0	200,000	1,200,000	0	243,028	1,156,972
Norland Avenue corridor traffic signal project	0	0	0	0	720,000	542,208	177,792
Upgrade gas mains	0	150,000	0	0	0	109,048	40,952
Falling Spring Project	957,500	657,500	0	0	4,600,000	5,933,906	281,094
Act 537 sewage plan	0	0	0	150,000	0	111,211	38,789
Progress Village recreation	0	0	0	0	300,000	16,237	283,763
Street Lighting on Route 30 and Route 11	0	0	0	0	293,043	111,041	182,002
Upgrade sewer meters	0	0	0	150,000	0	112,700	37,300
Upgrades to Route 30	0	150,000	0	650,000	0	112,734	687,266
Brumbaugh Avenue project	0	0	0	0	1,000,000	24,854	975,146
SCADA Facilities at water plant	0	0	1,750,000	0	0	230,000	1,520,000
Mike Waters Park	0	0	0	0	200,000	197,980	2,020
Raw water system improvements	0	0	400,000	0	0	62,837	337,163
Enclose drainage from Progress Road to Hollywell Ave	0	0	0	0	1,000,000	1,060	998,940
Various	600,000	315,000	130,000	0	517,681	818,217	744,464
Totals	\$ 1,557,500	\$1,272,500	\$ 3,005,000	\$ 2,725,000	\$ 8,630,724	\$ 9,559,850	\$ 7,630,874

Note 11. Conduit Debt Obligations

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

As of December 31, 2008 outstanding note balances under conduit debt arrangements were as follows:

Wilson College	\$ 31,180,000
Lutheran Homes	2,675,453
Children's Aid Society	1,987,745
Franklin County Library	661,000

Note 12. Restatement

A restatement was necessary in the General Fund to correct receivables at December 31, 2007. There was also a restatement necessary in the Governmental Activities to correct fixed assets at December 31, 2007.

	Governmental Activities	General Fund
Fund Balance/Net Assets - December 31, 2007	\$ 30,688,979	\$ 3,057,235
To properly state receivables at December 31, 2007	75,000	75,000
To properly state fixed assets at December 31, 2007	<u>82,808</u>	<u>0</u>
Restated Fund Balance/Net Assets - December 31, 2007	<u>\$ 30,846,787</u>	<u>\$ 3,132,235</u>
Change in fund balance/net assets, as originally stated	\$ 4,469,393	\$ 54,709
Restatement - for receivables	75,000	75,000
Restatement - for fixed assets	<u>82,808</u>	<u>0</u>
Change in net assets, as restated	<u>\$ 4,627,201</u>	<u>\$ 129,709</u>

REQUIRED SUPPLEMENTARY INFORMATION

**BOROUGH OF CHAMBERSBURG
PENSION TRUST FUNDS**

UNAUDITED REQUIRED SCHEDULE OF FUNDING PROGRESS

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	(Overfunded) Unfunded AAL ("UAAL")	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
General:						
1/1/2001	14,964,894	11,296,029	(3,668,865)	132.50%	4,535,055	(80.90%)
1/1/2003	13,634,556	12,130,524	(1,504,032)	112.40%	4,950,432	(30.40%)
1/1/2005	14,503,660	13,918,831	(584,829)	104.20%	5,708,522	(10.20%)
1/1/2007	16,163,230	15,456,281	(706,949)	104.60%	6,172,381	(11.50%)
1/1/2009	14,754,595	17,342,609	2,588,014	85.10%	6,873,071	37.70%
Police:						
1/1/2001	6,261,463	5,482,624	(778,839)	114.20%	1,209,026	(64.40%)
1/1/2003	5,659,347	6,562,832	903,485	86.20%	1,307,425	69.10%
1/1/2005	6,240,158	7,671,322	1,431,164	81.30%	1,431,559	100.00%
1/1/2007	7,351,019	8,637,360	1,286,341	85.10%	1,558,754	82.50%
1/1/2009	7,237,116	9,833,514	2,596,398	73.60%	1,824,708	142.30%
Firemen:						
1/1/2001	3,511,706	2,691,998	(819,708)	130.40%	687,557	(119.20%)
1/1/2003	3,081,688	2,933,945	(147,743)	105.00%	728,352	(20.30%)
1/1/2005	3,209,245	3,382,444	173,199	94.90%	925,075	18.70%
1/1/2007	3,546,426	3,672,003	125,577	96.60%	867,312	14.50%
1/1/2009	3,308,399	4,619,052	1,310,653	71.60%	1,231,786	106.40%

**BOROUGH OF CHAMBERSBURG
PENSION TRUST FUNDS**

UNAUDITED REQUIRED SCHEDULE OF EMPLOYER CONTRIBUTIONS

Calendar Year	General			Police			Firemen		
	Annual Required Contribution	Contributions From Employer	Percentage Contributed	Annual Required Contribution	Contributions From Employer	Percentage Contributed	Annual Required Contribution	Contributions From Employer	Percentage Contributed
2003	68,614	68,614	100.0%	215,297	215,297	100.0%	19,611	19,611	100.0%
2004	91,737	441,495	100.0%	210,531	210,531	100.0%	35,053	35,053	100.0%
2005	346,427	346,427	100.0%	380,106	380,106	100.0%	102,524	102,524	100.0%
2006	351,368	351,368	100.0%	404,176	404,176	100.0%	109,004	109,004	100.0%
2007	438,129	438,129	100.0%	454,641	454,641	100.0%	131,129	131,129	100.0%
2008	418,654	418,654	100.0%	453,071	453,071	100.0%	112,021	112,021	100.0%

BOROUGH OF CHAMBERSBURG
OPEB (Other Post Employment Benefit Plan)

UNADITED REQUIRED SCHEDULE OF FUNDING PROGRESS

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

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

BOROUGH OF CHAMBERSBURG
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the year ended December 31, 2008

	Original/Final Budget	Actual (Budgetary/GAAP Basis)	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes	\$ 6,020,500	\$ 6,694,532	\$ 674,032
Licenses and permits	252,000	314,841	62,841
Fines and forfeits	101,000	147,943	46,943
Investment earnings	125,000	114,025	(10,975)
Intergovernmental	708,000	686,525	(21,475)
Departmental charges for services	1,190,400	1,533,643	343,243
Miscellaneous	123,000	126,907	3,907
Total revenues	<u>8,519,900</u>	<u>9,618,416</u>	<u>1,098,516</u>
EXPENDITURES			
General government	808,450	779,613	28,837
Police department	4,101,175	3,967,353	133,822
Fire department	2,129,590	1,725,815	403,775
General health and ambulance service	813,205	985,431	(172,226)
Planning and zoning	460,700	424,173	36,527
Highways	1,240,600	991,941	248,659
Other	507,350	420,802	86,548
Culture and recreation	1,204,750	1,068,444	136,306
Miscellaneous expense	104,450	95,068	9,382
Total expenditures	<u>11,370,270</u>	<u>10,458,640</u>	<u>911,630</u>
Excess (deficiency) of revenues over expenditures	(<u>2,850,370</u>)	(<u>840,224</u>)	<u>2,010,146</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	1,597,000	1,297,000	(300,000)
Transfers out	(<u>100,000</u>)	(<u>567,000</u>)	(<u>467,000</u>)
Total other financing sources and uses	<u>1,497,000</u>	<u>730,000</u>	(<u>767,000</u>)
Net change in fund balances	(<u>\$ 1,353,370</u>)	(<u>110,224</u>)	<u>\$ 1,243,146</u>
Fund balances - beginning (as restated)		<u>3,132,235</u>	
Fund balances - ending		<u>\$ 3,022,011</u>	

BOROUGH OF CHAMBERSBURG
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND GRANT PROGRAMS
For the year ended December 31, 2008

	Original/Final Budget	Actual (Budgetary/GAAP Basis)	Variance with Final Budget Positive (Negative)
REVENUES	\$ 3,515,150	\$ 1,098,993	(\$ 2,416,157)
EXPENDITURES	<u>3,463,550</u>	<u>1,055,374</u>	<u>2,408,176</u>
Excess (deficiency) of revenues over expenditures	<u>51,600</u>	<u>43,619</u>	(<u>7,981</u>)
OTHER FINANCING SOURCES (USES)			
Transfers in	6,200	6,917	717
Transfers out	<u>0</u>	(<u>4,824</u>)	(<u>4,824</u>)
Total other financing sources and uses	<u>6,200</u>	<u>2,093</u>	(<u>4,107</u>)
Net change in fund balances	<u>\$ 57,800</u>	45,712	(<u>\$ 12,088</u>)
Fund balances - beginning		<u>180,719</u>	
Fund balances - ending		<u>\$ 226,431</u>	

OTHER SUPPLEMENTARY INFORMATION

OTHER GOVERNMENTAL FUNDS

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

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

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

BOROUGH OF CHAMBERSBURG

**COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
December 31, 2008**

	Special Revenue Liquid Fuels Fund	Capital Reserve Fund	Total - Other Governmental Funds
ASSETS			
Cash and equity in pooled cash and investments	\$ 858,329	\$ 4,988,362	\$ 5,846,691
Other receivables	0	250,409	250,409
Total assets	<u>\$ 858,329</u>	<u>\$ 5,238,771</u>	<u>\$ 6,097,100</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 0	\$ 146,972	\$ 146,972
Accrued wages, benefits and withholdings	0	7,246	7,246
Total liabilities	<u>0</u>	<u>154,218</u>	<u>154,218</u>
Fund balances			
Reserved for:			
Long term loans	0	213,257	213,257
Unreserved	858,329	4,871,296	5,729,625
Total fund balances	<u>858,329</u>	<u>5,084,553</u>	<u>5,942,882</u>
Total liabilities and fund balances	<u>\$ 858,329</u>	<u>\$ 5,238,771</u>	<u>\$ 6,097,100</u>

BOROUGH OF CHAMBERSBURG

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE:
OTHER GOVERNMENTAL FUNDS**

For the Year Ended December 31, 2008

	Special Revenue Liquid Fuels Fund	Capital Reserve Fund	Total - Other Governmental Funds
REVENUES			
Investment earnings	\$ 19,184	\$ 169,531	\$ 188,715
Intergovernmental	383,587	123,100	506,687
Contributions and donations	0	767,176	767,176
Miscellaneous	0	11,627	11,627
Total revenues	<u>402,771</u>	<u>1,071,434</u>	<u>1,474,205</u>
EXPENDITURES			
General government	0	55,788	55,788
Public Safety			
Fire department	0	43,059	43,059
Police department	0	35,647	35,647
Ambulance	0	9,647	9,647
Public works			
Highways	0	92,973	92,973
Other	0	27,656	27,656
Culture and recreation	0	283,740	283,740
Community development	0	600,701	600,701
Total expenditures	<u>0</u>	<u>1,149,211</u>	<u>1,149,211</u>
Excess (deficiency) of revenues over expenditures	<u>402,771</u>	<u>(77,777)</u>	<u>324,994</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	0	551,824	551,824
Transfers out	0	(917)	(917)
Total other financing sources and uses	<u>0</u>	<u>550,907</u>	<u>550,907</u>
Net change in fund balances	402,771	473,130	875,901
Fund balances - beginning	<u>455,558</u>	<u>4,611,423</u>	<u>5,066,981</u>
Fund balances - ending	<u>\$ 858,329</u>	<u>\$ 5,084,553</u>	<u>\$ 5,942,882</u>

BOROUGH OF CHAMBERSBURG
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND - LIQUID FUELS
For the year ended December 31, 2008

	Original/Final Budget	Actual (Budgetary/GAAP Basis)	Variance with Final Budget Positive (Negative)
REVENUES	\$ 360,000	\$ 402,771	\$ 42,771
EXPENDITURES	<u>0</u>	<u>0</u>	<u>0</u>
Excess (deficiency) of revenues over expenditures	<u>360,000</u>	<u>402,771</u>	<u>42,771</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	0	0	0
Transfers out	(300,000)	0	300,000
Total other financing sources and uses	<u>(300,000)</u>	<u>0</u>	<u>300,000</u>
Net change in fund balances	<u>\$ 60,000</u>	402,771	<u>\$ 342,771</u>
Fund balances - beginning		<u>455,558</u>	
Fund balances - ending		<u>\$ 858,329</u>	

BOROUGH OF CHAMBERSBURG

**BUDGETARY COMPARISON SCHEDULE
CAPITAL RESERVE FUND
For the year ended December 31, 2008**

	Original/Final Budget	Actual (Budgetary/GAAP Basis)	Variance with Final Budget Positive (Negative)
REVENUES			
Investment earnings	\$ 150,000	\$ 169,531	\$ 19,531
Intergovernmental	0	123,100	123,100
Contributions and donations	25,000	767,176	742,176
Miscellaneous	14,600	11,627	(2,973)
Total revenues	<u>189,600</u>	<u>1,071,434</u>	<u>881,834</u>
EXPENDITURES			
General government	70,000	55,788	14,212
Police department	25,000	35,647	(10,647)
Fire department	75,000	43,059	31,941
Ambulance	40,000	9,647	30,353
Highways	55,000	92,973	(37,973)
Other: public works	350,000	27,656	322,344
Culture and recreation	56,000	283,740	(227,740)
Miscellaneous expense	162,200	600,701	(438,501)
Total expenditures	<u>833,200</u>	<u>1,149,211</u>	<u>(316,011)</u>
Excess (deficiency) of revenues over expenditures	(<u>643,600</u>)	(<u>77,777</u>)	<u>565,823</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	507,000	551,824	44,824
Transfers out	<u>0</u>	(<u>917</u>)	(<u>917</u>)
Total other financing sources and uses	<u>507,000</u>	<u>550,907</u>	<u>43,907</u>
Net change in fund balances	(<u>\$ 136,600</u>)	473,130	<u>\$ 609,730</u>
Fund balances - beginning		<u>4,611,423</u>	
Fund balances - ending		<u>\$ 5,084,553</u>	

OTHER ENTERPRISE FUNDS

BOROUGH OF CHAMBERSBURG

**COMBINING STATEMENT OF NET ASSETS
OTHER ENTERPRISE FUNDS
December 31, 2008**

	Sanitation Fund	Parking Fund	Total Other Enterprise Funds
ASSETS			
Current assets			
Cash and equity in pooled cash and investments	\$ 1,349,490	\$ 209,753	\$ 1,559,243
Accounts receivable, net	95,627	423	96,050
Other receivables	8,011	1,245	9,256
Prepaid expenses	3,567	0	3,567
Total current assets	<u>1,456,695</u>	<u>211,421</u>	<u>1,668,116</u>
Noncurrent assets			
Capital assets			
Land	971	111,153	112,124
Buildings and system	77,329	0	77,329
Improvements other than buildings	0	49,748	49,748
Machinery and equipment	423,848	128,073	551,921
Construction in progress	2,720	0	2,720
Less accumulated depreciation	(457,857)	(148,190)	(606,047)
Total capital assets	<u>47,011</u>	<u>140,784</u>	<u>187,795</u>
Total noncurrent assets	<u>47,011</u>	<u>140,784</u>	<u>187,795</u>
Total assets	<u>\$ 1,503,706</u>	<u>\$ 352,205</u>	<u>\$ 1,855,911</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 38,615	\$ 4,927	\$ 43,542
Accrued wages payable	27,120	1,676	28,796
Compensated absences - current	33,203	3,054	36,257
Total current liabilities	<u>98,938</u>	<u>9,657</u>	<u>108,595</u>
Noncurrent liabilities			
Compensated absences	<u>39,871</u>	<u>4,819</u>	<u>44,690</u>
Total non-current liabilities	<u>39,871</u>	<u>4,819</u>	<u>44,690</u>
Total liabilities	<u>138,809</u>	<u>14,476</u>	<u>153,285</u>
NET ASSETS			
Invested in capital assets, net of related debt	47,011	140,784	187,795
Unrestricted	<u>1,317,886</u>	<u>196,945</u>	<u>1,514,831</u>
Total net assets	<u>1,364,897</u>	<u>337,729</u>	<u>1,702,626</u>
Total liabilities and net assets	<u>\$ 1,503,706</u>	<u>\$ 352,205</u>	<u>\$ 1,855,911</u>

BOROUGH OF CHAMBERSBURG

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
OTHER ENTERPRISE FUNDS**

For the Year Ended December 31, 2008

	Sanitation Fund	Parking Fund	Total Other Enterprise Funds
REVENUES			
Charges for services	\$ 2,019,388	\$ 108,386	\$ 2,127,774
Miscellaneous	48,327	29,340	77,667
Total operating revenues	<u>2,067,715</u>	<u>137,726</u>	<u>2,205,441</u>
OPERATING EXPENSES			
Operation and maintenance	0	62,300	62,300
Collection and disposal	1,785,583	0	1,785,583
Customer accounting and administrative	256,226	80,314	336,540
Depreciation	18,746	5,519	24,265
Total operating expenses	<u>2,060,555</u>	<u>148,133</u>	<u>2,208,688</u>
Operating income (loss)	<u>7,160</u>	<u>(10,407)</u>	<u>(3,247)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest and investment revenue	42,009	7,132	49,141
Gain (loss) on sale of assets	0	0	0
Other nonoperating revenues	1	884	885
Intergovernmental revenues	45,235	2,550	47,785
Total nonoperating revenue (expenses)	<u>87,245</u>	<u>10,566</u>	<u>97,811</u>
Income (loss) before contributions and transfers	<u>94,405</u>	<u>159</u>	<u>94,564</u>
Transfers in	0	0	0
Transfers out	<u>0</u>	<u>0</u>	<u>0</u>
Change in net assets	<u>94,405</u>	<u>159</u>	<u>94,564</u>
Total net assets - beginning	<u>1,270,492</u>	<u>337,570</u>	<u>1,608,062</u>
Total net assets - ending	<u>\$ 1,364,897</u>	<u>\$ 337,729</u>	<u>\$ 1,702,626</u>

BOROUGH OF CHAMBERSBURG
COMBINING STATEMENT OF CASH FLOWS
OTHER ENTERPRISE FUNDS
For the Year Ended December 31, 2008

	Sanitation Fund	Parking Fund	Total Other Enterprise Funds
Cash flows from operating activities:			
Receipts from customers	\$ 2,064,191	\$ 138,718	\$ 2,202,909
Payments to suppliers	(1,164,229)	(82,341)	(1,246,570)
Payments to and on behalf of employees	(815,548)	(52,138)	(867,686)
Net cash provided (used) by operating activities	<u>84,414</u>	<u>4,239</u>	<u>88,653</u>
Cash flows from capital and related financing activities:			
Purchase of capital assets	(6,062)	(23,084)	(29,146)
Net cash provided (used) by capital and related financing activities	<u>(6,062)</u>	<u>(23,084)</u>	<u>(29,146)</u>
Cash flows from non-capital financing activities:			
Grants received	<u>45,235</u>	<u>2,550</u>	<u>47,785</u>
Net cash provided (used) by non-capital financing activities	<u>45,235</u>	<u>2,550</u>	<u>47,785</u>
Cash flows from investing activities:			
Interest and dividends received	<u>38,903</u>	<u>6,787</u>	<u>45,690</u>
Net cash provided (used) by investing activities	<u>38,903</u>	<u>6,787</u>	<u>45,690</u>
Net increase (decrease) in cash and cash equivalents	<u>162,490</u>	<u>(9,508)</u>	<u>152,982</u>
Cash and cash equivalents - beginning of the year	<u>1,187,000</u>	<u>219,261</u>	<u>1,406,261</u>
Cash and cash equivalents - end of the year	<u>\$ 1,349,490</u>	<u>\$ 209,753</u>	<u>\$ 1,559,243</u>
Reconciliation of income from operations to net cash provided			
(used) by operating activities			
Operating income (loss)	\$ 7,160	(\$ 10,407)	(\$ 3,247)
Adjustments to reconcile operating income to net cash			
provided (used) by operating activities:			
Depreciation and amortization expense	18,746	5,519	24,265
Miscellaneous nonoperating income	1	884	885
(Increase) decrease in:			
Accounts receivable	(3,525)	108	(3,417)
Prepaid expenses	(436)	0	(436)
Increase (decrease) in:			
Accounts payable	<u>62,468</u>	<u>8,135</u>	<u>70,603</u>
Net cash provided (used) by operating activities	<u>\$ 84,414</u>	<u>\$ 4,239</u>	<u>\$ 88,653</u>

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, utility meter reading, and parking meter operations as well as the operation and maintenance of Borough Hall.

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

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

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

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

BOROUGH OF CHAMBERSBURG

**COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
December 31, 2008**

	Stores Fund	Motor Equipment Fund	Self Insurance Fund
ASSETS			
Current assets			
Cash and equity in pooled cash and investments	\$ 441,664	\$ 2,895,999	\$ 5,393,678
Accounts receivable, net	0	22,401	0
Other receivables	2,511	16,994	32,179
Inventories	1,103,303	67,478	0
Prepaid expenses	135	14,395	0
Total current assets	<u>1,547,613</u>	<u>3,017,267</u>	<u>5,425,857</u>
Noncurrent assets			
Capital Assets			
Land	0	13,984	0
Buildings and system	0	154,866	0
Machinery and equipment	11,300	6,658,956	0
Less accumulated depreciation	(7,829)	(3,429,361)	0
Total capital assets	<u>3,471</u>	<u>3,398,445</u>	<u>0</u>
Total assets	<u>\$ 1,551,084</u>	<u>\$ 6,415,712</u>	<u>\$ 5,425,857</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 26,773	\$ 54,350	\$ 0
Salaries payable	3,779	10,202	0
Compensated absences - current	4,447	20,560	0
Liability for self-insured losses - current	0	0	25,429
Total current liabilities	<u>34,999</u>	<u>85,112</u>	<u>25,429</u>
Noncurrent liabilities			
Compensated absences	1,881	31,069	0
Liability for self-insured losses	0	0	68,375
Total noncurrent liabilities	<u>1,881</u>	<u>31,069</u>	<u>68,375</u>
Total liabilities	<u>36,880</u>	<u>116,181</u>	<u>93,804</u>
NET ASSETS			
Invested in capital assets, net of related debt	3,471	3,398,445	0
Unrestricted	<u>1,510,733</u>	<u>2,901,086</u>	<u>5,332,053</u>
Total net assets	<u>1,514,204</u>	<u>6,299,531</u>	<u>5,332,053</u>
Total liabilities and net assets	<u>\$ 1,551,084</u>	<u>\$ 6,415,712</u>	<u>\$ 5,425,857</u>

Engineering Fund	Worker's Compensation Fund	Administrative Services Fund	Total Internal Service Funds
\$ 134,725	\$ 610,512	\$ 15,824	\$ 9,492,402
0	0	2,519	24,920
792	3,666	0	56,142
0	0	0	1,170,781
0	0	0	14,530
<u>135,517</u>	<u>614,178</u>	<u>18,343</u>	<u>10,758,775</u>
0	0	0	13,984
0	0	0	154,866
56,432	0	0	6,726,688
(41,017)	0	0	(3,478,207)
<u>15,415</u>	<u>0</u>	<u>0</u>	<u>3,417,331</u>
<u>\$ 150,932</u>	<u>\$ 614,178</u>	<u>\$ 18,343</u>	<u>\$ 14,176,106</u>
\$ 2,498	\$ 14,758	\$ 27,065	\$ 125,444
4,012	1,677	48,337	68,007
13,373	0	82,130	120,510
0	120,729	0	146,158
<u>19,883</u>	<u>137,164</u>	<u>157,532</u>	<u>460,119</u>
8,882	0	109,760	151,592
0	324,631	0	393,006
<u>8,882</u>	<u>324,631</u>	<u>109,760</u>	<u>544,598</u>
<u>28,765</u>	<u>461,795</u>	<u>267,292</u>	<u>1,004,717</u>
15,415	0	0	3,417,331
<u>106,752</u>	<u>152,383</u>	<u>(248,949)</u>	<u>9,754,058</u>
<u>122,167</u>	<u>152,383</u>	<u>(248,949)</u>	<u>13,171,389</u>
<u>\$ 150,932</u>	<u>\$ 614,178</u>	<u>\$ 18,343</u>	<u>\$ 14,176,106</u>

BOROUGH OF CHAMBERSBURG

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS**

For the Year Ended December 31, 2008

	Stores Fund	Motor Equipment Fund	Self Insurance Fund
OPERATING REVENUES			
Charges for services	\$ 177,636	\$ 1,332,559	\$ 0
Miscellaneous	1	0	0
Total operating revenues	<u>177,637</u>	<u>1,332,559</u>	<u>0</u>
OPERATING EXPENSES			
Operation and maintenance	105,272	803,223	0
General and administrative	48,706	107,057	0
Claim payments and special services	0	0	16,420
Increase (decrease) in expected unpaid losses	0	0	(48,995)
Depreciation and amortization	936	489,084	0
Total operating expenses	<u>154,914</u>	<u>1,399,364</u>	<u>(32,575)</u>
Operating income (loss)	<u>22,723</u>	<u>(66,805)</u>	<u>32,575</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest and investment revenue	13,641	97,249	185,395
Gain (loss) on sale of assets	(51)	9,020	0
Reimbursement for health insurance	0	0	236,793
Other nonoperating revenues	0	47,865	0
Intergovernmental revenue	3,400	5,500	0
Miscellaneous expenses	0	0	0
Total non-operating revenue (expenses)	<u>16,990</u>	<u>159,634</u>	<u>422,188</u>
Income (loss) before transfers	39,713	92,829	454,763
Transfers in	0	0	0
Transfers out	0	(50,000)	0
Change in net assets	39,713	42,829	454,763
Total net assets - beginning	<u>1,474,491</u>	<u>6,256,702</u>	<u>4,877,290</u>
Total net assets - ending	<u>\$ 1,514,204</u>	<u>\$ 6,299,531</u>	<u>\$ 5,332,053</u>

Engineering Fund	Worker's Compensation Fund	Administrative Services Fund	Total Internal Service Funds
\$ 170,162	\$ 0	\$ 2,124,416	\$ 3,804,773
20	58	1,342	1,421
<u>170,182</u>	<u>58</u>	<u>2,125,758</u>	<u>3,806,194</u>
48,334	0	2,181,761	3,138,590
115,402	66,393	0	337,558
0	158,041	0	174,461
0 (152,774)	0 (201,769)
5,342	0	0	495,362
<u>169,078</u>	<u>71,660</u>	<u>2,181,761</u>	<u>3,944,202</u>
1,104 (71,602)	(56,003)	(138,008)
5,011	21,638	0	322,934
(195)	0	0	8,774
0	0	0	236,793
0	0	0	47,865
1,600	0	30,400	40,900
0	0	0	0
<u>6,416</u>	<u>21,638</u>	<u>30,400</u>	<u>657,266</u>
7,520 (49,964)	(25,603)	519,258
0	160,000	0	160,000
(25,000)	0	(46,000)	(121,000)
(17,480)	110,036	(71,603)	558,258
<u>139,647</u>	<u>42,347</u>	<u>(177,346)</u>	<u>12,613,131</u>
<u>\$ 122,167</u>	<u>\$ 152,383</u>	<u>(\$ 248,949)</u>	<u>\$ 13,171,389</u>

BOROUGH OF CHAMBERSBURG
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2008

	Stores Fund	Motor Equipment Fund	Self Insurance Fund
Cash flows from operating activities:			
Interfund services provided	\$ 272,085	\$ 1,379,886	\$ 0
Payments to suppliers	(21,898)	(536,116)	(16,520)
Payments to and on behalf of employees	(109,787)	(327,118)	0
Net cash provided (used) by operating activities	<u>140,400</u>	<u>516,652</u>	<u>(16,520)</u>
Cash flows from capital and related financing activities:			
Purchase of capital assets	0	(303,377)	0
Proceeds from sale of capital assets	<u>0</u>	<u>10,914</u>	<u>0</u>
Net cash provided (used) by capital and related financing activities	<u>0</u>	<u>(292,463)</u>	<u>0</u>
Cash flows from non-capital financing activities:			
Transfer from other funds	0	0	0
Transfer to other funds	0	(50,000)	0
Refund received for health insurance	0	0	236,793
Grants received	<u>3,400</u>	<u>5,500</u>	<u>0</u>
Net cash provided (used) by non-capital financing activities	<u>3,400</u>	<u>(44,500)</u>	<u>236,793</u>
Cash flows from investing activities:			
Interest and dividends received	<u>13,281</u>	<u>91,044</u>	<u>173,754</u>
Net cash provided (used) by investing activities	<u>13,281</u>	<u>91,044</u>	<u>173,754</u>
Net increase (decrease) in cash and cash equivalents	<u>157,081</u>	<u>270,733</u>	<u>394,027</u>
Cash and cash equivalents - beginning of the year	<u>284,583</u>	<u>2,625,266</u>	<u>4,999,651</u>
Cash and cash equivalents - end of the year	<u>\$ 441,664</u>	<u>\$ 2,895,999</u>	<u>\$ 5,393,678</u>
Reconciliation of income from operations to net cash provided (used) by operating activities			
Operating income (loss)	\$ 22,723	(\$ 66,805)	\$ 32,575
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization expense	936	489,084	0
Miscellaneous nonoperating income	0	47,865	0
(Increase) decrease in:			
Accounts receivable	844	(538)	0
Inventories	93,604	(844)	0
Prepaid expenses	(6)	(1,963)	0
Increase (decrease) in:			
Accounts payable and accrued expenses	<u>22,299</u>	<u>49,853</u>	<u>(49,095)</u>
Net cash provided (used) by operating activities	<u>\$ 140,400</u>	<u>\$ 516,652</u>	<u>(\$ 16,520)</u>

Engineering Fund	Worker's Compensation Fund	Administrative Services Fund	Total
\$ 176,492	\$ 58	\$ 2,123,263	\$ 3,951,784
(34,256)	(194,709)	(532,107)	(1,335,606)
(136,682)	(30,494)	(1,559,732)	(2,163,813)
<u>5,554</u>	<u>(225,145)</u>	<u>31,424</u>	<u>452,365</u>
0	0	0	(303,377)
<u>0</u>	<u>0</u>	<u>0</u>	<u>10,914</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>(292,463)</u>
0	160,000	0	160,000
(25,000)	0	(46,000)	(121,000)
0	0	0	236,793
<u>1,600</u>	<u>0</u>	<u>30,400</u>	<u>40,900</u>
<u>(23,400)</u>	<u>160,000</u>	<u>(15,600)</u>	<u>316,693</u>
<u>4,825</u>	<u>20,673</u>	<u>0</u>	<u>303,577</u>
<u>4,825</u>	<u>20,673</u>	<u>0</u>	<u>303,577</u>
<u>(13,021)</u>	<u>(44,472)</u>	<u>15,824</u>	<u>780,172</u>
<u>147,746</u>	<u>654,984</u>	<u>0</u>	<u>8,712,230</u>
<u>\$ 134,725</u>	<u>\$ 610,512</u>	<u>\$ 15,824</u>	<u>\$ 9,492,402</u>
\$ 1,104	(\$ 71,602)	(\$ 56,003)	(\$ 138,008)
5,342	0	0	495,362
0	0	0	47,865
6,310	0	(2,495)	4,121
0	0	0	92,760
0	0	0	(1,969)
<u>(7,202)</u>	<u>(153,543)</u>	<u>89,922</u>	<u>(47,766)</u>
<u>\$ 5,554</u>	<u>(\$ 225,145)</u>	<u>\$ 31,424</u>	<u>\$ 452,365</u>

TRUST AND AGENCY FUNDS

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

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

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

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

Consumer Deposits Fund – Trust 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.

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.

BOROUGH OF CHAMBERSBURG

**COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PENSION TRUST FUNDS**

December 31, 2008

	Firemen's Pension Fund	Police Pension Fund	Bargaining and Administrative Employees Pension Fund	Total Pension Trust Funds
ASSETS				
Cash and cash equivalents	\$ 153,211	\$ 392,154	\$ 808,641	\$ 1,354,006
Mutual funds - U.S. Securities	1,037,435	2,195,984	4,690,773	7,924,192
Mutual funds - Stocks	1,495,140	3,298,043	6,471,742	11,264,925
Mutual funds - Real estate securities	70,744	144,749	324,173	539,666
Total assets	<u>\$ 2,756,530</u>	<u>\$ 6,030,930</u>	<u>\$ 12,295,329</u>	<u>\$ 21,082,789</u>
NET ASSETS				
Held in trust for benefits and other purposes	<u>\$ 2,756,530</u>	<u>\$ 6,030,930</u>	<u>\$ 12,295,329</u>	<u>\$ 21,082,789</u>

BOROUGH OF CHAMBERSBURG

**COMBINING STATEMENT OF CHANGE IN FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
Year Ended December 31, 2008**

	Firemen's Pension Fund	Police Pension Fund	Bargaining and Administrative Employees Pension Fund	Total Pension Trust Funds
ADDITIONS				
Contributions				
Employer - contributions	\$ 112,021	\$ 453,071	\$ 418,654	\$ 983,746
Total contributions	<u>112,021</u>	<u>453,071</u>	<u>418,654</u>	<u>983,746</u>
Investment income:				
Net appreciation (depreciation) in fair value of investments and gains (loss) on sale of investments	(864,476)	(1,876,369)	(4,012,275)	(6,753,120)
Interest, dividends and other	<u>87,577</u>	<u>186,968</u>	<u>396,179</u>	<u>670,724</u>
Total net investment income/(loss)	(776,899)	(1,689,401)	(3,616,096)	(6,082,396)
Total additions	<u>(664,878)</u>	<u>(1,236,330)</u>	<u>(3,197,442)</u>	<u>(5,098,650)</u>
DEDUCTIONS				
Benefits	188,826	408,386	867,804	1,465,016
Administrative expenses	<u>1,224</u>	<u>1,752</u>	<u>5,299</u>	<u>8,275</u>
Total deductions	<u>190,050</u>	<u>410,138</u>	<u>873,103</u>	<u>1,473,291</u>
Change in net assets	(854,928)	(1,646,468)	(4,070,545)	(6,571,941)
Net assets - beginning	<u>3,611,458</u>	<u>7,677,398</u>	<u>16,365,874</u>	<u>27,654,730</u>
Net assets - ending	<u>\$ 2,756,530</u>	<u>\$ 6,030,930</u>	<u>\$ 12,295,329</u>	<u>\$ 21,082,789</u>

BOROUGH OF CHAMBERSBURG
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
December 31, 2008

	Citizen's Reward Fund	Sister City Fund	Project Heat Fund	Total Private Purpose Trust Funds
ASSETS				
Cash and equity in pooled cash and investments	\$ 10,457	\$ 21,924	\$ 19,617	\$ 51,998
Other receivables	68	0	0	68
Total assets	<u>\$ 10,525</u>	<u>\$ 21,924</u>	<u>\$ 19,617</u>	<u>\$ 52,066</u>
NET ASSETS				
Held in trust for other purposes	<u>\$ 10,525</u>	<u>\$ 21,924</u>	<u>\$ 19,617</u>	<u>\$ 52,066</u>

BOROUGH OF CHAMBERSBURG

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
For the Year Ended December 31, 2008**

	Citizen's Reward Fund	Sister City Fund	Project Heat Fund	Total Private Purpose Trust Funds
ADDITIONS				
Interest earnings	\$ 351	\$ 547	\$ 353	\$ 1,251
Contributions - public	0	0	6,659	6,659
Other revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
 Total additions	 <u>351</u>	 <u>547</u>	 <u>7,012</u>	 <u>7,910</u>
DEDUCTIONS				
Payments to sister city committee	0	0	0	0
Administrative expense	0	0	0	0
Miscellaneous expense	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
 Total deductions	 <u>0</u>	 <u>0</u>	 <u>0</u>	 <u>0</u>
 Change in net assets	 351	 547	 7,012	 7,910
Net assets, beginning	<u>10,174</u>	<u>21,377</u>	<u>12,605</u>	<u>44,156</u>
Net assets, ending	<u>\$ 10,525</u>	<u>\$ 21,924</u>	<u>\$ 19,617</u>	<u>\$ 52,066</u>

BOROUGH OF CHAMBERSBURG

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
December 31, 2008**

	Balance 1/1/08	Additions	Deductions	Balance 12/31/08
<u>Payroll Clearing Fund</u>				
ASSETS				
Cash and cash equivalents	\$ 0	\$ 10,716,140	\$ 10,716,140	\$ 0
Total assets	<u>\$ 0</u>	<u>\$ 10,716,140</u>	<u>\$ 10,716,140</u>	<u>\$ 0</u>
LIABILITIES				
Withholdings	\$ 0	\$ 3,310,773	\$ 3,310,773	\$ 0
Total liabilities	<u>\$ 0</u>	<u>\$ 3,310,773</u>	<u>\$ 3,310,773</u>	<u>\$ 0</u>
<u>Consumer Deposit Fund</u>				
ASSETS				
Cash and cash equivalents	\$ 800,320	339,691	\$ 254,396	\$ 885,615
Other receivables	3,307	29,400	27,389	5,318
Total assets	<u>\$ 803,627</u>	<u>\$ 369,091</u>	<u>\$ 281,785</u>	<u>\$ 890,933</u>
LIABILITIES				
Consumer deposits	\$ 803,627	\$ 361,053	\$ 273,747	\$ 890,933
Total liabilities	<u>\$ 803,627</u>	<u>\$ 361,053</u>	<u>\$ 273,747</u>	<u>\$ 890,933</u>
<u>Total - All Agency Funds</u>				
ASSETS				
Cash and cash equivalents	\$ 800,320	\$ 11,055,831	\$ 10,970,536	\$ 885,615
Other receivables	3,307	29,400	27,389	5,318
Total assets	<u>\$ 803,627</u>	<u>\$ 11,085,231</u>	<u>\$ 10,997,925</u>	<u>\$ 890,933</u>
LIABILITIES				
Withholdings	\$ 0	\$ 3,310,773	\$ 3,310,773	\$ 0
Consumer deposits	803,627	361,053	273,747	890,933
Total liabilities	<u>\$ 803,627</u>	<u>\$ 3,671,826</u>	<u>\$ 3,584,520</u>	<u>\$ 890,933</u>

BOROUGH OF CHAMBERSBURG

**STATEMENT OF REAL ESTATE TAXES RECEIVABLE - GENERAL FUND
YEAR ENDED DECEMBER 31, 2008**

	General Purpose
Assessed valuation of real property	\$ 181,114,520
Add: Additions	3,683,622
Less: Reductions and exonerations	<u>310,875</u>
Adjusted assessment	184,487,267
Tax rate	<u>20</u> mills
Total tax levied	3,689,745
Add: Penalties	745
Less: Discounts	(63,628)
Collections	<u>(3,451,608)</u>
2008 taxes receivable - December 31, 2008	175,254
Prior years' taxes	<u>42,989</u>
Total taxes receivable - December 31, 2008	<u><u>\$ 218,243</u></u>



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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Borough of Chambersburg, as of and for the year ended December 31, 2008, which collectively comprise the Borough's basic financial statements, and have issued our report thereon dated June 24, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be presented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.



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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Borough of Chambersburg in a separate letter dated June 24, 2009.

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

Smith Elliott Kearns & Company, LLC

Chambersburg, Pennsylvania
June 24, 2009



**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of the Borough of Chambersburg with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended December 31, 2008. The Borough of Chambersburg's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Borough of Chambersburg's management. Our responsibility is to express an opinion on the Borough of Chambersburg's compliance based on our audit.

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

In our opinion, the Borough of Chambersburg complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended December 31, 2008.

Internal Control Over Compliance

The management of the Borough of Chambersburg is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Borough of Chambersburg's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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.



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

To the Mayor and Borough Council
Borough of Chambersburg

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Smith Elliott Kearns & Company, LLC

Chambersburg, Pennsylvania
June 24, 2009

Borough of Chambersburg

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2008

Grantor Program Title	Federal CFDA Number	Pass Through Grantor's Number	Grant Period Beginning/ Ending Date	Program or Award Amount	Total Received for the Year	Accrued or (Deferred) Revenue at December 31, 2007	Revenue Recognized	Expenditures Recognized	Accrued or (Deferred) Revenue at December 31, 2008
U.S. Department of Housing and Urban Development Program:									
Passed-through the PA Dept. of Community and Economic Development									
Community Development Block Grant	14 228	C000003299	January 1, 2003 - December 31, 2003	324,060	43,168	36,454	6,714	6,714	0
Community Development Block Grant	14 228	C0000010440	January 1, 2004 - December 31, 2004	331,992	142,376	4,314	57,642	57,642	(80,420)
Community Development Block Grant	14 228	C000014702	January 1, 2005 - December 31, 2005	305,376	64,129	3,756	107,441	107,441	47,068
Community Development Block Grant	14 228	C000022662	January 1, 2006 - December 31, 2006	267,016	101,110	7,391	166,804	166,804	73,076
Community Development Block Grant	14 228	C000029556	January 1, 2007 - December 31, 2007	262,610	50,000	0	65,150	65,150	15,150
Community Development Block Grant	14 228	C000036981	January 1, 2008 - December 31, 2008	252,677	0	0	70,205	70,205	70,205
HOME Grant	14 230	C000026927	January 1, 2008 - December 31, 2009	350,000	124,679	11,455	124,767	124,767	11,543
Franklin County Home Grant	14 239	C000026927	January 1, 2007 - December 31, 2010	40,000	0	(40,000)	0	0	(40,000)
Hometown Street Lighting	20 205	23-6002979	January 1, 2008 - December 31, 2009	165,000	74,048	0	98,730	98,730	24,682
Total U.S. Department of HUD					599,519	23,370	697,453	697,453	121,304
U.S. Department of Justice									
Justice Assistance Grant	16 738	2007CKWX0210	January 1, 2007 - December 31, 2007	16,222	0	(1,790)	1,790	1,790	0
Total U.S. Department of Justice					0	(1,790)	1,790	1,790	0
U.S. Environmental Protection Agency									
Environmental Protection Agency	66 606	C-429955-01	January 1, 2001 - December 31, 2009	3,362,800	140,111	140,163	0	0	52
Total U.S. Environmental Protection Agency					140,111	140,163	0	0	52
U.S. Department of Transportation									
Passed-through PA Department of Transportation									
Transportation Enhancement Project	20 205	088001A	January 1, 2005 - December 31, 2009	631,000	11,200	0	11,200	11,200	0
Transportation Enhancement Project	20 205	087982-A-B	January 1, 2006 - December 31, 2006	3,050,199	312,972	312,972	0	0	0
Total U.S. Department of Transportation					324,172	312,972	11,200	11,200	0
Total Expenditure of Federal Awards					\$ 1,063,802	\$ 474,715	\$ 710,443	\$ 710,443	\$ 121,356

BOROUGH OF CHAMBERSBURG

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2008

Note 1. General

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

Note 2. Basis of Accounting

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

Note 3. Relationship to Financial Statements

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

Special Revenue Funds	
Community Development Block Grant	\$ 473,956
HOME Grant	124,767
Street Lighting Grant	98,730
Transportation Enhancement Project Program	11,200
Justice Assistance Grant	<u>1,790</u>
Total	<u>\$ 710,443</u>

Note 4. Determination of Major Programs

Project Title	CFDA No.	Expenditures	Percent
Community Development Block Grant	14.228	\$ 473,956 *	66.6%
HOME Grant	14.239	124,767	17.6%
Street Lighting Grant	20.205	98,730	13.9%
Transportation Enhancement Project Program	20.205	11,200	1.6%
Justice Assistance Grant	16.592	<u>1,790</u>	0.3%
Total federal expenditures		<u>\$ 710,443</u>	100.0%

* Selected for testing as major program.

**BOROUGH OF CHAMBERSBURG
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2008**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major program:

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

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

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

Identification of the major programs:

CFDA Number(s)	Name of Federal Program
14.239	CDBG

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

Auditee qualified as low-risk auditee? _____ Yes X No

BOROUGH OF CHAMBERSBURG
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
December 31, 2008

Section II - Financial Statement Findings

A. Significant deficiencies in Internal Control

None Noted

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

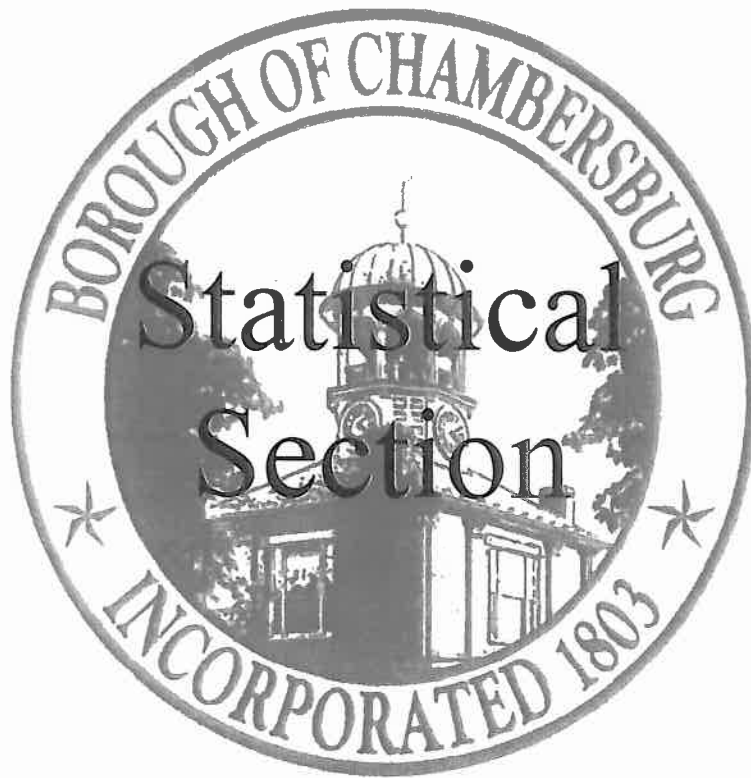
None Noted.

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
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
December 31, 2008

There were no findings or questioned costs in the previous year.



STATISTICAL SECTION

This section of the Borough of Chambersburg's comprehensive annual financial report presents detailed information as a context for the understanding what the information in the financial statements, note disclosures, and required supplementary information says about the municipality's overall financial health.

Contents

Page(s)

Financial Trends

86-92

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

Revenue Capacity

93-98

These schedules contain information to help the reader assess the municipality's most significant local revenues sources, the property tax, and the earned income tax.

Debt Capacity

99-103

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

Demographic and Economic Information

104-105

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

Operating Information

106-108

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

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The borough implemented Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

Financial Trends

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

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

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

	2008	2007	2006	2005	2004	2003
Governmental Activities						
Invested in capital Assets, Net of related debt	\$22,103,501	\$20,030,556	\$16,422,498	\$13,745,073	\$9,509,524	\$9,782,731
Restricted	1,168,346	786,100	392,808	613,697	690,381	476,545
Unrestricted	10,751,978	10,030,131	9,157,620	8,434,228	7,735,631	7,225,502
Total governmental activities net assets	34,023,825	30,846,787	25,972,926	22,792,998	17,935,536	17,484,778
Business - Type activities						
Invested in capital Assets, Net of related debt	71,707,129	69,516,503	67,563,288	63,674,212	58,883,260	59,029,207
Restricted						
Unrestricted	30,437,794	31,862,509	23,049,503	23,219,395	20,207,662	20,613,389
Total business -- type activities net assets	102,144,923	101,379,012	90,612,791	86,893,607	79,090,922	79,642,596
Primary Government						
Invested in capital Assets, Net of related debt	93,810,630	89,547,059	83,985,786	77,419,285	68,392,784	68,811,938
Restricted	1,168,346	786,100	392,808	613,697	690,381	476,545
Unrestricted	41,189,772	41,892,640	32,207,123	31,653,623	27,943,293	27,838,891
Total primary government net assets	\$136,168,748	\$132,225,799	\$116,585,717	\$109,686,605	\$97,026,458	\$97,127,374

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

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

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

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

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

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

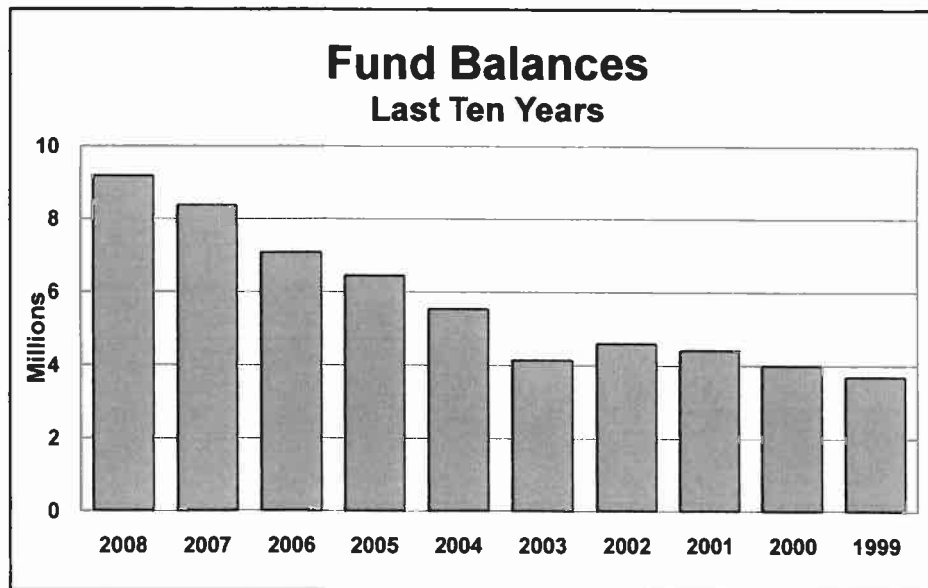
The net assets beginning balance for 2004 is \$351,204 more than the ending balance for 2003 due to prior period adjustments.

The net assets beginning balance for 2007 is \$246,660 more than the ending balance for 2006 due to prior period adjustments.

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

	2008	2007	2006	2005
General Fund				
Reserved	\$ 0	\$ 0	\$ 0	\$ 51,625
Unreserved	3,022,011	3,132,235	3,002,526	2,444,085
Total general fund	3,022,011	3,132,235	3,002,526	2,495,710
All Other Governmental Funds				
Reserved	439,688	482,736	334,814	438,199
Unreserved, reported in:				
Special revenue funds	858,329	455,558	89,893	234,642
Capital reserve funds	4,871,296	4,309,406	3,647,518	3,271,894
Liquid FuelsTax Fund	0	0	0	0
Total all other governmental funds	6,169,313	5,247,700	4,072,225	3,944,735
Total Governmental Funds	\$9,191,324	\$8,379,935	\$7,074,751	\$6,440,445

2004	2003	2002	2001	2000	1999
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
1,780,615	1,270,767	1,744,610	2,009,489	1,973,089	1,709,598
1,780,615	1,270,767	1,744,610	2,009,489	1,973,089	1,709,598
3,534,247	2,631,946	2,609,362	2,196,853	1,843,579	1,765,399
0	0	223,878	196,564	174,288	206,494
0	0	0	0	0	0
211,065	234,484	0	0	0	0
3,745,312	2,866,430	2,833,240	2,393,417	2,017,867	1,971,893
\$5,525,927	\$4,137,197	\$4,577,850	\$4,402,906	\$3,990,956	\$3,681,491



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

	2008	2007	2006	2005
REVENUES				
Real estate taxes	\$3,579,097	\$3,496,353	\$2,812,617	\$2,699,852
Local enabling taxes	3,115,435	3,795,794	3,378,559	2,990,956
Licenses and permits	314,841	283,832	327,849	12,216
Fines and forfeits	147,943	134,912	124,607	104,554
Interest and rents	304,813	433,095	340,051	169,742
Intergovernmental revenue	2,203,624	4,128,114	2,963,293	5,390,700
Program income	0	0	0	34,413
Departmental charges for service	1,533,643	1,609,239	1,429,528	1,257,871
Miscellaneous	225,042	286,146	406,735	333,743
Public contributions	767,176	0	0	99,584
<i>Total revenues</i>	<i>12,191,614</i>	<i>14,167,485</i>	<i>11,783,239</i>	<i>13,093,631</i>
EXPENDITURES				
Current				
General and administrative	900,500	885,772	888,809	776,287
Public safety				
Police	4,007,937	3,998,185	3,745,351	3,273,532
Fire	1,768,874	1,804,011	1,703,609	1,369,481
Fire code	0	0	0	93,158
Building regulation, planning, and zoning	424,173	454,234	359,499	295,959
General health and ambulance service	995,078	770,771	798,504	771,723
Public service				
Highway	1,330,447	962,915	2,553,405	2,845,568
Parking, traffic control, and transit system	448,458	476,549	718,504	186,535
Street lighting	0	0	0	189,927
Airport	0	0	0	0
Parks and recreation	1,493,780	1,189,479	1,058,650	1,668,362
Community Development	1,198,910	2,765,619	661,039	0
Capital projects	0	0	0	0
Housing rehabilitation grants/loans	0	0	0	124,857
Miscellaneous	95,068	638,818	332,789	271,288
Debt service:				
Principal Retirement	0	0	0	0
Interest and Fiscal Charges	0	0	0	0
<i>Total expenditures</i>	<i>12,663,225</i>	<i>13,946,353</i>	<i>12,820,159</i>	<i>11,866,677</i>
<i>Excess (deficiency) of revenues over expenditures</i>	<i>(471,611)</i>	<i>221,132</i>	<i>(1,036,920)</i>	<i>1,226,954</i>
OTHER FINANCING SOURCES (Uses)				
Proceeds from sale of assets	0	0	0	0
Refunds of prior yr's expenditure	0	0	0	0
Interfund transfers in (out)	1,283,000	1,084,052	1,671,226	(312,436)
<i>Total other financing sources (uses)</i>	<i>1,283,000</i>	<i>1,084,052</i>	<i>1,671,226</i>	<i>(312,436)</i>
<i>Net Change in Fund Balances sources over expenditures and other uses</i>	<i>\$811,389</i>	<i>\$1,305,184</i>	<i>\$634,306</i>	<i>\$914,518</i>
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%

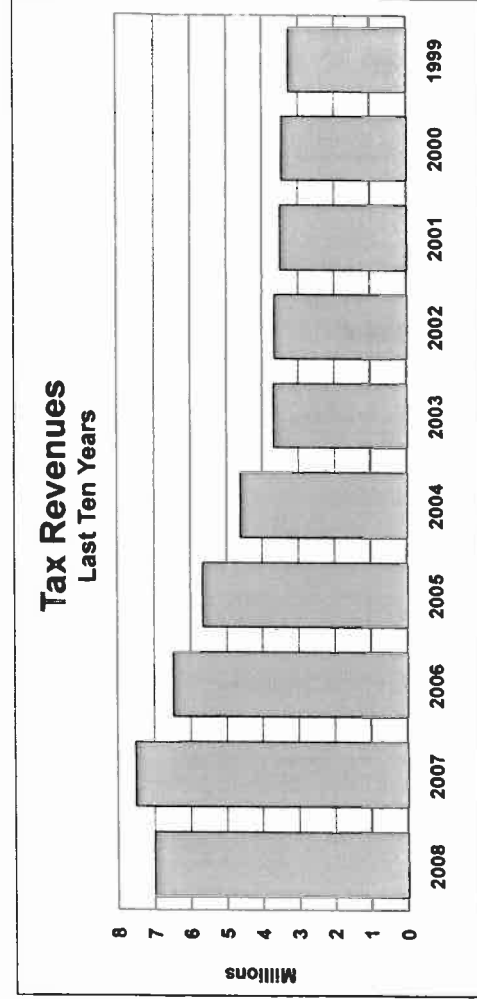
2004	2003	2002	2001	2000	1999
\$2,652,016	\$1,881,006	\$1,855,932	\$1,846,212	\$1,802,441	\$1,774,640
1,924,194	1,605,864	1,586,560	1,471,774	1,469,773	1,343,652
11,708	34,513	35,484	202,026	218,116	174,158
105,994	88,254	104,470	106,988	118,534	111,346
89,142	92,430	173,062	329,584	320,037	199,802
1,441,099	1,108,781	2,174,208	1,401,347	911,962	2,027,261
25,307	22,358	23,096	16,753	13,642	21,809
1,149,657	1,138,276	1,098,262	1,006,262	1,020,353	995,129
297,662	361,831	386,150	271,754	91,009	100,298
8,903	3,096	3,291	8,574	65,402	56,303
7,705,682	6,336,409	7,440,515	6,661,274	6,031,269	6,804,398
670,380	745,387	585,697	560,504	484,065	544,136
3,005,234	2,864,984	2,507,338	2,405,722	2,250,654	2,314,987
1,250,482	1,211,412	966,566	977,622	938,553	941,176
86,156	33,244	30,948	25,833	24,356	24,757
318,144	306,258	316,259	278,088	189,089	194,513
709,344	783,605	654,624	600,397	612,638	573,923
918,701	899,830	504,055	322,048	312,886	343,395
194,161	304,996	126,852	159,001	138,012	125,982
146,879	171,531	113,357	118,408	116,421	112,532
12,018	47,246	19,276	29,833	22,393	19,259
1,050,717	1,024,020	2,058,250	1,302,051	907,509	1,700,833
0	0	0	0	0	0
0	0	524,743	582,046	667,730	788,319
63,373	89,548	216,793	193,872	172,324	168,554
330,588	331,284	228,698	64,427	54,368	75,828
0	0	0	0	0	0
0	0	0	0	0	0
8,756,177	8,813,345	8,853,456	7,619,852	6,890,998	7,928,194
(1,050,495)	(2,476,936)	(1,412,941)	(958,578)	(859,729)	(1,123,796)
790,084	0	0	0	0	0
0	0	0	0	0	0
1,419,435	1,810,283	1,587,885	1,370,528	1,169,194	929,639
2,209,519	1,810,283	1,587,885	1,370,528	1,169,194	929,639
\$1,159,024	(\$666,653)	\$174,944	\$411,950	\$309,465	(\$194,157)
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 Six Years
(accrual basis of accounting)

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

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

Fiscal Year	Real Estate	Real Estate Transfer	Earned Income	Occupational Privilege	Local			Cable TV Franchise Fees	Payments in Lieu of Taxes	Total
					Tax	Services				
2008	\$3,579,097	\$540,465	\$1,787,688			\$775,600		\$302,892	\$11,682	\$6,997,424
2007	\$3,496,353	\$816,051	\$1,728,188			\$1,165,990		\$269,553	\$10,565	\$7,486,700
2006	\$2,812,617	\$674,435	\$1,582,009			\$1,111,662		\$308,267	\$10,452	\$6,499,442
2005 (1)	2,699,853	718,074	1,148,766			875,067		209,203	5,549	5,656,512
2004	2,652,016	535,173	1,085,130	113,974				206,943	9,897	4,603,133
2003	1,881,006	292,501	1,194,770	107,555				193,935	11,038	3,680,805
2002	1,855,932	286,133	1,187,482	112,945				201,313	8,721	3,652,526
2001	1,846,212	215,868	1,155,673	100,233				165,695	4,263	3,487,944
2000	1,802,441	238,170	1,130,040	101,562				174,495	4,314	3,451,022
1999	1,774,640	197,967	1,049,053	96,610				141,815	4,876	3,264,961



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

Revenue Capacity

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

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

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

	Direct Debt	<-----Overlapping Debt----->	
Tax Year	Borough of Chambersburg	Chambersburg Area Sch Dist	Franklin County
2008	20.00	80.98	21.95
2007	20.00	76.91	21.75
2006	17.00	70.68	21.75
2005	17.00	67.00	20.75
2004	12.20	62.53	16.75
2003	12.20	58.33	14.75
2002	12.20	56.79	14.75
2001 (1)	12.20	51.80	11.90
2000	30.50	129.50	27.25
1999	30.50	127.50	24.50

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

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

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

Fiscal Year Ended December 31,	Total Estimated						Total Taxable Chambersburg		
	Agricultural Property	Residential Property	Commercial Property	Industrial Property	Vacant Property	Tax Exempt Property	Assessed Value	Assessed Value	Municipal Millage Rate
2008	\$267,630	\$92,976,990	\$75,930,440	\$10,991,900	\$947,560	\$50,789,290	\$231,903,810	\$181,114,520	20.00
2007	321,620	90,319,950	69,027,550	10,645,490	1,151,680	50,764,330	222,230,620	171,466,290	20.00
2006	331,460	87,762,230	64,269,630	9,698,490	2,111,770	50,389,070	214,562,650	164,173,580	17.00
2005	319,440	85,328,290	63,225,610	9,698,490	2,025,380	50,528,540	211,125,750	160,597,210	17.00
2004	388,360	83,479,750	61,341,400	9,730,290	1,864,130	51,884,030	208,687,960	156,803,930	12.20
2003	389,190	82,231,740	61,670,330	10,200,230	1,816,060	50,489,080	206,796,630	156,307,550	12.20
2002	425,700	80,787,460	61,169,280	10,274,500	1,711,990	49,861,470	204,230,400	154,368,930	12.20
2001 (1)	425,610	79,187,740	58,131,620	10,527,990	1,782,000	49,215,420	199,270,380	150,054,960	12.20
2000	170,240	31,158,960	22,372,000	4,546,350	716,490	19,382,870	78,346,910	58,964,040	30.50
1999	173,310	30,783,920	22,196,910	4,504,230	693,490	19,295,520	77,647,380	58,351,860	30.50

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

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

Schedule 9
Borough of Chambersburg, PA
Principal Taxpayers
12/31/2008 and 12/31/1999

December 31, 2008

Taxpayer	Estimated Actual Values of Real Property (1)	Rank	Percentage of Assessed Valuation
Chbg Health Srv/Chbg Hospital	\$5,739,410	1	3.17%
Menno-Haven, Inc	5,510,570	2	3.04%
American Real Estate	2,340,650	3	1.29%
Wilsey/Holsum-Ventura Food LLC	2,219,730	4	1.23%
ProLogis	1,780,100	5	0.98%
Chambersburg Cold Storage	1,731,050	6	0.96%
Wayne Avenue LLC	1,613,350	7	0.89%
Tanya K. Nitterhouse	1,493,100	8	0.82%
Chbg Area Development Corp	1,342,910	9	0.74%
Chambersburg Business Park	1,147,500	10	0.63%
Total	\$24,918,370		13.75%
Total Taxable Assessed Valuation	\$181,114,520		

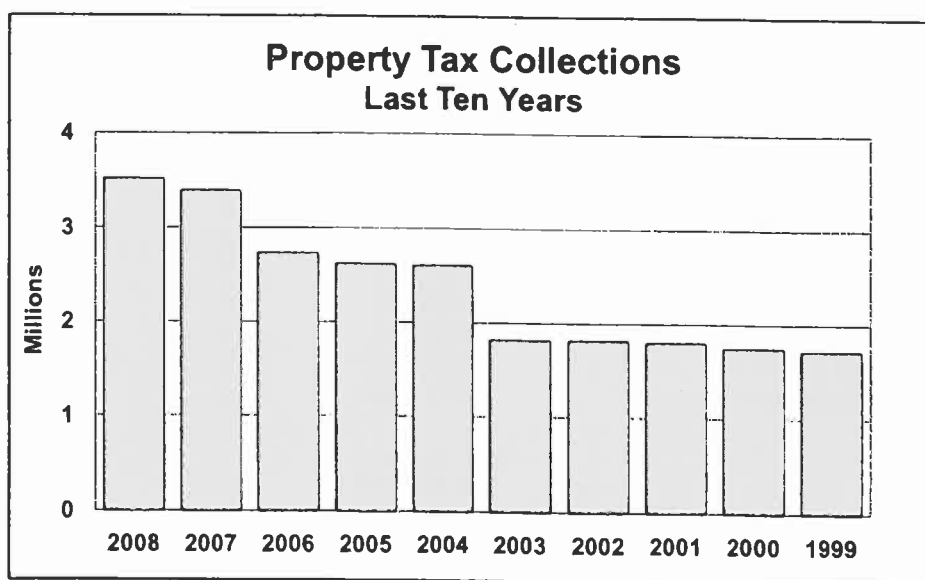
December 31, 1999

Taxpayer	Estimated Actual Values of Real Property (1)	Rank	Percentage of Assessed Valuation
Menno-Haven, Inc	\$1,299,460	1	2.23%
American Real Estate	936,260	2	1.60%
Tanya K. Nitterhouse	924,490	3	1.58%
First Allied Shopping Center	688,680	4	1.18%
Chbg Area Development Corp	666,300	5	1.14%
Chbg Health Srv/Chbg Hospital	521,410	6	0.89%
United Towers	400,000	7	0.69%
Knouse Foods	368,810	8	0.63%
Valley Bank & Trust Co.	287,700	9	0.49%
Chambersburg Trust Co.	272,160	10	0.47%
	\$6,365,270		10.90%
Total Taxable Assessed Valuation	\$58,351,860		

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
2008	\$3,668,155	\$3,449,745	94.05%	\$67,322	\$3,517,067	95.88%
2007 (2)	3,524,433	3,327,598	94.42%	63,824	3,391,422	96.23%
2006	2,842,065	2,689,089	94.62%	36,837	2,725,926	95.91%
2005	2,760,042	2,611,898	94.63%	4,758	2,616,656	94.80%
2004 (1)	2,685,963	2,546,557	94.81%	56,402	2,602,959	96.91%
2003	1,908,826	1,811,273	94.89%	1,298	1,812,571	94.96%
2002	1,890,019	1,772,981	93.81%	40,240	1,813,221	95.94%
2001	1,862,783	1,758,268	94.39%	37,600	1,795,868	96.41%
2000	1,801,792	1,688,415	93.71%	53,599	1,742,014	96.68%
1999	1,785,165	1,669,166	93.50%	45,845	1,715,011	96.07%



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

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

Source: Borough of Chambersburg Finance Department

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

Fiscal Year	Tax Rate	Total Earned Income Tax Collected	Refunds	Net Earned Income Tax Collected
2008	1.00%	\$1,822,101	\$34,413	\$1,787,688
2007	1.00%	1,769,463	41,275	1,728,188
2006	1.00%	1,589,052	38,543	1,550,509
2005	1.00%	1,359,818	31,052	1,328,766
2004	1.00%	1,258,254	20,624	1,237,630
2003	1.00%	1,286,751	18,481	1,268,270
2002	1.00%	1,208,561	21,079	1,187,482
2001	1.00%	1,173,833	18,160	1,155,673
2000	1.00%	1,145,690	15,649	1,130,041
1999	1.00%	1,063,838	14,785	1,049,053

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

Income Range	Number of tax filers									
	2008 (1)	2007	2006	2005	2004	2003	2002	2001	2000	1999
> \$1,000,000		1	0	0	0	0	0	0	0	0
\$500,000 - \$999,999		16	15	12	11	7	7	3	0	1
\$200,000 - \$499,000		43	34	32	34	33	31	34	26	26
\$100,000 - \$199,000		140	132	116	101	81	65	70	71	66
\$50,000 - \$99,000		1,099	1,008	924	853	779	729	650	601	534
<\$50,000		7,079	7,344	7,377	7,353	7,475	7,643	7,763	7,880	7,977
Total		8,378	8,533	8,461	8,352	8,375	8,475	8,520	8,578	8,604

% of total earned income taxes paid

Income Range										
	2008 (1)	2007	2006	2005	2004	2003	2002	2001	2000	1999
> \$1,000,000		0.41%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
\$500,000 - \$999,999		3.51%	3.42%	3.11%	2.67%	1.70%	1.74%	1.00%	0.00%	0.28%
\$200,000 - \$499,000		5.05%	3.86%	3.91%	4.16%	4.45%	4.01%	4.58%	4.67%	4.02%
\$100,000 - \$199,000		6.87%	6.64%	6.06%	5.63%	4.74%	4.14%	4.62%	4.68%	4.55%
\$50,000 - \$99,000		27.18%	25.64%	24.76%	23.78%	22.75%	21.68%	19.39%	18.37%	17.06%
<\$50,000		56.98%	60.44%	62.16%	63.76%	66.36%	68.43%	70.41%	72.28%	74.09%
Total		100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Total Personal Income		\$263,147,886	\$255,114,215	\$243,248,314	\$230,882,085	\$218,802,655	\$215,724,254	\$210,913,115	\$206,321,246	\$197,422,457

Source: Chambersburg Area Wage Tax Office
(1) Information for year ended 12/31/2008 not yet available

Debt Capacity

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

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

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

Governmental Activities (1)		Business Type Activities (1)						Percentage of Personal Income	Per Capita
Fiscal Year	General Obligation Bonds	Electric Department General Obligation Bonds	Waste Water Treatment Plant General Obligation Bonds	Water Treatment Plant Revenue Notes Payable (2)	Total Primary Government				
2008	0	\$16,355,000	\$3,955,000	\$2,338,177	\$22,648,177	6.541%	\$1,261		
2007	0	17,240,000	4,340,000	2,556,619	24,136,619	6.971%	1,344		
2006	0	17,550,000	4,715,000	2,732,990	24,997,990	7.220%	1,392		
2005	0	18,355,000	4,720,000	4,200,000	27,275,000	7.877%	1,519		
2004	0	19,140,000	5,440,000	4,371,675	28,951,675	8.361%	1,612		
2003	0	19,900,000	5,300,000	4,400,000	29,600,000	8.549%	1,648		
2002	0	19,900,000	5,575,000	4,400,000	29,875,000	8.628%	1,663		
2001	0		5,835,000		5,835,000	1.685%	325		
2000	0		6,090,000		6,090,000	1.759%	339		
1999	0		6,335,000		6,335,000	2.986%	381		

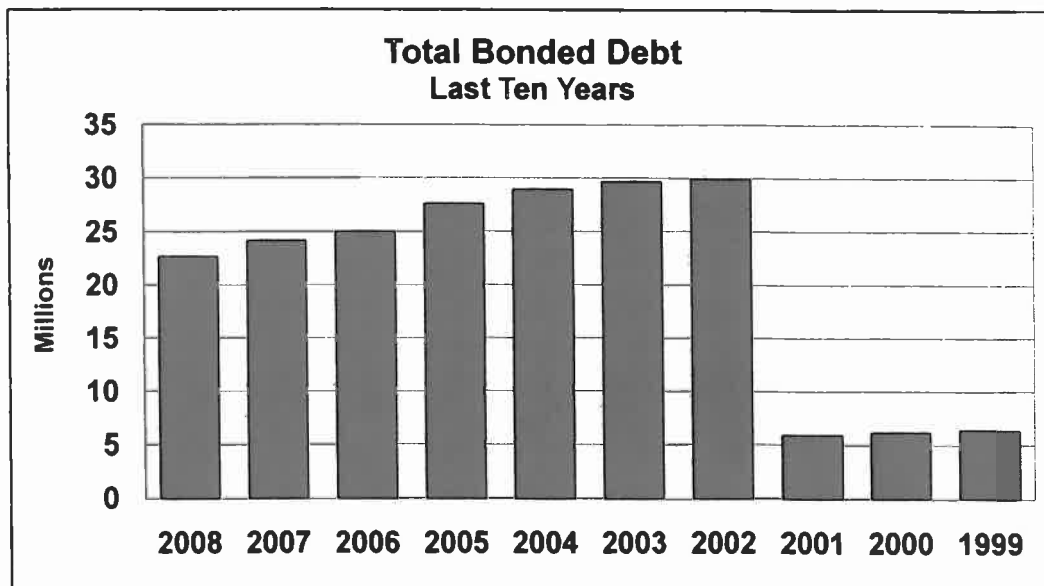
(1) Details regarding the Borough's outstanding debt can be found in the Note 5 in the current financial statements.

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

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

General Bonded Debt Outstanding

Fiscal Year	Net Non-electoral debt	Lease rental debt	Total Primary Government	% of Assessed Valuation	Debt per Capita
2008	\$22,648,177	\$0	\$22,648,177	12.50%	\$1,261
2007	24,136,619	0	24,136,619	14.08%	1,344
2006	24,997,990	0	24,997,990	15.23%	1,392
2005	27,634,228	0	27,634,228	18.35%	1,539
2004	28,951,675	0	28,951,675	18.46%	1,612
2003	29,600,000	0	29,600,000	18.94%	1,648
2002	29,875,000	0	29,875,000	19.35%	1,663
2001 (1)	5,835,000	0	5,835,000	3.89%	325
2000	6,090,000	0	6,090,000	10.33%	341
1999	6,335,000	0	6,335,000	10.86%	381



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

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

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General Bonded Debt Outstanding

Fiscal Year	Three year ave revenue borrowing base	Legal debt limit	Total Debt Applicable to limit	Legal Debt margin (1)	Legal Debt margin %
2008	57,735,693	144,339,233	22,648,254	121,690,979	84.31%
2007	54,371,026	135,927,564	24,136,619	111,790,945	82.24%
2006	49,400,865	123,502,163	24,997,990	98,504,173	79.76%
2005	44,163,564	110,408,911	27,634,228	82,774,683	74.97%
2004	40,676,773	101,691,932	28,951,675	72,740,257	71.53%
2003	38,208,010	95,520,026	29,600,000	65,920,026	69.01%
2002	37,361,931	93,404,827	29,875,000	63,529,827	68.02%
2001	37,528,820	93,822,049	5,835,000	87,987,049	93.78%
2000	25,253,770	63,134,426	6,090,000	57,044,426	90.35%
1999	26,431,118	66,077,795	6,335,000	59,742,795	90.41%

(1) Legal Debt Margin: (12/31/2008)

a	Average revenues past 3 yrs	57,735,693 (\$173,207,081) / 3
b	Legal debt limit (2.5 time average rev)	144,339,233
c	Debt outstanding @ 12/31/2008	(22,648,254)
	Legal Debt Margin (b-c)	\$121,690,979

Schedule 16
Borough of Chambersburg, PA
Computation of Direct and Overlapping Debt
December 31, 2007

Jurisdiction	Total Debt Outstanding	Estimated Percentage Applicable (a)	Amount Applicable To Borough of Chbg
Direct			
Borough of Chambersburg (Governmental Activities)	0		0
Overlapping			
Chambersburg School Dist	\$102,439,817	27.6710%	\$28,346,149
County of Franklin	44,555,000	13.6391%	6,076,886
<i>Total Overlapping Debt</i>	<i>146,994,817</i>		<i>34,423,035</i>
Total	\$146,994,817		\$34,423,035

Sources: 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.

(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.

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

Water Revenue Loan Payable (1)

Fiscal Year	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Principal	Service Interest	Coverage
2008	\$3,469,626	\$2,674,069	\$795,557	\$218,753	\$61,061	2.84
2007	3,879,178	2,673,401	1,205,777	213,118	66,696	4.31
2006	3,472,734	2,495,541	977,193	218,998	60,816	3.49
2005	3,107,143	2,440,826	666,317	213,595	66,220	2.38
2004	2,752,040	2,346,858	405,182	42,531	109,955	2.66
2003	2,449,629	1,967,482	482,147	0	110,044	4.38
2002	2,374,647	2,174,670	199,977	0	77,948	2.57
2001	2,235,914	1,914,605	321,309	0	0	N/A
2000	1,963,094	1,721,458	241,636	0	0	N/A
1999	2,051,301	1,657,264	394,037	0	0	N/A

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

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

Demographic and Economic Information

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

Demographic and Economic Statistics

Schedule 18

Principal Employers

Schedule 19

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

Fiscal Year	Population (2)	Per Capita Personal Income (2)	Per Capita Household Income (2)	Median Household Income (2)	Median Age (2)
2008	\$17,961	\$19,278	\$41,641	\$32,336	40
2007	17,961	19,278	41,641	32,336	40
2006	17,961	19,278	41,641	32,336	40
2005	17,961	19,278	41,641	32,336	40
2004	17,969	19,278	41,641	32,336	40
2003	17,864	19,278	41,641	32,336	40
2002	17,836	19,278	41,641	32,336	40
2001 (1)	17,812	19,278	41,641	32,336	40
2000	17,862	19,278	41,641	32,336	40
1999	16,647	12,744	27,910	23,565	38.7

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

(2) United States Census Bureau

(3) Franklin County Assessor's Office

(4) Chambersburg Area Wage Tax Office

(5) Information for year ended 12/31/2008 not yet available

Educational Attainment Bachelor's Degree or Higher (2)	School Enrollment (2)	Unemployment Rate (2)	Median Value of Residential Property (2)	Total Assessed Property Value (3)	Total Personal Income (4)
17.90%	3,635	3.90%	\$86,500	\$181,114,520	(5)
17.90%	3,635	3.90%	86,500	171,466,290	263,147,886
17.90%	3,635	3.90%	86,500	164,173,580	255,114,215
17.90%	3,635	3.90%	86,500	160,597,230	243,248,314
17.90%	3,635	3.90%	86,500	156,803,930	230,882,085
17.90%	3,635	3.90%	86,500	156,307,550	218,802,655
17.90%	3,635	3.90%	86,500	154,368,930	215,724,254
17.90%	3,635	3.90%	86,500	150,054,960	21,091,315
17.90%	3,635	3.90%	86,500	58,964,040	206,321,246
15.70%	2,770	4.20%	64,600	58,351,860	197,422,457

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

2008						1999					
Employer	Employees	Rank	Percentage of Total Borough Employment	Employees	Rank	Percentage of Total Borough Employment	Employees	Rank	Percentage of Total Borough Employment	Employees	Rank
Summit Health Services	3,097	1	13.47%	1,252	1	5.94%					
Chambersburg School District	1,178	2	5.12%	888	2	4.21%					
County of Franklin	949	3	4.13%	746	3	3.54%					
Menno Haven, Inc	581	4	2.53%	527	4	2.50%					
T.B. Woods, Inc	440	5	1.91%	447	5	2.12%					
Ventura Foods	405	6	1.76%	219	6	1.04%					
K-Mart Regional Specialty Center	355	7	1.54%	----	----	----					
Staples Direct	325	8	1.41%	----	----	----					
Farmers & Merchants Trust Co.	285	9	1.24%	209	7	0.99%					
Knouse Foods	213	10	0.93%	185	8	0.88%					
Borough of Chambersburg	202		0.88%	176	9	0.83%					
Patriot Federal Credit Union	123		0.53%	116	10	0.55%					
Public Opinion Newspaper	99		0.43%	120		0.57%					
Hagermeyer	91		0.40%	----		----					
Nitterhouse Masonry Products	79		0.34%	83		0.39%					
Total	8,422		36.62%	4,968		23.56%					
Total Employees	23,000 (1)			21,086							

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

(1) Estimated by Chambersburg Area Wage Tax Office

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

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Function/program										
General Government:										
Administration	4	4	4	4	4	4	4	4	3	3
MIS	5	5	5	5	4	4	4	4	3	3
Finance	22	22	22	22	22	22	24	24	24	23
Public Information	0	0	0	0	0	0	0	0	0	0
Community Development:										
Economic Develop/Planning	2	2	1	1	1	1	1	1	1	1
Inspections	4	4	4	4	5	6	6	5	4	4
Public Works:										
Administration	2	2	2	2	2	2	2	2	2	2
Maintenance/Labor	25	25	22	22	22	24	24	24	23	23
Human Services:										
	0	0	0	0	0	0	0	0	0	0
Public Safety:										
Police Officers	33	33	30	30	30	30	29	29	29	29
Police Civilians	4	4	4	4	4	4	4	4	4	4
Fire	22	21	21	18	18	18	21	18	18	18
Fire Civilians	3	3	3	3	3	2	2	2	2	2
911	0	0	0	0	0	0	0	0	0	0
Recreation:										
Management	5	5	5	5	5	5	5	5	5	5
Seasonal	0	0	0	0	0	0	0	0	0	0
Pool	0	0	0	0	0	0	0	0	0	0
Tennis	0	0	0	0	0	0	0	0	0	0
Park	0	0	0	0	0	0	0	0	0	0
Utilities (5):										
Administration	17	14	14	14	14	14	14	14	13	13
Maintenance/Operations										
Electric Department	19	19	19	19	17	16	16	16	16	16
Gas Department	8	8	8	8	8	8	7	7	7	7
Water Department	11	11	11	11	11	10	10	10	9	9
Wastewater Treat. Plant	15	15	15	15	14	13	13	13	13	13
Parking Department	1	1	1	1	1	1	1	1	1	1
Totals	202	198	191	188	185	184	187	183	177	176

Source: Borough of Chambersburg Human Resources Department

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

	2008	2007	2006	2005
Function/program				
General Government:				
Lien Letter & Tax Certification Requests	55	42	41	45
Community Development				
Building Permits Issued	398	463	338	277
Estimated Value of Construction	\$3,798,670	\$60,752,500	\$55,624,200	\$32,147,498
Occupancy Permits Issued	133	68	44	53
Number of Planning Commission Agenda Items	33	52	59	62
Public Works:				
Roads Resurfaced (linear feet)	11,904	14,500	28,200	8,900
Roads Reconstructed (linear feet)	0		2,200	0
Tons of Snow Melting Salt Used	420	546	150	100
Recreation:				
Pool Attendance	32,714	33,224	34,491	37,513
Number of Utilization Events (2)	1,859	1,130	2,068	1,936
Number of Consumers Served	74,431	73,002	79,783	80,030
Number of seasonal programs	82	77	92	86
Police:				
Calls for Service	14,584	14,698	14,564	14,298
Total Arrests	780	1,000	978	1,031
Part I Offenses Reported (major offenses)	1,356	1,337	1,187	1,020
Part I Offenses cleared (Percentage)	35.0%	32.2%	27.5%	36.7%
Part II Offenses Reported (Major offenses)	2,053	2,042	2,129	1,837
Part II Offenses cleared (Percentage)	23.0%	38.5%	36.1%	39.3%
DUI Arrests	145	153	151	146
Fire:				
Total Number of Responses	1,068	1,216	1,219	1,246
Responses Involving Loss	5	3	0	2
Structure Fires	20	31	(1)	19
Volunteer Hours	88,195	86,342	112,414	87,807
False Alarms/False Calls	171	144	205	225
Total Calls For Assistance	4,461	4,769	4,543	4,856
Utilities:				
<i>Electric Department</i>				
Units Billed (kwh)	301,419,493	298,904,180	280,162,497	270,674,464
Billed Revenue	\$25,122,123	\$22,832,498	\$19,350,942	\$16,909,558
<i>Gas Department</i>				
Units Billed (100 Cu. Ft.)	9,548,283	9,263,225	8,764,951	9,408,519
Billed Revenue	\$10,804,867	\$9,931,409	\$11,161,166	\$10,926,767
<i>Water Department</i>				
Units Billed (10 Cu. Ft.)	14,601,233	14,666,433	14,922,136	14,738,824
Billed Revenue	\$2,856,052	\$2,824,616	\$2,805,748	\$2,590,999
<i>Wastewater Treatment Plant</i>				
Units Billed (10 Cu. Ft.)	24,492,922	22,945,608	21,063,582	25,142,782
Billed Revenue	\$3,699,207	\$3,579,563	\$3,289,890	\$3,375,059
<i>Sanitation Department</i>				
Units Billed (Cu. Yds.)	157,123	154,436	143,248	139,650
Billed Revenue	\$2,015,815	\$1,974,698	\$1,891,367	\$1,856,212

(1) Information not available

(2) Recreation center usage only

2004	2003	2002	2001	2000	1999
49	56	49	38	37	39
101	191	221	195	220	218
\$17,768,938	\$18,787,722	\$18,889,459	\$15,306,064	\$22,802,725	\$25,073,725
17	10	6	5	7	5
39	24	44	54	55	30
4,800	11,600	10,300	3,600	0	700
5,870	700	600	600	3,000	500
250	275	125	125	150	175
31,854	33,061	46,586	36,131	32,360	44,060
1,905	1,930	1,634	1,733	1,471	(1)
77,227	80,839	77,540	75,629	76,447	(1)
95	90	90	81	60	
13,762	12,873	6,998	4,051	3,116	3,425
1,392	969	665	1,203	691	776
1,096	922	952	1,065	1,027	1,163
28.6%	26.7%	25.2%	24.6%	(1)	(1)
2,045	1,640	1,946	21,202	2,086	2,255
32.1%	31.3%	28.3%	2.8%	(1)	(1)
119	75	26	76	7	6
1,037	725	766	720	(1)	(1)
5	4	7	5	9	2
16	14				
81,905	84,762	135,051	145,528	136,396	424,467
324	241	299	265	(1)	(1)
(1)	(1)	(1)	(1)	(1)	(1)
263,990,940	254,497,955	253,386,353	250,886,958	252,819,642	245,203,653
\$16,419,739	\$16,785,427	\$12,761,569	\$13,568,627	\$13,958,596	\$13,601,204
9,778,613	10,084,543	8,708,675	9,462,917	9,755,191	9,587,647
\$8,814,262	\$8,356,282	\$6,998,000	\$7,715,720	\$5,776,620	\$5,023,669
13,881,565	12,989,941	13,100,816	13,323,535	12,801,422	14,110,060
\$2,382,552	\$2,276,402	\$2,286,907	\$2,139,079	\$1,901,988	\$1,973,470
24,349,957	23,162,292	17,330,483	18,813,519	19,635,973	19,502,544
\$3,061,013	\$2,595,252	\$2,269,712	\$2,228,802	\$2,190,242	\$2,275,268
140,090	141,257	139,337	142,442	138,543	136,063
\$1,347,760	\$1,362,011	\$1,346,109	\$1,354,893	\$1,336,296	\$1,323,086

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

	2008	2007	2006	2005
Function/program				
General Government:				
Square Footage Occupied	16,571	16,571	16,571	16,571
Inspection Vehicles	2	2	2	2
Other Departmental Vehicles	5	5	5	5
Public Works:				
Number of Traffic Signals	40	40	35	35
Street Lights	1,500	1,500	1,500	1,500
Vehicles	11	11	11	11
Recreation:				
Number of Parks	16	16	16	14
Acerage of Park Lands	81	81	81	78
Recreation Centers	1	1	1	1
Recreation Center Square Footage	20,154	20,154	20,154	20,154
Tennis Courts	9	10	10	12
Ball Fields	4	4	4	5
Skate Parks	2			
Vehicles	3	3	3	3
Public Safety:				
Square Footage of Fire/Ambulance Dept	9,526	9,526	9,526	9,526
Square Footage of Police Department	10,726	10,726	10,726	10,726
Fire Vehicles/Ambulances	9	9	9	10
Police Vehicles	12	13	13	13
Utilities				
<i>Electric Department</i>				
Value of Plant in Service (000's)	\$63,374,252	\$60,902,232	\$57,912,422	\$61,554,987
Vehicles	8	9	8	8
<i>Gas Department</i>				
Value of Plant in Service (000's)	\$11,053,344	\$10,752,079	\$10,336,655	\$9,708,207
Vehicles	9	9	9	7
<i>Water Departmenmt</i>				
Value of Plant in Service (000's)	\$26,612,637	\$26,063,089	\$25,506,678	\$26,361,379
Vehicles	7	7	7	7
<i>Wastewater Treatment Department</i>				
Value of Plant in Service (000's)	\$39,038,610	\$38,578,161	\$36,284,115	\$36,574,119
Vehicles	6	6	6	6
<i>Sanitation Department</i>				
Value of Plant in Service	\$502,148	\$498,893	\$465,795	\$473,423
Vehicles	8	7	7	8

(1) Information not currently available

2004	2003	2002	2001	2000	1999
16,571	16,571	16,571	16,571	16,571	16,571
2	3	3	3	3	3
6	5	6	5	3	3
35	35	35	34	33	32
1,500	1,500	1,500	1,500	1,500	1,500
13	13	12	12	14	13
13	12	12	12	12	12
71	70	70	70	68	68
1	1	1	1	1	1
20,154	20,154	20,154	20,154	20,154	20,154
12	12	12	12	12	(1)
5	5	5	5	5	(1)
2	2	3	3	2	2
9,526	9,526	9,526	9,526	9,526	9,526
10,726	10,726	10,726	10,726	10,726	10,726
12	11	11	11	11	11
14	12	11	11	12	11
\$38,721,722	\$38,353,769	\$37,929,660	\$33,129,754	\$32,061,631	\$28,634,363
8	9	8	8	10	8
\$9,145,687	\$8,901,920	\$8,223,042	\$7,485,579	\$6,967,273	\$6,627,816
7	7	7	6	6	6
\$20,567,285	\$1,695,244	\$15,731,162	\$15,578,933	\$15,372,063	\$15,181,099
7	7	7	6	4	4
\$36,087,251	\$36,035,703	\$17,420,031	\$17,356,632	\$17,185,394	\$17,051,178
6	6	6	5	4	4
\$475,825	\$472,381	\$474,481	\$485,589	\$479,427	\$457,653
6	6	6	6	6	6

