

Borough of Chambersburg Pennsylvania



Comprehensive Annual Financial Report

*For the Year Ended
December 31, 2009*

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, 2008

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. Emer".

Executive Director

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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 2009 Comprehensive Annual Financial Report

June 30, 2010

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, 2009, 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.

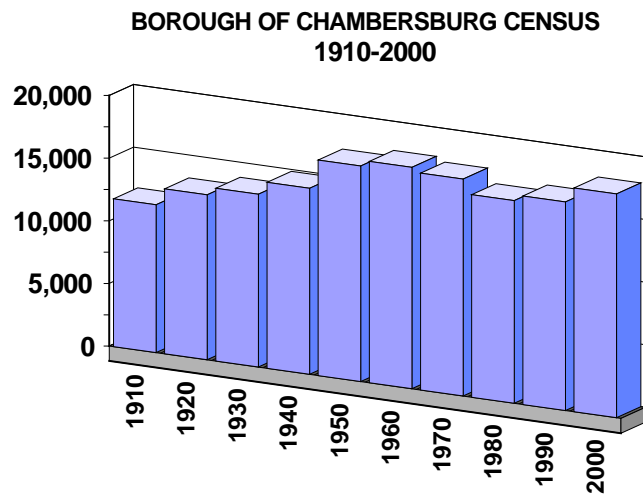
The MD&A is management's analysis of the municipality's financial position based on currently known facts as of the date of the auditor's report. It is required to precede the financial statements and provide the following analysis:

- 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 Ambulance Service

At a meeting of the Goodwill Steam Fire Engine and Hose Company #3 on August 15, 1924, it was suggested by firefighter Russell B. Kyle that an ambulance be purchased by the Borough of Chambersburg. This ambulance would be used to provide free service to the residents of Chambersburg and the surrounding areas. The first ambulance was purchased for \$3,500 and was built on a Garford chassis by Chambersburg's own H.B. McFerren Company located on Harrison Avenue. The New Garford ambulance was officially put into service on May 15, 1925, and the first patient transported was Mrs. Horn of East Catherine Street on June 4, 1925.

Now a part of the Chambersburg Fire Department emergency medical services, the ambulance service provides life saving benefits to the residents of Chambersburg and the surrounding areas. Even though much has changed over the past 85 years, ambulance service is still provided with the same dedication and professionalism as was extended to Mrs. Horn back in 1925. The ambulances are now staffed by both career and volunteer Emergency Medical Technicians. The Department has three basic life support (BLS) ambulances which are licensed by the Commonwealth of Pennsylvania and operates two ambulances when staffing permits.

The Borough's ambulance duty is rigorous and quite busy. Two ambulances handle the more than 3,400 calls responded to each year with a third unit available as a backup. In addition to providing ambulance service within the 6.58 square miles comprising the Borough of Chambersburg, our ambulance crews answer calls within a significant portion of the surrounding townships. Not only is our ambulance crew expected to answer this overwhelming number of ambulance calls, some crew members also "pack up" and fight fires within the Borough when needed. Due to the rigorous demands placed on our ambulance crews, it is estimated that as many as 300 calls for assistance are missed each year in the Borough of Chambersburg due to availability. Personnel consist of 21 full time Emergency Medical Technicians (EMT)/Firefighters that provides three rotating shifts with a daily staff of seven. Additionally, we have nine active volunteer EMT/Fire fighters. The ambulances are housed at our two Borough stations; one located at 130 North Second Street (Headquarters) and the other at 261 East McKinley Street.

The Borough's emergency medical services are sustained by quick response assistance from the Franklin Fire Company and the New Franklin Fire Company which supports the outlying areas ensuring that timely response. The EMS department provides training in Cardio Pulmonary Resuscitation (CPR), first aid, bicycle safety, pool safety, fire prevention and safety, staff fire safety, and accident prevention.

Seventy-five percent of the total budget for 2009 (\$948,300) was attributed directly to the cost of personnel. Approximately 77% of the budget is supplied by charges for services rendered, ambulance club memberships, and contributions. The remaining 25% or \$220,000 short-fall is afforded by real estate taxes. This amounts to approximately 1.2 mills or 6% of our current total real estate tax rate of 20 mills.

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 2009 were:

EMPLOYER	PRIMARY BUSINESS	<u>AVERAGE NUMBER OF EMPLOYEES</u>
Summit Health	Health Care	2,968
Chambersburg Area School District	Public Education	1,075
County of Franklin	Government	912
Menno Haven, Inc.	Retirement Community	565
Ventura Foods	Food Packaging	382
F & M Trust Company	Financial Services	275

K-Mart Regional Specialty Center	Distribution Warehousing	268
T B Woods, Inc.	Power Transmission Equipment	230
Staples	Retailing	220
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	<u>AVERAGE NUMBER OF EMPLOYEES</u>
Letterkenny Army Depot/Tenants	Repair Military Vehicles and Missiles/Misc.	3,715
Target Distribution Center	Distribution Warehousing	600
Martins Famous Pastry Shop	Potato Bread and Rolls	485
Ingram Book Group Inc.	Book Distribution	440
WalMart	Retailing	420
Valley Quarries	Stone and Asphalt Products	260

FINANCIAL INFORMATION

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

Accounting/Budgetary Control System

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

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

The concept of reasonable assurance recognizes that:

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

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

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

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

CHANGES IN FINANCIAL POLICIES

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

INDEPENDENT AUDIT

The independent accounting firm, Smith Elliott Kearns & Company, LLC, audited the basic financial statement of the Borough of Chambersburg for fiscal year 2009. 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 diligence, professionalism and pride have always been evident to me. By recognizing their accomplishments I can imagine how our lofty plans and expectations will become reality.

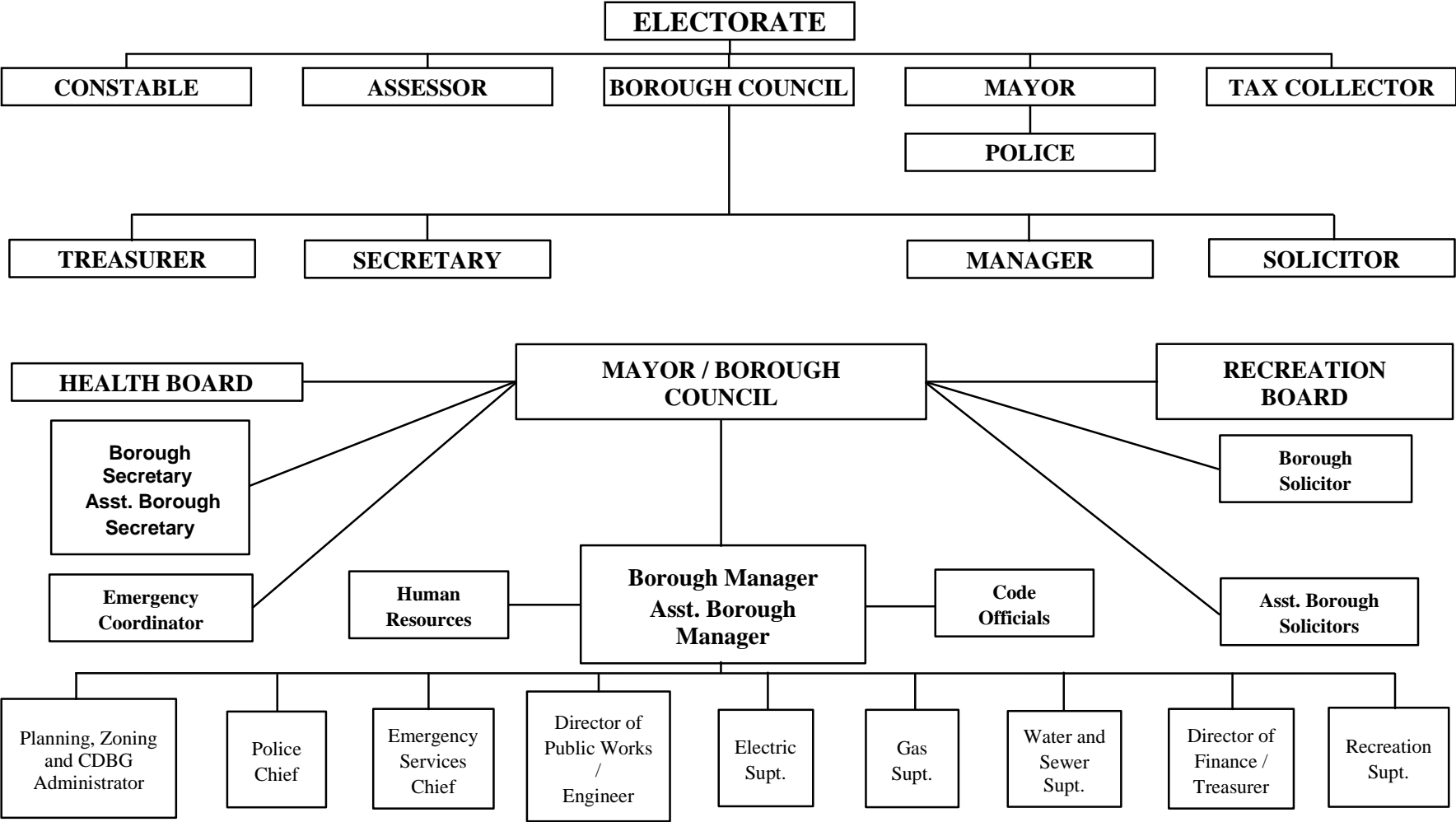
I would also like to extend a special thanks to our Borough Manager, Mr. Eric W. Oyer, who retired shortly after the year’s end. I will miss his support and the camaraderie that I have come to value over the years. I would also like to express my appreciation to the Mayor and members of the Town Council whose guidance and support promote excellence in financial reporting along with the highest standards of financial integrity.

I anticipate a very cordial and productive relationship with our new Borough Manager, Mr. Jeffrey Stonehill, who has already had a very positive influence on the Borough’s operation. We wish him the best in his new endeavor.

Respectfully submitted,

Casimir L. Rzomp, Jr.
Director of Finance

BOROUGH OF CHAMBERSBURG



X

2010 ROSTER
MAYOR AND MEMBERS OF TOWN COUNCIL
OF THE BOROUGH OF CHAMBERSBURG, PENNSYLVANIA

MAYOR

Peter Lagiovane
610 Wallace Avenue
Chambersburg, PA 17201
2010-2013
(r) 264-8231; Mayors Office 261-3243

COUNCILMEN

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

Allen B. Coffman
112 Pennsylvania Avenue
First Ward 2010-2013
(r) 267-2739 (c) 639-9473
(w) 263-7705

Tom Newcomer
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Second Ward 2008-2011
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Janet L. Lukic
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Second Ward 2006-2009
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Elaine M. Swartz
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Finance Chairman
Third Ward 2010-2013
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Sharon A. Bigler
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Assistant Finance Chairman
Fourth Ward 2008-2011
(r) 263-5524 (c) 360-1711
(w) 267-3947

Margret A. (Peggy) Shank
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Fourth Ward 2010-2013
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Vice President of Council
Fifth Ward 2008-2011
(r) 263-8915

Heath Talhelm
840 Brandon Drive
Fifth Ward 2010-2013
(r) 263-1108 (c) 240-357-0947

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 Secretary
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Assistant Borough Secretary
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G. Bryan Salzman
Borough Solicitor
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Suzanne Miller-Trinh
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Carl S. Rundquist
Water and Sewer Superintendent
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Borough Engineer/Public Works Director
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Emergency Management Coordinator
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David J. Arnold
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Guy Shall
Recreation Superintendent
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Julie Redding
Assistant Recreation Superintendent
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Phil Wolgemuth
Planning/Zoning/CDBG Administrator
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William Lockbaum
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Property Maintenance Code Officer
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Casimir L. Rzomp, Jr.
Borough Treasurer/ Finance Director
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Nancy Foster
Assistant Borough Treasurer
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Wage Tax Collector
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William H. "Buzz" Shank III
Borough Tax Collector
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Assistant to the Water and Sewer Superintendent
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(r) = residence

(b) = business

(c) = cell



Financial Section



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Chambersburg, as of and for the year ended December 31, 2009, which collectively comprise the Borough's financial statements, as listed in the table of contents. These financial statements are the responsibility of the Borough of Chambersburg's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Chambersburg as of December 31, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2010 on our consideration of the Borough of Chambersburg's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 14, the schedules of historical pension information and funding progress -OPEB on pages 51 through 53, and budgetary comparison schedules on pages 54 through 55 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



To the Mayor and Borough Council
Borough of Chambersburg

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

Smith Elliott Kearns & Company, LLC

Chambersburg, Pennsylvania
June 22, 2010

BOROUGH OF CHAMBERSBURG, PENNSYLVANIA

Management's Discussion and Analysis for the Year Ended December 31, 2009 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, 2009. 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 2009?" 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, 2009. 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, 2009. 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

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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.

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Other Information

Notes to the basic financial statements

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

Required supplementary information

In addition to the basic financial statements and notes, this report also contains required supplementary information (RSI). RSI includes schedules of historical pension information OPEB required schedule of funding progress and budgetary schedules for the general fund and grant programs fund. This data is on pages 51 through 55 of this report.

The Borough of Chambersburg as a Whole

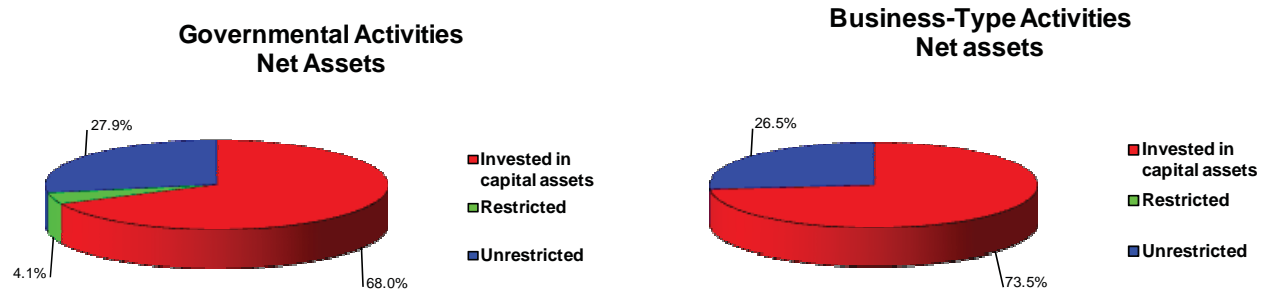
The following table presents condensed information on net assets as of December 31, 2009 and 2008.

	<u>Net Assets</u> <u>December 31, 2009 and 2008</u>					
	2009 Governmental Activities	2008 Governmental Activities	2009 Business-Type Activities	2008 Business-Type Activities	2009 Total	2008 Total
<u>Assets:</u>						
Current and other assets	\$ 12,990,582	\$ 13,867,836	\$ 32,716,047	\$ 36,940,373	\$ 45,706,629	\$ 50,808,209
Capital assets	24,030,856	21,404,089	96,147,042	93,892,140	120,177,898	115,296,229
Total assets	37,021,438	35,271,925	128,863,089	130,832,513	165,884,527	166,104,438
<u>Liabilities:</u>						
Current liabilities	969,970	1,391,899	6,584,842	7,203,380	7,554,812	8,595,279
Other liabilities	691,401	530,930	20,473,854	21,484,210	21,165,255	22,015,140
Total liabilities	1,661,371	1,922,829	27,058,696	28,687,590	28,720,067	30,610,419
<u>Net Assets:</u>						
Invested in capital assets, net of debt	24,030,856	21,404,089	74,790,451	71,707,129	98,821,307	93,111,218
Restricted	1,452,889	1,168,346	0	0	1,452,889	1,168,346
Unrestricted	9,876,322	10,776,661	27,013,942	30,437,794	36,890,264	41,214,455
Total net assets	\$ 35,360,067	\$ 33,349,096	\$ 101,804,393	\$ 102,144,923	\$ 137,164,460	\$ 135,494,019

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The breakdown of net assets is as follows at December 31, 2009:



In total, combined net assets were at \$137.2 million at December 31, 2009.

The following tables present condensed information on the changes in net assets for the years ended December 31, 2009 and 2008.

Changes in Net Assets **For the Year Ended December 31, 2009**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Activities</u>
<u>Revenues</u>			
Program Revenues:			
Charges for services	\$ 2,151,858	\$ 49,848,258	\$ 52,000,116
Operating grants and contributions	1,414,482	168,207	1,582,689
Capital Grants and contributions	2,901,458	3,400,102	6,301,560
General revenues:			
Property taxes	3,710,125	0	3,710,125
Real estate transfer tax	272,005	0	272,005
Earned income tax	1,390,053	0	1,390,053
Local services tax	860,057	0	860,057
Payments in lieu of taxes	12,616	0	12,616
Investment earnings	181,223	358,101	539,324
Miscellaneous income	57,152	148,965	206,117
Total revenues	<u>\$ 12,951,029</u>	<u>\$ 53,923,633</u>	<u>\$ 66,874,662</u>

BOROUGH OF CHAMBERSBURG, PENNSYLVANIA

*Management's Discussion and Analysis
for the Year Ended December 31, 2009
Unaudited*

Changes in Net Assets (Continued)
For the Year Ended December 31, 2009

	Governmental Activities	Business-Type Activities	Total Activities
<u>Expenses</u>			
General government	\$ 1,380,277	\$ 0	\$ 1,380,277
Public safety	7,372,746	0	7,372,746
Public services	1,963,186	0	1,963,186
Community development	475,765	0	475,765
Parks and recreation	1,453,670	0	1,453,670
Interest on long-term debt	0	0	0
Electric	0	33,623,997	33,623,997
Gas	0	8,694,454	8,694,454
Water	0	2,831,476	2,831,476
Sewer	0	5,152,404	5,152,404
Other business-type activities	0	2,256,246	2,256,246
Total expenses	12,645,644	52,558,577	65,204,221
Excess before transfers	305,385	1,365,056	1,670,441
Transfers	1,705,586	(1,705,586)	0
Change in net assets	\$ 2,010,971	(\$ 340,530)	\$ 1,670,441

BOROUGH OF CHAMBERSBURG, PENNSYLVANIA*Management's Discussion and Analysis
for the Year Ended December 31, 2009
Unaudited***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	1,800,424	173,335	1,973,759
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>13,265,339</u>	<u>50,324,029</u>	<u>63,589,368</u>
<u>Expenses</u>			
General government	1,041,494	0	1,041,494
Public safety	8,035,408	0	8,035,408
Public services	1,117,850	0	1,117,850
Community development	661,485	0	661,485
Parks and recreation	1,469,475	0	1,469,475
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	0	2,190,924	2,190,924
Total expenses	<u>12,325,712</u>	<u>47,995,436</u>	<u>60,321,148</u>
Excess before transfers	939,627	2,328,593	3,268,220
Transfers	<u>1,562,682</u>	<u>(1,562,682)</u>	<u>0</u>
Change in net assets	<u>\$ 2,502,309</u>	<u>\$ 765,911</u>	<u>\$ 3,268,220</u>

Net assets increased by \$1.67M in 2009 for "total activities" compared to an increase of \$3.27M in 2008 for the same "total activities". This is a \$1.60M decrease in overall performance for 2009 compared to 2008 and is the result of an increase in revenues of \$3.28M with a corresponding increase in expenses of \$4.88M. There was \$3.4M increase in charges for services in business-type activities with a corresponding increase of \$4.56M in expenses. Within the business-type activities, the electric department alone experienced an increase in billed revenues of \$5.13M in 2009 while also experiencing a \$6.72M increase in expenses. This situation which amounts to a decrease of \$1.59M in performance can be directly attributed to significant instability in the electric markets along with a corresponding increase in electric purchase costs for 2009. Not all of the cost increase could be "passed on" to our customers.

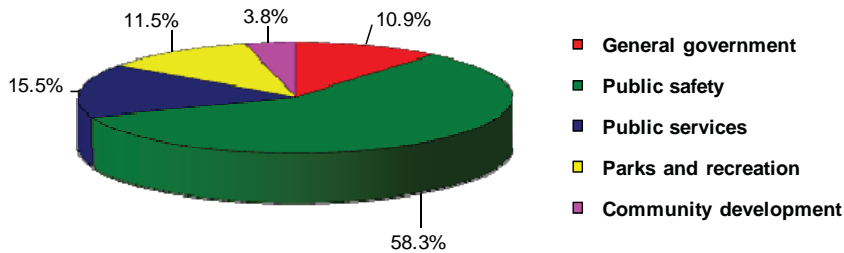
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The Borough's governmental activities' single largest revenue source, real estate taxes, increased by \$82,257 or 2.3% in 2009. This was a smaller increase than the 3.3% for the year ended December 31, 2008. The increase in real estate revenues was due to an increase in the taxable assessed value of 3.0% for year ended 2009. There was no increase in the mill rate for 2009. Due to declining economic conditions, the earned income tax decreased \$ 474,421 or 26.5% in 2009 and the real estate transfer tax decreased \$ 268,460 or 49.7% in 2009.

Expenses of governmental activities break down as follows:

**Governmental Expenses by Program
2009**



Total governmental expenses for 2009 were \$12.6 million. Public safety, which consists primarily of police, fire and ambulance services, comprised 58.3% of the total governmental expenses. Public service expenses, which include streets overlaying and repairs were 15.5%. Leisure time activities represented by the parks and recreation portion of expenses were 11.5% of the total. General government expenses were 10.9%. Community development comprised 3.8% of total expenses.

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, 2009**

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

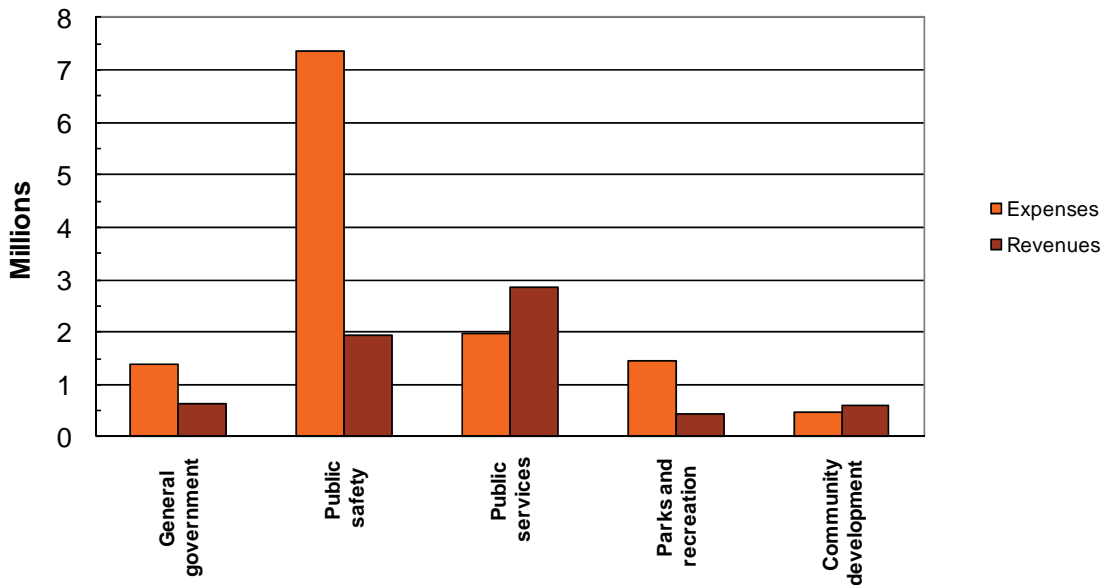
BOROUGH OF CHAMBERSBURG, PENNSYLVANIA

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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	8,035,408	1,234,849	7,735	773,685	(6,019,139)
Public services	1,117,850	4,314	410,577	142,070	(560,889)
Parks 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	\$ 12,325,712	\$ 2,111,319	\$ 1,800,424	\$ 2,026,960	(\$ 6,387,009)

Expenses and Program Revenue - Governmental Activities 2009



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

Business-type activities

Business-type net assets decreased \$340,530 in 2009. Each business-type activity, except for electric and sewer, had a decrease in sales of service. Electric sales increased 20%, gas sales decreased 14.2%, water sales decreased 2.7%, sewer sales increased .7%, sanitation sales decreased 1.1% and parking department sales decreased 2.2%. The total increase in billed revenues was \$3,477,252 or 7.5%.

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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, 2009**

	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Electric	\$33,623,997	\$30,785,021	\$ 47,303	\$ 1,484,000	(\$ 1,307,673)
Gas	8,694,454	9,410,294	20,684	57,260	793,784
Water	2,831,476	3,375,869	26,880	1,017,948	1,589,221
Sewer	5,152,404	4,096,262	21,678	840,894	(193,570)
Sanitation	2,092,023	2,045,885	49,283	0	3,145
Parking	164,223	134,927	2,379	0	(26,917)
Total business-type activities	<u>\$52,558,577</u>	<u>\$49,848,258</u>	<u>\$ 168,207</u>	<u>\$ 3,400,102</u>	<u>\$ 857,990</u>

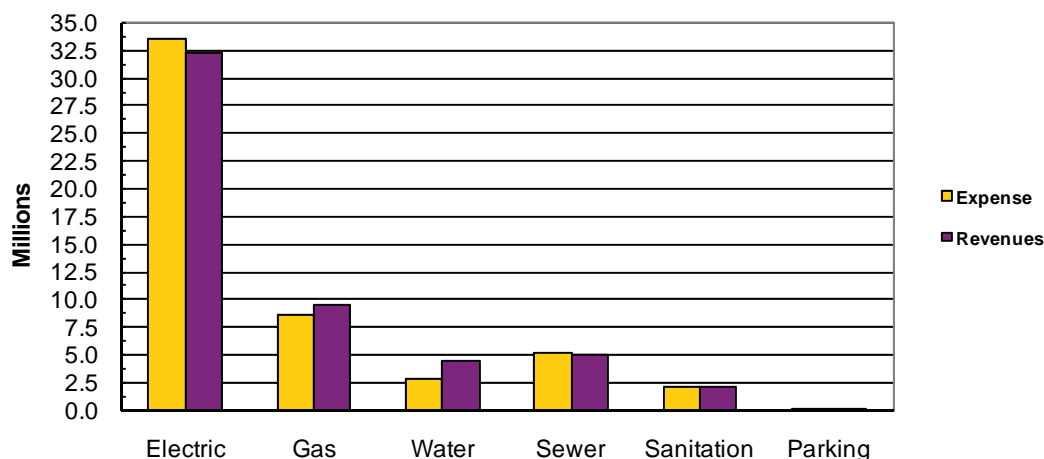
**Expenses and Program Revenue - Business-type Activities
For Year Ended December 31, 2008**

	Expenses	Charges for Services	Operating Grants 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>

BOROUGH OF CHAMBERSBURG, PENNSYLVANIA

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Expenses and Program Revenue - Business-Type Activities 2009



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, 2009 were \$8.1 million as compared to \$9.2 million at December 31, 2008.

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 \$3,022,011 to \$2,139,230.

Budget variations

Operations for the Borough's general fund resulted in an overall unfavorable net budget variance of \$172,431 for the year ended December 31, 2009. That means that we had \$172,431 less in net cash inflows than was budgeted. We budgeted a **net revenues in excess of expenditures of -\$710,350**, (negative) but finished the year with a **net revenues in excess of expenditures of -\$882,781** (negative). Total expenditures exceeded total revenues by \$1,693,094 and net interfund transfers from other Borough funds amounted to \$810,313 creating the overall negative results of -\$882,781 for net receipts.

We had a favorable budget variance of \$750,045 or 6.52% of total **budgeted expenditures** (\$11,503,550). We also had an unfavorable budget variance of \$95,789 or 1.05% of total budgeted revenues (\$9,156,200). Also, we transferred \$147,557 less than budgeted from the enterprise departments into the general fund. We originally budgeted \$1,637,000 to be transferred from the enterprise funds into the general fund, but only transferred \$1,489,443 into the general fund which is \$147,557 less. Additionally, we transferred \$679,130 to the General Capital Reserve Fund, which was not budgeted.

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Of the unfavorable revenue variance (\$95,789), **\$87,393 or 91.2%** of that total, was due to a combination of over estimates in the budgeted amounts for taxes of \$343,104 and an underestimate of departmental charges for services of \$255,711. Among the over estimated tax items were: deed transfer taxes (\$127,995), earned income taxes (\$209,947) and local service taxes (\$60,657). Local economic activity apparently was worse than was predicted during budget preparations.

On the expenditure side, of the favorable variance (\$750,045), **69.55% (\$521,672)** can be attributed to over budgeting expenditures for the Fire & Ambulance Departments. Additionally, **37.82% (\$283,646)** can be attributed to over budgeting the expenditures for the Police Department, **24.64% (\$184,825)** and overbudgeting for the Recreation Department. The overbudgeting in these three departments accounted for 132% (\$990,143) of the total favorable expenditure variance. The expenditures for the Highway Department were under budgeted by 27.57% (\$206,765).

Changes in fund equity

The fund balance in the *general fund* decreased by \$882,781 in 2009. This was because current expenditures (\$10,753,505) exceeded total revenues (\$9,060,411) by \$1,693,094. Net transfers in (\$810,313) from other operating departments offset a large portion of the deficiency leaving \$882,781 as the net decrease in fund balance for the General Fund. The primary underlying reason for the decrease in resources available to the General Fund was basically a decrease in tax revenues over the previous year. Total tax revenues for 2009 were \$ 6,148,696 as compared to \$6,694,532 for 2008. That revenue decrease of \$545,836 was augmented by an increase in expenditures of \$294,865 for 2009 over those in 2008. These two factors alone facilitated a decrease in resources of \$840,701 over the previous year. In summary, our General Fund revenues decreased by 5.80% while expenditures increased by 2.82%.

The fund balance in the *grants programs fund* increased by \$49,340 in 2009. Revenues decreased by \$288,628 to \$810,365 in 2009 while expenditures decreased by \$288,922 to \$766,452. This increase in resources provided an overall increase in the fund balance of \$49,340 for 2009 while we had an increase in fund balance of \$45,712 for 2008.

The net assets in the *enterprise funds* decreased by \$393,518 or .4% in 2009 compared to an increase of \$650,680 or .7% for 2008. Most, if not all of the decrease for 2009, can be attributed to the electric department, whose net assets decreased by \$2,193,929 or 6.16% in 2009. Operating revenues increased substantially by \$5,143,026 or 20.01% to \$30,763,051 while operating expenses increased by \$6,776,713 or 25.8 % to \$33,045,838. The net assets for the electric department decreased by \$2,193,929 or 6.16% to a total of \$33,412,838. A major element in the increase in expenditures in 2009 for the electric department was the necessity to purchase a substantial amount of electricity for resale on the open market. This item alone caused an increase in expenditures of \$9,426,205, or a 60.92% increase in the purchase of energy for sale.

Also, the net assets in the gas department increased by \$455,041 or 4.40% over 2008. The net assets for the water department increased by \$1,536,786 or 6.31% over 2008. The net assets for the sewer department decreased by \$122,121 or .58% to \$20,975,048 in 2009 from \$21,097,169 in 2008. Lastly, the net assets in the "other enterprise funds" (sanitation and parking) decreased by \$69,295 or 4.07% to \$1,633,331. Operating revenues decreased by \$25,525 or 1.16% to \$2,179,916 while operating expenses increased by \$74,772 or 3.39% to \$2,283,460.

The net assets in the *internal services funds* increased by a total of \$558,061 or 4.24% compared to an increase of \$558,258 or 4.43% in 2008. Operating revenues totaled \$4,351,667, increasing by 14.33% over last year's operating revenues of \$3,806,194. Operating expenditures totaled \$4,210,485 increasing by 6.75% over last year's operating expenditures of \$3,944,202.

BOROUGH OF CHAMBERSBURG, PENNSYLVANIA

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Capital asset and debt administration

Capital asset activity

Utilizing the Borough's capital reserves and taking advantage of the low cost of construction, the Borough continued to invest in infrastructure and capital needs. In 2009, the Borough spent close to \$400,000 on the overlay of streets and alleys. In addition, the Borough spent \$900,000 in reserves for the reconstruction of Brumbaugh Avenue and the construction of the South End Storm Water Improvement Project from Hollywell Avenue to Progress Road. In 2009 we made traffic signal modifications at the intersections of McKinley Street and Stouffer Avenue and Scotland and Roland Avenues. We replaced the traffic signals at the intersections of McKinley and Fourth streets and Catherine and Fourth streets and the installation of School Speed Limit Flashers on Sixth Street and McKinley Street. The traffic signalization and speed limit flasher work in the vicinity of the expanded Chambersburg Area Senior High School was financed by the Chambersburg Area School District. In 2009 we completed the installation of 31 new decorative street lights on North and South Main Streets as well as Lincoln Way East and West. The Gas and Water & Sewer Departments continued to replace and upgrade many service laterals and valves in order to stay ahead of significant capital needs.

Additional detail on the capital asset activity for the year ended December 31, 2009 is presented in the Notes to the Basic Financial Statements in note 4.

Debt

A summary of outstanding debt at December 31, 2009 and 2008 is as follows:

	<u>General Obligation Bonds</u>	
	<u>December 31, 2009</u>	<u>December 31, 2008</u>
Governmental activities	\$ 0	\$ 0
Business-type activities	19,295,000	20,310,000
	<u>Pennsylvania ("Pennvest" Water Projects)</u>	
Governmental activities	0	0
Business-type activities	2,370,233	2,338,177
Total outstanding debt	<u>\$ 21,665,233</u>	<u>\$ 22,648,177</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, 2009

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets			
Cash and equity in pooled cash and investments	\$ 10,950,338	\$ 22,908,743	\$ 33,859,081
Taxes receivable, net of allowance	240,438	0	240,438
Accounts receivable, net of allowance	181,687	6,924,281	7,105,968
Due from other governments	730,216	104,896	835,112
Other receivables	149,202	101,356	250,558
Inventories	452,076	2,632,887	3,084,963
Prepaid expenses	339	43,884	44,223
Total current assets	<u>12,704,296</u>	<u>32,716,047</u>	<u>45,420,343</u>
Noncurrent assets			
Noncurrent receivables	286,286	0	286,286
Deferred charges	0	160,235	160,235
Capital assets not being depreciated:			
Land	403,051	825,998	1,229,049
Construction in progress	2,330,408	3,034,116	5,364,524
Capital assets net of accumulated depreciation:			
Utility plant in service	0	89,439,715	89,439,715
Land improvements	1,280,337	30,247	1,310,584
Buildings and improvements	1,511,935	252,408	1,764,343
Machinery, equipment and furniture	1,912,388	2,404,323	4,316,711
Infrastructure	16,592,737	0	16,592,737
Total noncurrent assets	<u>24,317,142</u>	<u>96,147,042</u>	<u>120,464,184</u>
Total assets	<u>\$ 37,021,438</u>	<u>\$ 128,863,089</u>	<u>\$ 165,884,527</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 393,279	\$ 4,137,204	\$ 4,530,483
Accrued wages and withholdings	38,503	59,902	98,405
Accrued interest expense	0	225,133	225,133
Unearned revenues	99,486	95,099	194,585
Long-term liabilities: Due within one year			
Bonds and notes payable	0	1,564,979	1,564,979
Compensated absences	365,234	359,018	724,252
Liability for self-insured losses	73,468	143,507	216,975
Total current liabilities	<u>969,970</u>	<u>6,584,842</u>	<u>7,554,812</u>
Noncurrent liabilities			
Long-term liabilities: Due in more than one year			
Bonds and notes payable	0	19,631,377	19,631,377
Compensated absences	249,035	512,391	761,426
Net OPEB obligation	299,081	50,201	349,282
Liability for self-insured losses	143,285	279,885	423,170
Total noncurrent liabilities	<u>691,401</u>	<u>20,473,854</u>	<u>21,165,255</u>
Total liabilities	<u>1,661,371</u>	<u>27,058,696</u>	<u>28,720,067</u>
NET ASSETS			
Invested in capital assets, net of related debt	24,030,856	74,790,451	98,821,307
Restricted for:			
Program expense	1,452,889	0	1,452,889
Unrestricted	<u>9,876,322</u>	<u>27,013,942</u>	<u>36,890,264</u>
Total net assets	<u>35,360,067</u>	<u>101,804,393</u>	<u>137,164,460</u>
Total liabilities net assets	<u>\$ 37,021,438</u>	<u>\$ 128,863,089</u>	<u>\$ 165,884,527</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, 2009

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets				
	Program Revenue		Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities					
General government	\$ 1,380,277	\$ 455,042	\$ 55,189	\$ 124,858	(\$ 745,188) \$ 0 (\$ 745,188)
Public safety	7,372,746	1,274,477	661,482	1,784	(5,435,003) 0 (5,435,003)
Public works	1,963,186	3,366	99,005	2,767,880	907,065 0 907,065
Culture and recreation	1,453,670	418,973	0	6,936	(1,027,761) 0 (1,027,761)
Community development	475,765	0	598,806	0	123,041 0 123,041
Total governmental activities	12,645,644	2,151,858	1,414,482	2,901,458	(6,177,846) 0 (6,177,846)
Business-type activities					
Electric	33,623,997	30,785,021	47,303	1,484,000	0 (1,307,673) (1,307,673)
Gas	8,694,454	9,410,294	20,684	57,260	0 793,784 793,784
Water	2,831,476	3,375,869	26,880	1,017,948	0 1,589,221 1,589,221
Sewer	5,152,404	4,096,262	21,678	840,894	0 (193,570) (193,570)
Sanitation	2,092,023	2,045,885	49,283	0	0 3,145 3,145
Parking	164,223	134,927	2,379	0	0 (26,917) (26,917)
Total business-type activities	52,558,577	49,848,258	168,207	3,400,102	0 857,990 857,990
Total primary government	\$ 65,204,221	\$ 52,000,116	\$ 1,582,689	\$ 6,301,560	(\$ 6,177,846) \$ 857,990 (\$ 5,319,856)
General revenues:					
Taxes:					
Property taxes, levied for general purposes					\$ 3,710,125 \$ 0 \$ 3,710,125
Real estate transfer tax					272,005 0 272,005
Earned income tax					1,390,053 0 1,390,053
Local services tax					860,057 0 860,057
Other taxes					12,616 0 12,616
Unrestricted investment earnings					181,223 358,101 539,324
Miscellaneous income					57,152 148,965 206,117
Transfers					1,705,586 (1,705,586) 0
Total general revenues and transfers					8,188,817 (1,198,520) 6,990,297
Change in net assets					2,010,971 (340,530) 1,670,441
Net assets - beginning - as restated					33,349,096 102,144,923 135,494,019
Net assets - ending					\$ 35,360,067 \$ 101,804,393 \$ 137,164,460

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

BOROUGH OF CHAMBERSBURG**BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2009**

	General Fund	Special Revenue Fund Grant Programs	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and equity in pooled cash and investments	\$ 1,731,055	\$ 56,319	\$ 5,667,117	\$ 7,454,491
Taxes receivable, net	240,438	0	0	240,438
Receivable from other governments	402,827	90,603	0	493,430
Other receivables, net	197,251	162,353	233,408	593,012
Total assets	<u>\$ 2,571,571</u>	<u>\$ 309,275</u>	<u>\$ 5,900,525</u>	<u>\$ 8,781,371</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 118,720	\$ 6,570	\$ 238,948	\$ 364,238
Deferred revenue	280,062	1,871	0	281,933
Accrued wages, benefits and withholdings	33,559	380	236	34,175
Total liabilities	<u>432,341</u>	<u>8,821</u>	<u>239,184</u>	<u>680,346</u>
Fund balances				
Reserved for long term loans	0	80,647	205,639	286,286
Reserved for grant programs	0	219,807	0	219,807
Unreserved - special revenue liquid fuels	0	0	1,096,594	1,096,594
Unreserved - capital reserve fund	0	0	4,359,108	4,359,108
Unreserved	2,139,230	0	0	2,139,230
Total fund balances	<u>2,139,230</u>	<u>300,454</u>	<u>5,661,341</u>	<u>8,101,025</u>
Total liabilities and fund balances	<u>\$ 2,571,571</u>	<u>\$ 309,275</u>	<u>\$ 5,900,525</u>	<u>\$ 8,781,371</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, 2009

Total fund balance - governmental funds \$ 8,101,025

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

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

Cost of assets	33,297,137	
Accumulated depreciation	(10,294,481)	
		23,002,656

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. 419,233

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. (294,974)

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. 4,648,792

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. (516,665)

Total net assets - governmental activities	<u>\$ 35,360,067</u>
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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, 2009

	General Fund	Special Revenue Fund Grant Programs	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 6,148,696	\$ 0	\$ 0	\$ 6,148,696
Licenses and permits	329,480	0	0	329,480
Fines and forfeits	127,416	0	0	127,416
Investment earnings	55,298	335	75,327	130,960
Intergovernmental	712,732	738,669	403,461	1,854,862
Charges for services	1,551,711	0	0	1,551,711
Contributions and donations	0	0	392,826	392,826
Miscellaneous	135,078	71,361	10,838	217,277
Total revenues	<u>9,060,411</u>	<u>810,365</u>	<u>882,452</u>	<u>10,753,228</u>
EXPENDITURES				
Current:				
General government	866,293	37,897	32,713	936,903
Public Safety				
Police department	4,015,429	54,661	34,938	4,105,028
Fire department	1,767,853	1,650	20,612	1,790,115
General health and ambulance service	1,083,431	0	2,644	1,086,075
Planning and zoning	371,105	0	0	371,105
Public works				
Highways	921,515	86,317	1,160,513	2,168,345
Other	506,388	0	177,850	684,238
Culture and recreation	1,124,625	63,112	207,123	1,394,860
Community development	0	517,458	42,167	559,625
Miscellaneous expenditures	96,866	5,357	0	102,223
Total expenditures	<u>10,753,505</u>	<u>766,452</u>	<u>1,678,560</u>	<u>13,198,517</u>
Excess (deficiency) of revenues over expenditures	<u>(1,693,094)</u>	<u>43,913</u>	<u>(796,108)</u>	<u>(2,445,289)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,489,443	6,177	660,187	2,155,807
Transfers out	<u>(679,130)</u>	<u>(750)</u>	<u>(145,620)</u>	<u>(825,500)</u>
Total other financing sources and uses	<u>810,313</u>	<u>5,427</u>	<u>514,567</u>	<u>1,330,307</u>
Net change in fund balances	<u>(882,781)</u>	<u>49,340</u>	<u>(281,541)</u>	<u>(1,114,982)</u>
Fund balances - beginning - as restated	<u>3,022,011</u>	<u>251,114</u>	<u>5,942,882</u>	<u>9,216,007</u>
Fund balances - ending	<u>\$ 2,139,230</u>	<u>\$ 300,454</u>	<u>\$ 5,661,341</u>	<u>\$ 8,101,025</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, 2009

Net change in fund balances - total governmental funds: (\$ 1,114,982)

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

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

Depreciation expense	(1,058,396)	
Capital outlays	<u>3,732,055</u>	2,673,659

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.

96,160

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:

(39,219)

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.

(109,720)

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.

505,073

Change in net assets - governmental activities \$ 2,010,971

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

BOROUGH OF CHAMBERSBURG

STATEMENT OF NET ASSETS PROPRIETARY FUNDS December 31, 2009

	Enterprise Funds		
	Electric Fund	Gas Fund	Water Fund
ASSETS			
Current assets			
Cash and equity in pooled cash and investments	\$ 1,251,035	\$ 1,824,353	\$ 9,538,486
Accounts receivable, net	3,998,251	1,490,943	532,660
Due from other funds	292,787	0	0
Receivables from other governments	0	0	104,040
Other receivables	5,537	8,093	42,122
Inventories	639,767	911,184	67,511
Prepaid expenses	33,847	2,260	2,566
Total current assets	<u>6,221,224</u>	<u>4,236,833</u>	<u>10,287,385</u>
Noncurrent assets			
Deferred charges	126,879	0	0
Capital assets			
Land	447,512	37,716	206,068
Buildings and system	65,994,931	11,367,377	27,323,845
Improvements other than buildings	34,081	0	0
Machinery and equipment	495,301	160,990	270,782
Construction in progress	1,092,512	399,847	1,039,401
Less accumulated depreciation	(21,891,797)	(4,454,463)	(10,515,183)
Total capital assets	<u>46,172,540</u>	<u>7,511,467</u>	<u>18,324,913</u>
Total noncurrent assets	<u>46,299,419</u>	<u>7,511,467</u>	<u>18,324,913</u>
Total assets	<u>\$ 52,520,643</u>	<u>\$ 11,748,300</u>	<u>\$ 28,612,298</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 2,905,584	\$ 780,145	\$ 204,247
Accrued wages payable	13,854	17,509	7,377
Accrued interest payable	186,686	0	6,367
Due to other funds	0	0	0
Unearned revenue	26,295	68,804	0
Compensated absences - current	100,109	39,451	51,042
Liability for self insured losses - current	0	0	0
Bonds, notes and loans payable - current	885,407	0	220,905
Total current liabilities	<u>4,117,935</u>	<u>905,909</u>	<u>489,938</u>
Noncurrent liabilities			
Compensated absences	165,926	35,561	62,147
Liability for self insured losses	0	0	0
Net OPEB obligation	15,113	6,605	8,592
Bonds, notes and loans payable	14,808,831	0	2,149,328
Total noncurrent liabilities	<u>14,989,870</u>	<u>42,166</u>	<u>2,220,067</u>
Total liabilities	<u>19,107,805</u>	<u>948,075</u>	<u>2,710,005</u>
NET ASSETS			
Invested in capital assets, net of related debt	30,478,302	7,511,467	15,954,680
Unrestricted	<u>2,934,536</u>	<u>3,288,758</u>	<u>9,947,613</u>
Total net assets	<u>33,412,838</u>	<u>10,800,225</u>	<u>25,902,293</u>
Total liabilities and net assets	<u>\$ 52,520,643</u>	<u>\$ 11,748,300</u>	<u>\$ 28,612,298</u>

Enterprise Funds			Internal Service Funds
Sewer Fund	Other Enterprise Funds	Total	
\$ 1,999,327	\$ 1,466,975	\$ 16,080,176	\$ 10,324,414
781,738	103,729	6,907,321	25,643
0	0	292,787	0
856	0	104,896	0
8,850	6,516	71,118	45,718
131,368	0	1,749,830	1,335,133
3,836	712	43,221	1,002
<u>2,925,975</u>	<u>1,577,932</u>	<u>25,249,349</u>	<u>11,731,910</u>
33,356	0	160,235	0
14,300	112,124	817,720	13,984
40,800,207	77,807	145,564,167	150,111
0	49,748	83,829	0
262,887	556,834	1,746,794	0
502,356	0	3,034,116	6,737,396
(19,783,957)	(622,840)	(57,268,240)	(3,864,870)
<u>21,795,793</u>	<u>173,673</u>	<u>93,978,386</u>	<u>3,036,621</u>
<u>21,829,149</u>	<u>173,673</u>	<u>94,138,621</u>	<u>3,036,621</u>
<u>\$ 24,755,124</u>	<u>\$ 1,751,605</u>	<u>\$ 119,387,970</u>	<u>\$ 14,768,531</u>
\$ 167,209	\$ 23,293	\$ 4,080,478	\$ 85,767
7,144	5,563	51,447	12,783
32,080	0	225,133	0
292,787	0	292,787	0
0	0	95,099	0
57,056	34,528	282,186	116,166
0	0	0	216,975
458,667	0	1,564,979	0
<u>1,014,943</u>	<u>63,384</u>	<u>6,592,109</u>	<u>431,691</u>
84,980	49,955	398,569	172,092
0	0	0	423,170
6,935	4,935	42,180	12,128
<u>2,673,218</u>	<u>0</u>	<u>19,631,377</u>	<u>0</u>
<u>2,765,133</u>	<u>54,890</u>	<u>20,072,126</u>	<u>607,390</u>
<u>3,780,076</u>	<u>118,274</u>	<u>26,664,235</u>	<u>1,039,081</u>
18,663,908	173,673	72,782,030	3,036,621
<u>2,311,140</u>	<u>1,459,658</u>	<u>19,941,705</u>	<u>10,692,829</u>
<u>20,975,048</u>	<u>1,633,331</u>	<u>92,723,735</u>	<u>13,729,450</u>
<u>\$ 24,755,124</u>	<u>\$ 1,751,605</u>	<u>\$ 119,387,970</u>	<u>\$ 14,768,531</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

9,080,658

Net assets of business-type activities \$ 101,804,393

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, 2009

	Enterprise Funds		
	Electric Fund	Gas Fund	Water Fund
OPERATING REVENUES			
Charges for services	\$ 30,409,993	\$ 9,368,892	\$ 2,866,344
Miscellaneous	<u>353,058</u>	<u>41,402</u>	<u>116,763</u>
Total operating revenues	<u>30,763,051</u>	<u>9,410,294</u>	<u>2,983,107</u>
OPERATING EXPENSES			
Production, gathering, treatment and transmission	2,288,500	444,198	1,673,910
Operation and maintenance	0	0	0
Collection and disposal	0	0	0
Purchase of energy for sale	24,898,702	7,141,591	0
Customer accounting and administrative	4,002,713	842,744	585,235
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	<u>1,855,923</u>	<u>285,540</u>	<u>528,805</u>
Total operating expenses	<u>33,045,838</u>	<u>8,714,073</u>	<u>2,787,950</u>
Operating income (loss)	<u>(2,282,787)</u>	<u>696,221</u>	<u>195,157</u>
NONOPERATING REVENUES (EXPENSES)			
Connection fees	0	0	369,638
Interest and investment revenue	37,894	46,563	121,577
Gain (loss) on sale of assets	(17,363)	(1,742)	(363)
Reimbursement for health insurance	0	0	0
Other nonoperating revenues	21,933	1,055	80,193
Intergovernmental revenues	47,303	20,684	26,880
Interest expense	<u>(609,909)</u>	<u>0</u>	<u>(61,169)</u>
Total nonoperating revenues (expenses)	<u>(520,142)</u>	<u>66,560</u>	<u>536,756</u>
Income (loss) before contributions and transfers	(2,802,929)	762,781	731,913
Capital contributions and grants	1,484,000	57,260	1,017,948
Transfers in	0	0	0
Transfers out	<u>(875,000)</u>	<u>(365,000)</u>	<u>(213,075)</u>
Change in net assets	(2,193,929)	455,041	1,536,786
Total net assets - beginning	<u>35,606,767</u>	<u>10,345,184</u>	<u>24,365,507</u>
Total net assets - ending	<u>\$ 33,412,838</u>	<u>\$ 10,800,225</u>	<u>\$ 25,902,293</u>

Enterprise Funds			Internal Service Funds
Sewer Fund	Other Enterprise Funds	Total	
\$ 3,937,136	\$ 2,101,899	\$ 48,684,264	\$ 4,346,827
14,822	78,017	604,062	4,840
<u>3,951,958</u>	<u>2,179,916</u>	<u>49,288,326</u>	<u>4,351,667</u>
2,638,486	0	7,045,094	0
0	83,631	83,631	2,973,579
560,904	1,847,888	2,408,792	0
0	0	32,040,293	0
549,992	333,240	6,313,924	316,249
0	0	0	330,462
0	0	0	100,981
0	0	0	0
<u>1,301,512</u>	<u>18,701</u>	<u>3,990,481</u>	<u>489,214</u>
<u>5,050,894</u>	<u>2,283,460</u>	<u>51,882,215</u>	<u>4,210,485</u>
(1,098,936)	(103,544)	(2,593,889)	141,182
144,304	0	513,942	0
30,560	30,031	266,625	138,307
(200)	0	(19,668)	(388)
0	0	0	19,785
57,567	2,556	163,304	0
21,678	51,662	168,207	37,939
(116,020)	0	(787,098)	0
<u>137,889</u>	<u>84,249</u>	<u>305,312</u>	<u>195,643</u>
(961,047)	(19,295)	(2,288,577)	336,825
840,894	0	3,400,102	46,500
0	0	0	310,000
(1,968)	(50,000)	(1,505,043)	(135,264)
(122,121)	(69,295)	(393,518)	558,061
<u>21,097,169</u>	<u>1,702,626</u>	<u>93,117,253</u>	<u>13,171,389</u>
<u>\$ 20,975,048</u>	<u>\$ 1,633,331</u>	<u>\$ 92,723,735</u>	<u>\$ 13,729,450</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

52,988

Change in net assets of business-type
activities

(\$ 340,530)

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, 2009

	Enterprise Funds		
	Electric Fund	Gas Fund	Water Fund
Cash flows from operating activities:			
Receipts from customers/interfund services provided	\$ 29,740,227	\$ 9,653,585	\$ 2,805,612
Payments to suppliers	(29,288,826)	(6,887,520)	(1,087,110)
Payments to and on behalf of employees	(2,004,329)	(824,500)	(1,257,089)
Net cash provided (used) by operating activities	(1,552,928)	1,941,565	461,413
Cash flows from capital and related financing activities:			
Grants and reimbursements received	0	0	30,141
Proceeds from capital debt	6,417,000	0	255,081
Purchase of capital assets	(1,697,439)	(373,057)	(328,244)
Proceeds from sale of assets	0	0	0
Proceeds from tap fees	0	0	369,638
Principal paid on capital debt	(7,060,001)	0	(223,025)
Interest and fiscal charges paid on capital debt	(682,603)	0	(59,572)
Net cash provided (used) by capital and related financing activities	(3,023,043)	(373,057)	44,019
Cash flows from non-capital financing activities:			
Transfer from other funds	0	0	0
Transfer to other funds	(875,000)	(365,000)	(213,075)
Refund received for health insurance	0	0	0
Grants received	47,303	20,684	26,880
Net cash provided (used) by non-capital financing activities	(827,697)	(344,316)	(186,195)
Cash flows from investing activities:			
Interest and dividends received	69,582	41,412	133,177
Net cash provided (used) by investing activities	69,582	41,412	133,177
Net increase (decrease) in cash and cash equivalents	(5,334,086)	1,265,604	452,414
Cash and cash equivalents - beginning of the year	6,585,121	558,749	9,086,072
Cash and cash equivalents - end of the year	<u>\$ 1,251,035</u>	<u>\$ 1,824,353</u>	<u>\$ 9,538,486</u>
Reconciliation of income from operations to net cash provided (used) by operating activities			
Operating income (loss)	(\$ 2,282,787)	\$ 696,221	\$ 195,157
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization expense	1,855,923	285,540	528,805
Miscellaneous nonoperating income	21,933	1,055	80,193
(Increase) decrease in:			
Accounts receivable	(1,059,151)	260,597	(257,688)
Inventories	34,218	985,615	(8,872)
Prepaid expenses	(1,187)	(301)	(207)
Increase (decrease) in:			
Accounts payable and accrued expenses	(151,384)	(268,801)	(75,975)
Unearned revenue	29,507	(18,361)	0
Net cash provided (used) by operating activities	<u>(\$ 1,552,928)</u>	<u>\$ 1,941,565</u>	<u>\$ 461,413</u>
Non-cash investing, capital and non-capital financing activities			
Donated assets from developers	<u>\$ 1,484,000</u>	<u>\$ 57,260</u>	<u>\$ 883,767</u>

Enterprise Funds			Internal Service Funds
Sewer Fund	Other Enterprise Funds	Total	
\$ 3,947,191	\$ 2,174,793	\$ 48,321,408	\$ 4,397,444
(2,772,051)	(1,422,873)	(41,458,380)	(1,760,275)
(1,153,816)	(874,042)	(6,113,776)	(2,077,456)
<u>21,324</u>	<u>(122,122)</u>	<u>749,252</u>	<u>559,713</u>
6,633	0	36,774	0
3,583,000	0	10,255,081	0
(659,601)	(4,579)	(3,062,920)	(112,542)
0	0	0	3,650
144,304	0	513,942	0
(3,954,999)	0	(11,238,025)	0
(86,432)	0	(828,607)	0
<u>(967,095)</u>	<u>(4,579)</u>	<u>(4,323,755)</u>	<u>(108,892)</u>
0	0	0	310,000
(1,968)	(50,000)	(1,505,043)	(135,264)
0	0	0	19,785
<u>21,678</u>	<u>51,662</u>	<u>168,207</u>	<u>37,939</u>
<u>19,710</u>	<u>1,662</u>	<u>(1,336,836)</u>	<u>232,460</u>
<u>37,822</u>	<u>32,771</u>	<u>314,764</u>	<u>148,731</u>
<u>37,822</u>	<u>32,771</u>	<u>314,764</u>	<u>148,731</u>
(888,239)	(92,268)	(4,596,575)	832,012
<u>2,887,566</u>	<u>1,559,243</u>	<u>20,676,751</u>	<u>9,492,402</u>
<u>\$ 1,999,327</u>	<u>\$ 1,466,975</u>	<u>\$ 16,080,176</u>	<u>\$ 10,324,414</u>
(\$ 1,098,936)	(\$ 103,544)	(\$ 2,593,889)	\$ 141,182
1,301,512	18,701	3,990,481	489,214
57,567	2,556	163,304	46,500
(62,334)	(7,679)	(1,126,255)	(723)
(3,483)	0	1,007,478	(164,352)
(177)	2,855	983	13,528
(172,825)	(35,011)	(703,996)	34,364
<u>0</u>	<u>0</u>	<u>11,146</u>	<u>0</u>
<u>\$ 21,324</u>	<u>(\$ 122,122)</u>	<u>\$ 749,252</u>	<u>\$ 559,713</u>
<u>\$ 840,894</u>	<u>\$ 0</u>	<u>\$ 3,265,921</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, 2009

	Pension Trust Funds	Private Purpose Trust Funds	Agency Funds
ASSETS			
Cash and equity in pooled cash and investments	\$ 1,092,433	\$ 47,787	\$ 903,782
Mutual funds - U.S. Securities	7,145,955	0	0
Mutual funds - Stocks	15,858,094	0	0
Mutual funds - Real estate securities	780,296	0	0
Other receivables	0	47	4,007
Total assets	<u>\$ 24,876,778</u>	<u>\$ 47,834</u>	<u>\$ 907,789</u>
LIABILITIES			
Consumer deposits	0	0	907,789
Total liabilities	<u>0</u>	<u>0</u>	<u>907,789</u>
NET ASSETS			
Held in trust for benefits and other purposes	<u>24,876,778</u>	<u>47,834</u>	<u>0</u>
Total liabilities and net assets	<u>\$ 24,876,778</u>	<u>\$ 47,834</u>	<u>\$ 907,789</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, 2009

	Pension Trust Funds	Private Purpose Trust Funds
ADDITIONS		
Contributions		
Employer - contributions	\$ 1,045,651	\$ 0
Public contributions and other revenue	0	5,841
Total contributions	<u>1,045,651</u>	<u>5,841</u>
Investment income:		
Net appreciation (depreciation) in fair value of investments and gain (loss) on sale of investments	3,764,684	0
Interest, dividends, and other	<u>580,742</u>	<u>430</u>
Total net investment earnings	<u>4,345,426</u>	<u>430</u>
 Total additions	 <u>5,391,077</u>	 <u>6,271</u>
DEDUCTIONS		
Benefits	1,590,295	0
Administrative expenses	6,793	10,403
Miscellaneous expenses	<u>0</u>	<u>100</u>
Total deductions	<u>1,597,088</u>	<u>10,503</u>
 Change in net assets	 3,793,989 (4,232)
Net assets - beginning	<u>21,082,789</u>	<u>52,066</u>
Net assets - ending	<u>\$ 24,876,778</u>	<u>\$ 47,834</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 2009. See Note 11 for additional information.

Fund Accounting

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

Note 1. Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

Governmental Funds

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

The Borough reports the following major governmental funds:

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

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

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

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

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

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

Proprietary Funds

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

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

The Borough's enterprise funds consist of:

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

Proprietary Funds (Continued)

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

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

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

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

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

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

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

The Borough's internal service funds consist of:

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

Proprietary Funds (Continued)

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

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

Fiduciary Fund Types

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

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

The Borough's fiduciary funds consist of:

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

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

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

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.

Note 1. Summary of Significant Accounting Policies (Continued)

Basis of Presentation

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

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

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

Basis of Accounting

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

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

Budgets

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

Use of Estimates

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

Cash, Cash Equivalents and Investments

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

Note 1. Summary of Significant Accounting Policies (Continued)

Cash, Cash Equivalents and Investments (Continued)

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

Inventories

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

Capital Assets

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

Net Assets

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

Interfund Transactions

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

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

Allowance for Uncollectible Accounts

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

Loans Receivable

Loans receivable on the statement of net assets (classified in "other receivables") represent loans made to low income residents under a revolving loan program funded by the Pennsylvania Department of Community and Economic Development (DCED) and the Federal 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.

Note 1. Summary of Significant Accounting Policies (Continued)

Pension Trust Funds

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

Deferred Compensation Plan

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

Compensated Absences

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

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

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

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

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

Other Postemployment Benefits Other Than Pension

The Borough provides post retirement benefits by permitting retired employees the ability to participate in the employee health plan at the same premium rate, albeit 100% paid for by the retirees, the Borough is providing an implicit rate subsidy to its retirees. These benefits are financed on a pay-as-you-go basis. The Borough provides no other post employment benefits for Borough employees.

Statement of Cash Flows - Proprietary Fund

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

Deficit Net Assets

The Administrative Services Fund (an internal service fund) has a deficit balance of \$ 254,478 at December 31, 2009, 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.

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, 2009, all of the Borough's bank balances are covered by FDIC insurance.

Investments

As of December 31, 2009, the Borough's investments were as follows:

Investment Type	Fair Value	Credit Quality
		Rating
PLGIT/PLGIT PLUS	\$ 5,911,368	AAAm
PLGIT - Term	2,500,000	AAAm
PLGIT - CDs	21,053,000	AAAm
Merrill Lynch - CDs	1,087,771	N/A
PA Invest Program	1,432,104	AAAm
US Treasury Notes	4,032,031	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 \$ 5,911,368. These funds are basically mutual funds that consist of short-term money market instruments and seek to maintain a constant net asset value of \$ 1 per share.

Interest Rate Risk – Investments

The following investments are subject to interest rate risk:

	Total Fair Value	Investment Maturities (in Years)	
		Less Than 1	1-5
PLGIT Term	2,500,000	2,500,000	0
PLGIT - CDs	21,053,000	19,087,153	1,965,847
Merrill Lynch - CDs	1,087,771	1,087,771	0
U.S. T-Notes	4,032,031	4,032,031	0

Note 2. Cash and Cash Equivalents (Continued)

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

Municipal Pension Plans

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

	Total Fair Value	Investment Maturities
Investment		
Money Market Funds	\$ 1,092,433	N/A
Open End Mutual Funds	<u>23,784,345</u>	N/A
Total	<u>\$ 24,876,778</u>	

Credit Risk

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

Foreign Securities and Currencies Risk

Foreign securities prices may decline or fluctuate because of economic or political actions of foreign governments or the possibility that foreign currency will fluctuate in value against the U. S. dollar. Included in the \$ 23,784,345 of Open End Mutual Funds shown above are International Mutual Funds with a fair value of \$ 3,385,782. The International Mutual Funds may be subject to foreign securities and currencies risk.

Note 3. Taxes and Other Receivables

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

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

Note 3. Taxes and Other Receivables (Continued)

Receivables as of December 31, 2009 for the Borough's governmental activities, including the applicable allowances for uncollectible accounts are as follows:

Real estate	\$ 240,438
Earned income tax	595,205
Real estate transfer tax	26,257
Ambulance billings	163,000
Loans receivable	375,536
Grants receivable	90,603
Other	212,739
Allowance for uncollectible accounts	(<u>115,949</u>)
Receivables - full accrual basis	1,587,829
Taxes not receivable within 60 days and allocation of internal service funds not recorded in fund financial statements	(<u>260,949</u>)
Receivables - modified accrual basis	<u>\$ 1,326,880</u>

Note 4. Capital Assets

Capital asset activity for the Borough consists of the following as of and for the year ended December 31, 2009:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Cost:				
Capital assets not being depreciated				
Land	\$ 403,051	\$ 0	\$ 0	\$ 403,051
Construction-in-progress	2,171,727	646,093	(487,412)	2,330,408
Capital assets				
Land improvements	2,120,610	193,399	0	2,314,009
Buildings	4,531,697	0	(3,581)	4,528,116
Machinery and equipment	4,830,466	102,093	(169,604)	4,762,955
Infrastructure - roads	9,865,839	3,227,081	0	13,092,920
Infrastructure - railroads	2,478,702	0	0	2,478,702
Infrastructure - other	5,634,913	88,908	0	5,723,821
Total cost	<u>32,037,005</u>	<u>4,257,574</u>	<u>(660,597)</u>	<u>35,633,982</u>
Less accumulated depreciation:				
Land improvements	(945,519)	(88,153)	0	(1,033,672)
Buildings	(2,910,595)	(106,663)	1,077	(3,016,181)
Machinery and equipment	(2,668,693)	(352,550)	170,676	(2,850,567)
Infrastructure - railroads	(1,140,678)	(98,672)	0	(1,239,350)
Infrastructure - highways	(2,327,059)	(428,099)	0	(2,755,158)
Infrastructure - other	(558,355)	(149,843)	0	(708,198)
Total accumulated depreciation	<u>(10,550,899)</u>	<u>(1,223,980)</u>	<u>171,753</u>	<u>(11,603,126)</u>
Capital assets, net	<u>\$ 21,486,106</u>	<u>\$ 3,033,594</u>	<u>(\$ 488,844)</u>	<u>\$ 24,030,856</u>
Business-Type Activities:				
Cost:				
Capital assets not being depreciated				
Land	\$ 825,998	\$ 0	\$ 0	\$ 825,998
Construction-in-progress	4,032,076	1,716,981	(2,714,941)	3,034,116
Capital assets				
Utility plant in service	137,732,562	7,382,200	(26,390)	145,088,372
Land improvements	84,800	0	0	84,800
Buildings	582,075	0	(3,145)	578,930
Machinery and equipment	6,205,239	124,153	(130,473)	6,198,919
Total cost	<u>149,462,750</u>	<u>9,223,334</u>	<u>(2,874,949)</u>	<u>155,811,135</u>
Less accumulated depreciation:				
Utility plant in service	(51,796,487)	(3,873,636)	21,466	(55,648,657)
Land improvements	(53,701)	(852)	0	(54,553)
Buildings	(315,417)	(13,210)	2,105	(326,522)
Machinery and equipment	(3,487,022)	(421,686)	114,112	(3,794,596)
Total accumulated depreciation	<u>(55,652,627)</u>	<u>(4,309,384)</u>	<u>137,683</u>	<u>(59,824,328)</u>
Capital assets, net	<u>\$ 93,810,123</u>	<u>\$ 4,913,950</u>	<u>(\$ 2,737,266)</u>	<u>\$ 95,986,807</u>

Note 4. Capital Assets (Continued)

Depreciation expense for the year ended December 31, 2009 was charged to expense functions, including the internal service fund allocations, as follows:

	Governmental Activities	Business-Type Activities
General government	\$ 278,231	\$ 0
Public Safety	247,611	0
Public Services	573,731	0
Parks and recreation	124,407	0
Electric	0	1,976,908
Gas	0	338,184
Water	0	573,168
Sewer	0	1,333,215
Sanitation	0	73,981
Parking	0	13,928
	<u>\$ 1,223,980</u>	<u>\$ 4,309,384</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 (34%) and the business-type activities (66%). These allocations were changed in 2009, compared to 2008, 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, 2009 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	\$ 169,621	\$ 190,171	(\$ 143,039)	\$ 216,753	\$ 0	\$ 73,468	\$ 143,285
Net OPEB obligation	185,254	113,827	0	299,081	0	0	299,081
Compensated Absences	563,049	455,209	(403,989)	614,269	0	365,234	249,035
Total long-term liabilities	\$ 917,924	\$ 759,207	(\$ 547,028)	\$ 1,130,103	\$ 0	\$ 438,702	\$ 691,401
Business-Type Activities							
Bonds and notes payable							
(A) Sewer 2004 GO Bond	\$ 3,955,000	\$ 0	(\$ 3,955,000)	\$ 0	\$ 0	\$ 0	\$ 0
(F) Sewer 2009 GO Bond	0	3,583,000	(229,300)	3,353,700	(221,815)	458,667	2,673,218
(B) Electric 2002 GO Bond	3,430,000	0	(3,430,000)	0	0	0	0
(C) Electric 2003 GO Bond	2,955,000	0	(2,955,000)	0	0	0	0
(E) Electric 2007 GO Bond	9,970,000	0	(35,000)	9,935,000	(189,561)	20,130	9,725,309
(F) Electric 2009 GO Bond	0	6,417,000	(410,700)	6,006,300	(57,501)	865,277	5,083,522
(D) Water PennVest Loan	2,338,177	255,081	(223,025)	2,370,233	0	220,905	2,149,328
Subtotal - bonds and notes	22,648,177	10,255,081	(11,238,025)	21,665,233	(468,877)	1,564,979	19,631,377
Liability for self-insured losses	369,543	333,253	(279,404)	423,392	0	143,507	279,885
Net OPEB obligation	0	50,201	0	50,201	0	0	50,201
Compensated absences	895,029	484,074	(507,694)	871,409	0	359,018	512,391
Total long-term liabilities	\$ 23,912,749	\$ 11,122,609	(\$ 12,025,123)	\$ 23,010,235	(\$ 468,877)	\$ 2,067,504	\$ 20,473,854

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 (34%) and the business-type activities (66%).

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

Cash Flow Savings	\$ 271,903
Net Present Value Savings	\$ 269,767

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, 2009:

	Electric				Sewer		Water		Total
	Series of 2007		Series of 2009		Series of 2009		PennVest Loan		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2010	\$ 35,000	\$ 386,635	\$ 872,700	\$ 171,880	\$ 487,300	\$ 95,975	\$ 220,905	\$ 75,600	\$ 2,345,995
2011	40,000	385,375	898,400	145,700	501,600	81,355	228,377	68,128	2,348,935
2012	40,000	383,935	927,300	118,740	517,700	66,315	236,101	60,404	2,350,495
2013	40,000	382,475	952,900	90,940	532,100	50,765	244,087	52,418	2,345,685
2014	45,000	381,015	981,800	62,340	548,200	34,815	252,343	44,162	2,349,675
2015 - 2019	5,465,000	1,551,345	1,373,200	66,400	766,800	37,070	1,188,420	88,963	10,537,198
2020 - 2024	4,270,000	345,800	0	0	0	0	0	0	4,615,800
	\$ 9,935,000	\$ 3,816,580	\$ 6,006,300	\$ 656,000	\$ 3,353,700	\$ 366,295	\$ 2,370,233	\$ 389,675	\$ 26,893,783

Note 6. Interfund Activity

Interfund balances consisted of the following as of December 31, 2009:

	Due From	Due To
Major Proprietary Funds:		
Electric	\$ 292,787	\$ 0
Sewer	<u>0</u>	<u>292,787</u>
	<u>\$ 292,787</u>	<u>\$ 292,787</u>

The interfund balance consists of a debt payment that was made by the Electric Fund on behalf of the Sewer Fund during the year. This will be reimbursed by the Electric Fund in 2010.

Interfund transfers consisted of the following during 2009:

	Transfers In	Transfers Out
Major Governmental Funds:		
General Fund	\$ 1,489,443	\$ 679,130
Special Revenue Grant Programs	6,177	750
Nonmajor Governmental Funds:		
Special Revenue Liquid Fuels	0	145,443
Capital Reserve	660,187	177
Major Proprietary Funds:		
Electric	0	875,000
Gas	0	365,000
Water	0	213,075
Sewer		1,968
Nonmajor Proprietary Funds:		
Sanitation	0	50,000
Internal Service Funds:		
Motor Equipment	0	50,000
Self Insurance	0	2,264
Engineering	0	32,000
Worker's Compensation	310,000	0
Administrative services	<u>0</u>	<u>51,000</u>
	<u>\$ 2,465,807</u>	<u>\$ 2,465,807</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 reserves for various future capital improvements. All transfers are considered routine.

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

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

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

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

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, 2009, 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 follows:

Three Year Trend Information

Year Ended	Annual Pension Cost (APC)	% of APC Contributed	Net Pension Obligation
<u>General</u>			
12/31/09	454,028	100%	0
12/31/08	418,654	100%	0
12/31/07	438,129	100%	0
<u>Police</u>			
12/31/09	466,941	100%	0
12/31/08	453,071	100%	0
12/31/07	454,641	100%	0
<u>Firemen</u>			
12/31/09	124,682	100%	0
12/31/08	112,021	100%	0
12/31/07	131,129	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	18 years	17 years	16 years
Asset valuation method	Five year smoothed value	Five year smoothed value	Five year smoothed value
Actuarial assumptions:			
Investment rate of return	8%	8%	8%
Projected salary increases	6%	6%	6%
Cost-of-living adjustments	N/A	4%	4%
Inflation Rate	Based on long-term historical average rates	Based on long-term historical average rates	Based on long-term historical average rates

Funded Status and Funding Progress

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

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

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

Note 7. Pension Plans (Continued)***Financial Statements***

The following are financial statements as of December 31, 2009 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	\$ 149,169	\$ 322,445	\$ 620,819	\$ 1,092,433
Mutual funds - U.S. Securities	948,781	2,146,056	4,051,118	7,145,955
Mutual funds - Stocks	2,037,373	4,625,105	9,195,616	15,858,094
Mutual funds - Real estate securities	100,012	229,930	450,354	780,296
Total assets	<u>\$ 3,235,335</u>	<u>\$ 7,323,536</u>	<u>\$ 14,317,907</u>	<u>\$ 24,876,778</u>
NET ASSETS				
Held in trust for benefits and other purposes	<u>\$ 3,235,335</u>	<u>\$ 7,323,536</u>	<u>\$ 14,317,907</u>	<u>\$ 24,876,778</u>
	Firemen's Pension Fund	Police Pension Fund	Bargaining and Administrative Employees Pension Fund	Total Pension Trust Funds
ADDITIONS				
Contributions				
Employer - contributions	\$ 124,682	\$ 466,941	\$ 454,028	\$ 1,045,651
Total contributions	<u>124,682</u>	<u>466,941</u>	<u>454,028</u>	<u>1,045,651</u>
Investment income:				
Net appreciation (depreciation) in fair value of investments and gains (loss) on sale of investments	505,579	1,071,264	2,187,841	3,764,684
Interest, dividends and other	<u>74,513</u>	<u>167,053</u>	<u>339,176</u>	<u>580,742</u>
Total net investment income/(loss)	<u>580,092</u>	<u>1,238,317</u>	<u>2,527,017</u>	<u>4,345,426</u>
Total additions	<u>704,774</u>	<u>1,705,258</u>	<u>2,981,045</u>	<u>5,391,077</u>
DEDUCTIONS				
Benefits	224,983	411,270	954,042	1,590,295
Administrative expenses	<u>986</u>	<u>1,382</u>	<u>4,425</u>	<u>6,793</u>
Total deductions	<u>225,969</u>	<u>412,652</u>	<u>958,467</u>	<u>1,597,088</u>
Change in net assets	478,805	1,292,606	2,022,578	3,793,989
Net assets - beginning	<u>2,756,530</u>	<u>6,030,930</u>	<u>12,295,329</u>	<u>21,082,789</u>
Net assets - ending	<u>\$ 3,235,335</u>	<u>\$ 7,323,536</u>	<u>\$ 14,317,907</u>	<u>\$ 24,876,778</u>

Note 8. Postemployment Healthcare Plan***Plan Description***

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

Note 8. Postemployment Healthcare Plan (Continued)

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

Funding Policy

The Borough funds Plan liabilities on a "pay-as-you-go" basis, and has not established an OPEB trust fund to accumulate assets to fund Plan obligations. The Borough has no statutory or contractual obligation to fund the Plan and only does so at the Borough's discretion. The Borough funds the implicit rate subsidy through the payment of health insurance premiums. For fiscal year 2009, the Borough contributed \$ 76,910 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 \$ 5,768, 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
Estimated interest on Net OPEB obligation	8,337
Estimated adjustment to ARC	(11,373)
Annual OPEB Cost	240,938
Employer contributions made	(76,910)
Increase in net OPEB obligation	164,028
Net OPEB obligation – beginning of the year	185,254
Net OPEB obligation – end of the year	<u>\$ 349,282</u>

The Borough's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 is as follows:

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

Note 8. Postemployment Healthcare Plan (Continued)

Funded Status and Funding Progress

As of January 1, 2008, the most recent actuarial valuation date, the plan had the following funding status and progress:

Valuation Date	Actuarial Value of Assets	Actuarial Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2008	\$ 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.

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.

Note 9. Risk Management (continued)

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

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

	Liability Beginning	Current Year Claims and Changes in Estimates	Claim Payments	Liability Ending
2009				
Self-insurance fund	\$ 93,804	\$ 67,227	(\$ 29,306)	\$ 131,725
Workers' compensation fund	445,360	355,216	(292,156)	508,420
2008				
Self-insurance fund	\$ 142,799	(\$ 37,075)	(\$ 11,920)	\$ 93,804
Workers' compensation fund	598,134	3,215	(155,989)	445,360

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 \$ 2,234,361. During 2009, the Borough received \$ 18,448 from CRIT as a refund for prior premiums paid.

Note 10. Commitments

Projects for which the Borough has contractual commitments at December 31, 2009 are as follows:

Project Description	Electric	Total contractual commitments			General	Costs paid as of 12/31/09	Costs to complete
		Gas	Water	Sewer			
Penndot Route 30 utility relocation	\$ 0	\$ 0	\$ 200,000	\$ 0	\$ 0	\$ 770	\$ 199,230
EPA water project	0	0	275,000	0	0	221,994	53,006
Mill Road/Rt 11 South end project	0	0	0	1,200,000	150,000	493,778	856,222
Norland Avenue corridor traffic signal project	0	0	0	0	810,000	542,360	267,640
Upgrade gas mains	0	545,000	0	0	0	384,826	160,174
Falling Spring Project	800,000	0	0	0	4,630,000	5,352,122	77,878
Act 537 sewage plan	0	0	0	150,000	0	119,671	30,329
Long Pine Run Reservoir Raw Water Transmission Main	0	0	3,300,000	0	0	79,384	3,220,616
Municipal pool upgrades	0	0	0	0	375,000	121,134	253,866
Mill Creek Acres Park	0	0	0	0	228,184	72,342	155,842
Enclose drainage from Progress Road to Hollywell Road	0	0	0	0	1,000,000	94,168	905,832
SCADA Facilities at water plant	0	0	1,750,000	0	0	486,238	1,263,762
Remodeling of Police Department Annex	0	0	0	0	1,600,000	27,702	1,572,298
Raw water system improvements	0	0	400,000	0	0	77,694	322,306
Upgrade various traffic signals	0	0	0	0	350,000	36,587	313,413
Various	350,000	25,000	4,000	0	939,942	376,255	942,687
Totals	\$ 1,150,000	\$ 570,000	\$ 5,929,000	\$ 1,350,000	\$ 10,083,126	\$ 8,487,025	\$ 10,595,101

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, 2009 outstanding note balances under conduit debt arrangements were as follows:

Wilson College	\$ 31,180,000
Lutheran Homes	2,615,953
Children's Aid Society	1,854,142
Franklin County Library	625,000

Note 12. Restatement

A restatement was necessary in the Special Revenue Fund Grant Programs to correct receivables at December 31, 2008. There was also a restatement necessary in the Governmental Activities to correct construction in progress and accumulated depreciation at December 31, 2008.

	Governmental Activities	Special Revenue Fund
Fund Balance/Net Assets - December 31, 2008	\$ 34,023,825	\$ 226,431
To properly state receivables at December 31, 2008	24,683	24,683
To properly state construction in progress at December 31, 2008	(662,362)	0
To properly state accumulated depreciation at December 31, 2008	(37,050)	0
Restated Fund Balance/Net Assets - December 31, 2008	<u>\$ 33,349,096</u>	<u>\$ 251,114</u>
Change in fund balance/net assets, as originally stated	\$ 3,177,038	\$ 45,712
Restatement - for receivables	24,683	24,683
Restatement - for construction in progress	(662,362)	0
Restatement - for accumulated depreciation	(37,050)	0
Change in net assets, as restated	<u>\$ 2,502,309</u>	<u>\$ 70,395</u>

REQUIRED SUPPLEMENTARY INFORMATION

**BOROUGH OF CHAMBERSBURG
PENSION TRUST FUNDS**

UNAUDITED REQUIRED SCHEDULE OF FUNDING PROGRESS

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

**BOROUGH OF CHAMBERSBURG
PENSION TRUST FUNDS**

UNAUDITED REQUIRED SCHEDULE OF EMPLOYER CONTRIBUTIONS

Calendar Year	----- General -----			----- Police -----			----- Firemen -----		
	Annual Required Contribution	Contributions From Employer	Percentage Contributed	Annual Required Contribution	Contributions From Employer	Percentage Contributed	Annual Required Contribution	Contributions From Employer	Percentage Contributed
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%
2009	454,028	454,028	100.0%	466,941	466,941	100.0%	124,682	124,682	100.0%

BOROUGH OF CHAMBERSBURG
OPEB (Other Postemployment Benefit Plan)

UNAUDITED REQUIRED SCHEDULE OF FUNDING PROGRESS

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

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, 2009**

	Original/Final Budget	Actual (Budgetary/GAAP Basis)	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes	\$ 6,491,800	\$ 6,148,696	(\$ 343,104)
Licenses and permits	268,000	329,480	61,480
Fines and forfeits	122,000	127,416	5,416
Investment earnings	90,000	55,298	(34,702)
Intergovernmental	760,000	712,732	(47,268)
Departmental charges for services	1,296,000	1,551,711	255,711
Miscellaneous	128,400	135,078	6,678
Total revenues	<u>9,156,200</u>	<u>9,060,411</u>	<u>(95,789)</u>
EXPENDITURES			
General government	836,300	866,293	(29,993)
Police department	4,299,075	4,015,429	283,646
Fire department	2,289,525	1,767,853	521,672
General health and ambulance service	948,300	1,083,431	(135,131)
Planning and zoning	404,000	371,105	32,895
Highways	714,750	921,515	(206,765)
Other	581,900	506,388	75,512
Culture and recreation	1,309,450	1,124,625	184,825
Miscellaneous expense	120,250	96,866	23,384
Total expenditures	<u>11,503,550</u>	<u>10,753,505</u>	<u>750,045</u>
Excess (deficiency) of revenues over expenditures	<u>(2,347,350)</u>	<u>(1,693,094)</u>	<u>654,256</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	1,637,000	1,489,443	(147,557)
Transfers out	<u>0</u>	<u>(679,130)</u>	<u>(679,130)</u>
Total other financing sources and uses	<u>1,637,000</u>	<u>810,313</u>	<u>(826,687)</u>
Net change in fund balances	<u>(\$ 710,350)</u>	<u>(882,781)</u>	<u>(\$ 172,431)</u>
Fund balances - beginning		<u>3,022,011</u>	
Fund balances - ending		<u>\$ 2,139,230</u>	

BOROUGH OF CHAMBERSBURG**BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND GRANT PROGRAMS
For the year ended December 31, 2009**

	Original/Final Budget	Actual (Budgetary/GAAP Basis)	Variance with Final Budget Positive (Negative)
REVENUES			
Investment earnings	\$ 1,000	\$ 335	(\$ 665)
Intergovernmental	3,878,800	738,669	(3,140,131)
Miscellaneous	0	71,361	71,361
Total revenues	<u>3,879,800</u>	<u>810,365</u>	<u>(3,069,435)</u>
EXPENDITURES			
Current:			
General government	3,000	37,897	34,897
Public Safety			
Police department	0	54,661	54,661
Fire department	0	1,650	1,650
Public works			
Highways	0	86,317	86,317
Culture and recreation	20,000	63,112	43,112
Community development	3,841,000	517,458	(3,323,542)
Miscellaneous expenditures	0	5,357	5,357
Total expenditures	<u>3,864,000</u>	<u>766,452</u>	<u>(3,097,548)</u>
Excess (deficiency) of revenues over expenditures	<u>15,800</u>	<u>43,913</u>	<u>28,113</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	6,000	6,177	177
Transfers out	0	(750)	(750)
Total other financing sources and uses	<u>6,000</u>	<u>5,427</u>	<u>(573)</u>
Net change in fund balances	<u>\$ 21,800</u>	49,340	<u>\$ 27,540</u>
Fund balances - beginning (as restated)		<u>251,114</u>	
Fund balances - ending		<u>\$ 300,454</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, 2009**

	Special Revenue Liquid Fuels Fund	Capital Reserve Fund	Total - Other Governmental Funds
ASSETS			
Cash and equity in pooled cash and investments	\$ 1,096,594	\$ 4,570,523	\$ 5,667,117
Other receivables	0	233,408	233,408
Total assets	<u>\$ 1,096,594</u>	<u>\$ 4,803,931</u>	<u>\$ 5,900,525</u>
 LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 0	\$ 238,948	\$ 238,948
Accrued wages, benefits and withholdings	0	236	236
Total liabilities	<u>0</u>	<u>239,184</u>	<u>239,184</u>
 Fund balances			
Reserved for:			
Long term loans	0	205,639	205,639
Unreserved	1,096,594	4,359,108	5,455,702
Total fund balances	<u>1,096,594</u>	<u>4,564,747</u>	<u>5,661,341</u>
Total liabilities and fund balances	<u>\$ 1,096,594</u>	<u>\$ 4,803,931</u>	<u>\$ 5,900,525</u>

BOROUGH OF CHAMBERSBURG

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
For the Year Ended December 31, 2009**

	Special Revenue Liquid Fuels Fund	Capital Reserve Fund	Total - Other Governmental Funds
REVENUES			
Investment earnings	\$ 7,147	\$ 68,180	\$ 75,327
Intergovernmental	376,561	26,900	403,461
Contributions and donations	0	392,826	392,826
Miscellaneous	0	10,838	10,838
Total revenues	<u>383,708</u>	<u>498,744</u>	<u>882,452</u>
EXPENDITURES			
General government	0	32,713	32,713
Public Safety			
Fire department	0	20,612	20,612
Police department	0	34,938	34,938
Ambulance	0	2,644	2,644
Public works			
Highways	0	1,160,513	1,160,513
Other	0	177,850	177,850
Culture and recreation	0	207,123	207,123
Community development	0	42,167	42,167
Total expenditures	<u>0</u>	<u>1,678,560</u>	<u>1,678,560</u>
Excess (deficiency) of revenues over expenditures	<u>383,708</u>	<u>(1,179,816)</u>	<u>(796,108)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	0	660,187	660,187
Transfers out	<u>(145,443)</u>	<u>(177)</u>	<u>(145,620)</u>
Total other financing sources and uses	<u>(145,443)</u>	<u>660,010</u>	<u>514,567</u>
Net change in fund balances	238,265	(519,806)	(281,541)
Fund balances - beginning	<u>858,329</u>	<u>5,084,553</u>	<u>5,942,882</u>
Fund balances - ending	<u><u>\$ 1,096,594</u></u>	<u><u>\$ 4,564,747</u></u>	<u><u>\$ 5,661,341</u></u>

BOROUGH OF CHAMBERSBURG
BUDGETARY COMPARISON SCHEDULE
SPECIAL REVENUE FUND - LIQUID FUELS
For the year ended December 31, 2009

	Original/Final Budget	Actual (Budgetary/GAAP Basis)	Variance with Final Budget Positive (Negative)
REVENUES			
Investment earnings	\$ 0	\$ 7,147	\$ 7,147
Intergovernmental	350,000	376,561	26,561
Total revenues	<u>\$ 350,000</u>	<u>\$ 383,708</u>	<u>\$ 33,708</u>
EXPENDITURES	<u>0</u>	<u>0</u>	<u>0</u>
Excess (deficiency) of revenues over expenditures	<u>350,000</u>	<u>383,708</u>	<u>33,708</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	0	0	0
Transfers out	(300,000)	(145,443)	154,557
Total other financing sources and uses	<u>(300,000)</u>	<u>(145,443)</u>	<u>154,557</u>
Net change in fund balances	<u>\$ 50,000</u>	238,265	<u>\$ 188,265</u>
Fund balances - beginning		858,329	
Fund balances - ending		<u>\$ 1,096,594</u>	

BOROUGH OF CHAMBERSBURG**BUDGETARY COMPARISON SCHEDULE
CAPITAL RESERVE FUND
For the year ended December 31, 2009**

	Original/Final Budget	Actual (Budgetary/GAAP Basis)	Variance with Final Budget Positive (Negative)
REVENUES			
Investment earnings	\$ 136,000	\$ 68,180	(\$ 67,820)
Intergovernmental	0	26,900	26,900
Contributions and donations	375,000	392,826	17,826
Miscellaneous	14,600	10,838	(3,762)
Total revenues	<u>525,600</u>	<u>498,744</u>	<u>(26,856)</u>
EXPENDITURES			
General government	50,000	32,713	17,287
Police department	225,000	34,938	190,062
Fire department	100,000	20,612	79,388
Ambulance	20,000	2,644	17,356
Highways	1,500,000	1,160,513	339,487
Other: public works	500,000	177,850	322,150
Culture and recreation	39,000	207,123	(168,123)
Miscellaneous expense	72,000	42,167	29,833
Total expenditures	<u>2,506,000</u>	<u>1,678,560</u>	<u>827,440</u>
Excess (deficiency) of revenues over expenditures	<u>(1,980,400)</u>	<u>(1,179,816)</u>	<u>800,584</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	490,000	660,187	170,187
Transfers out	<u>0</u>	<u>(177)</u>	<u>(177)</u>
Total other financing sources and uses	<u>490,000</u>	<u>660,010</u>	<u>170,010</u>
Net change in fund balances	<u>(\$ 1,490,400)</u>	<u>(519,806)</u>	<u>\$ 970,594</u>
Fund balances - beginning		<u>5,084,553</u>	
Fund balances - ending		<u>\$ 4,564,747</u>	

OTHER ENTERPRISE FUNDS

BOROUGH OF CHAMBERSBURG

**COMBINING STATEMENT OF NET ASSETS
OTHER ENTERPRISE FUNDS
December 31, 2009**

	Sanitation Fund	Parking Fund	Total Other Enterprise Funds
ASSETS			
Current assets			
Cash and equity in pooled cash and investments	\$ 1,276,341	\$ 190,634	\$ 1,466,975
Accounts receivable, net	102,154	1,575	103,729
Other receivables	5,664	852	6,516
Prepaid expenses	712	0	712
Total current assets	<u>1,384,871</u>	<u>193,061</u>	<u>1,577,932</u>
Noncurrent assets			
Capital assets			
Land	971	111,153	112,124
Buildings and system	77,807	0	77,807
Improvements other than buildings	0	49,748	49,748
Machinery and equipment	428,625	128,209	556,834
Construction in progress	0	0	0
Less accumulated depreciation	(468,903)	(153,937)	(622,840)
Total capital assets	<u>38,500</u>	<u>135,173</u>	<u>173,673</u>
Total noncurrent assets	<u>38,500</u>	<u>135,173</u>	<u>173,673</u>
Total assets	<u><u>\$ 1,423,371</u></u>	<u><u>\$ 328,234</u></u>	<u><u>\$ 1,751,605</u></u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 18,314	\$ 4,979	\$ 23,293
Accrued wages payable	5,300	263	5,563
Compensated absences - current	31,809	2,719	34,528
Total current liabilities	<u>55,423</u>	<u>7,961</u>	<u>63,384</u>
Noncurrent liabilities			
Compensated absences	44,552	5,403	49,955
Net OPEB obligation	4,180	755	4,935
Total non-current liabilities	<u>48,732</u>	<u>6,158</u>	<u>54,890</u>
Total liabilities	<u>104,155</u>	<u>14,119</u>	<u>118,274</u>
NET ASSETS			
Invested in capital assets, net of related debt	38,500	135,173	173,673
Unrestricted	1,280,716	178,942	1,459,658
Total net assets	<u>1,319,216</u>	<u>314,115</u>	<u>1,633,331</u>
Total liabilities and net assets	<u><u>\$ 1,423,371</u></u>	<u><u>\$ 328,234</u></u>	<u><u>\$ 1,751,605</u></u>

BOROUGH OF CHAMBERSBURG**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
OTHER ENTERPRISE FUNDS
For the Year Ended December 31, 2009**

	Sanitation Fund	Parking Fund	Total Other Enterprise Funds
REVENUES			
Charges for services	\$ 1,997,231	\$ 104,668	\$ 2,101,899
Miscellaneous	48,654	29,363	78,017
Total operating revenues	<u>2,045,885</u>	<u>134,031</u>	<u>2,179,916</u>
OPERATING EXPENSES			
Operation and maintenance	0	83,631	83,631
Collection and disposal	1,847,888	0	1,847,888
Customer accounting and administrative	255,955	77,285	333,240
Depreciation	12,955	5,746	18,701
Total operating expenses	<u>2,116,798</u>	<u>166,662</u>	<u>2,283,460</u>
Operating income (loss)	(70,913)	(32,631)	(103,544)
NONOPERATING REVENUES (EXPENSES)			
Interest and investment revenue	25,934	4,097	30,031
Gain (loss) on sale of assets	0	0	0
Other nonoperating revenues	15	2,541	2,556
Intergovernmental revenues	49,283	2,379	51,662
Total nonoperating revenue (expenses)	<u>75,232</u>	<u>9,017</u>	<u>84,249</u>
Income (loss) before contributions and transfers	<u>4,319</u>	<u>(23,614)</u>	<u>(19,295)</u>
Transfers in	0	0	0
Transfers out	(50,000)	0	(50,000)
Change in net assets	(45,681)	(23,614)	(69,295)
Total net assets - beginning	<u>1,364,897</u>	<u>337,729</u>	<u>1,702,626</u>
Total net assets - ending	<u>\$ 1,319,216</u>	<u>\$ 314,115</u>	<u>\$ 1,633,331</u>

BOROUGH OF CHAMBERSBURG
COMBINING STATEMENT OF CASH FLOWS
OTHER ENTERPRISE FUNDS
For the Year Ended December 31, 2009

	Sanitation Fund	Parking Fund	Total Other Enterprise Funds
Cash flows from operating activities:			
Receipts from customers	\$ 2,039,373	\$ 135,420	\$ 2,174,793
Payments to suppliers	(1,315,727)	(107,146)	(1,422,873)
Payments to and on behalf of employees	(819,915)	(54,127)	(874,042)
Net cash provided (used) by operating activities	(96,269)	(25,853)	(122,122)
Cash flows from capital and related financing activities:			
Purchase of capital assets	(4,444)	(135)	(4,579)
Net cash provided (used) by capital and related financing activities	(4,444)	(135)	(4,579)
Cash flows from non-capital financing activities:			
Transfers to other funds	(50,000)	0	(50,000)
Grants received	49,283	2,379	51,662
Net cash provided (used) by non-capital financing activities	(717)	2,379	1,662
Cash flows from investing activities:			
Interest and dividends received	28,281	4,490	32,771
Net cash provided (used) by investing activities	28,281	4,490	32,771
Net increase (decrease) in cash and cash equivalents	(73,149)	(19,119)	(92,268)
Cash and cash equivalents - beginning of the year	1,349,490	209,753	1,559,243
Cash and cash equivalents - end of the year	<u>\$ 1,276,341</u>	<u>\$ 190,634</u>	<u>\$ 1,466,975</u>
Reconciliation of income from operations to net cash provided (used) by operating activities			
Operating income (loss)	(\$ 70,913)	(\$ 32,631)	(\$ 103,544)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization expense	12,955	5,746	18,701
Miscellaneous nonoperating income	15	2,541	2,556
(Increase) decrease in:			
Accounts receivable	(6,527)	(1,152)	(7,679)
Prepaid expenses	2,855	0	2,855
Increase (decrease) in:			
Accounts payable	(34,654)	(357)	(35,011)
Net cash provided (used) by operating activities	<u>(\$ 96,269)</u>	<u>(\$ 25,853)</u>	<u>(\$ 122,122)</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, 2009**

	Stores Fund	Motor Equipment Fund	Self Insurance Fund
ASSETS			
Current assets			
Cash and equity in pooled cash and investments	\$ 252,355	\$ 3,882,689	\$ 5,454,849
Accounts receivable, net	489	22,543	0
Other receivables	1,120	17,180	24,153
Inventories	1,271,926	63,207	0
Prepaid expenses	131	871	0
Total current assets	<u>1,526,021</u>	<u>3,986,490</u>	<u>5,479,002</u>
Noncurrent assets			
Capital Assets			
Land	0	13,984	0
Buildings and system	0	150,111	0
Machinery and equipment	11,110	6,677,842	0
Less accumulated depreciation	(8,127)	(3,816,612)	0
Total capital assets	<u>2,983</u>	<u>3,025,325</u>	<u>0</u>
Total assets	<u>\$ 1,529,004</u>	<u>\$ 7,011,815</u>	<u>\$ 5,479,002</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 17,014	\$ 24,742	\$ 0
Salaries payable	770	1,950	0
Compensated absences - current	4,446	19,343	0
Liability for self-insured losses - current	0	0	44,648
Total current liabilities	<u>22,230</u>	<u>46,035</u>	<u>44,648</u>
Noncurrent liabilities			
Compensated absences	2,300	34,859	0
Liability for self-insured losses	0	0	87,077
Net OPEB obligation	1,011	1,634	0
Total noncurrent liabilities	<u>3,311</u>	<u>36,493</u>	<u>87,077</u>
Total liabilities	<u>25,541</u>	<u>82,528</u>	<u>131,725</u>
NET ASSETS			
Invested in capital assets, net of related debt	2,983	3,025,325	0
Unrestricted	1,500,480	3,903,962	5,347,277
Total net assets	<u>1,503,463</u>	<u>6,929,287</u>	<u>5,347,277</u>
Total liabilities and net assets	<u>\$ 1,529,004</u>	<u>\$ 7,011,815</u>	<u>\$ 5,479,002</u>

Engineering Fund	Worker's Compensation Fund	Administrative Services Fund	Total Internal Service Funds
\$ 166,544	\$ 567,977	\$ 0	\$ 10,324,414
0	0	2,611	25,643
741	2,524	0	45,718
0	0	0	1,335,133
0	0	0	1,002
<u>167,285</u>	<u>570,501</u>	<u>2,611</u>	<u>11,731,910</u>
0	0	0	13,984
0	0	0	150,111
48,444	0	0	6,737,396
(40,131)	0	0	(3,864,870)
<u>8,313</u>	<u>0</u>	<u>0</u>	<u>3,036,621</u>
<u>\$ 175,598</u>	<u>\$ 570,501</u>	<u>\$ 2,611</u>	<u>\$ 14,768,531</u>
\$ 106	\$ 8,368	\$ 35,537	\$ 85,767
612	4	9,447	12,783
13,436	0	78,941	116,166
0	172,327	0	216,975
<u>14,154</u>	<u>180,699</u>	<u>123,925</u>	<u>431,691</u>
10,788	0	124,145	172,092
0	336,093	0	423,170
464	0	9,019	12,128
<u>11,252</u>	<u>336,093</u>	<u>133,164</u>	<u>607,390</u>
<u>25,406</u>	<u>516,792</u>	<u>257,089</u>	<u>1,039,081</u>
8,313	0	0	3,036,621
<u>141,879</u>	<u>53,709</u>	<u>(254,478)</u>	<u>10,692,829</u>
<u>150,192</u>	<u>53,709</u>	<u>(254,478)</u>	<u>13,729,450</u>
<u>\$ 175,598</u>	<u>\$ 570,501</u>	<u>\$ 2,611</u>	<u>\$ 14,768,531</u>

BOROUGH OF CHAMBERSBURG**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2009**

	Stores Fund	Motor Equipment Fund	Self Insurance Fund
OPERATING REVENUES			
Charges for services	\$ 142,917	\$ 1,876,729	\$ 0
Miscellaneous	<u>1</u>	<u>0</u>	<u>0</u>
Total operating revenues	<u>142,918</u>	<u>1,876,729</u>	<u>0</u>
OPERATING EXPENSES			
Operation and maintenance	109,376	710,938	0
General and administrative	52,864	103,547	0
Claim payments and special services	0	0	33,806
Increase (decrease) in expected unpaid losses	0	0	37,921
Depreciation and amortization	<u>488</u>	<u>484,089</u>	<u>0</u>
Total operating expenses	<u>162,728</u>	<u>1,298,574</u>	<u>71,727</u>
Operating income (loss)	(19,810)	578,155	(71,727)
NON-OPERATING REVENUES (EXPENSES)			
Interest and investment revenue	5,894	47,911	69,430
Gain (loss) on sale of assets	0	2,077	0
Reimbursement for health insurance	0	0	19,785
Other nonoperating revenues	0		0
Intergovernmental revenue	3,175	5,113	0
Miscellaneous expenses	<u>0</u>	<u>0</u>	<u>0</u>
Total non-operating revenue (expenses)	<u>9,069</u>	<u>55,101</u>	<u>89,215</u>
Income (loss) before contributions and transfers	(10,741)	633,256	17,488
Capital contributions	0	46,500	0
Transfers in	0	0	0
Transfers out	<u>0</u>	(50,000)	(2,264)
Change in net assets	(10,741)	629,756	15,224
Total net assets - beginning	<u>1,514,204</u>	<u>6,299,531</u>	<u>5,332,053</u>
Total net assets - ending	<u>\$ 1,503,463</u>	<u>\$ 6,929,287</u>	<u>\$ 5,347,277</u>

Engineering Fund	Worker's Compensation Fund	Administrative Services Fund	Total Internal Service Funds
\$ 184,802	\$ 0	\$ 2,142,379	\$ 4,346,827
0	234	4,605	4,840
<u>184,802</u>	<u>234</u>	<u>2,146,984</u>	<u>4,351,667</u>
23,554	0	2,129,711	2,973,579
98,450	61,388	0	316,249
0	296,656	0	330,462
0	63,060	0	100,981
4,637	0	0	489,214
<u>126,641</u>	<u>421,104</u>	<u>2,129,711</u>	<u>4,210,485</u>
<u>58,161</u>	<u>(420,870)</u>	<u>17,273</u>	<u>141,182</u>
2,876	12,196	0	138,307
(2,465)	0	0	(388)
0	0	0	19,785
0	0	0	0
1,453	0	28,198	37,939
0	0	0	0
<u>1,864</u>	<u>12,196</u>	<u>28,198</u>	<u>195,643</u>
60,025	(408,674)	45,471	336,825
0	0	0	46,500
0	310,000	0	310,000
(32,000)	0	(51,000)	(135,264)
28,025	(98,674)	(5,529)	558,061
<u>122,167</u>	<u>152,383</u>	<u>(248,949)</u>	<u>13,171,389</u>
<u>\$ 150,192</u>	<u>\$ 53,709</u>	<u>(\$ 254,478)</u>	<u>\$ 13,729,450</u>

BOROUGH OF CHAMBERSBURG
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2009

	Stores Fund	Motor Equipment Fund	Self Insurance Fund
Cash flows from operating activities:			
Interfund services provided	\$ 142,429	\$ 1,923,087	\$ 0
Payments to suppliers	(227,420)	(499,999)	(33,806)
Payments to and on behalf of employees	(114,778)	(330,344)	0
Net cash provided (used) by operating activities	(199,769)	1,092,744	(33,806)
Cash flows from capital and related financing activities:			
Purchase of capital assets	0	(112,542)	0
Proceeds from sale of capital assets	0	3,650	0
Net cash provided (used) by capital and related financing activities	0	(108,892)	0
Cash flows from non-capital financing activities:			
Transfer from other funds	0	0	0
Transfer to other funds	0	(50,000)	(2,264)
Refund received for health insurance	0	0	19,785
Grants received	3,175	5,113	0
Net cash provided (used) by non-capital financing activities	3,175	(44,887)	17,521
Cash flows from investing activities:			
Interest and dividends received	7,285	47,725	77,456
Net cash provided (used) by investing activities	7,285	47,725	77,456
Net increase (decrease) in cash and cash equivalents	(189,309)	986,690	61,171
Cash and cash equivalents - beginning of the year	441,664	2,895,999	5,393,678
Cash and cash equivalents - end of the year	<u>\$ 252,355</u>	<u>\$ 3,882,689</u>	<u>\$ 5,454,849</u>
Reconciliation of income from operations to net cash provided (used) by operating activities			
Operating income (loss)	(\$ 19,810)	\$ 578,155	(\$ 71,727)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization expense	488	484,089	0
Miscellaneous nonoperating income	0	46,500	0
(Increase) decrease in:			
Accounts receivable	(489)	(142)	0
Inventories	(168,623)	4,271	0
Prepaid expenses	4	13,524	0
Increase (decrease) in:			
Accounts payable and accrued expenses	(11,339)	(33,653)	37,921
Net cash provided (used) by operating activities	<u>(\$ 199,769)</u>	<u>\$ 1,092,744</u>	<u>(\$ 33,806)</u>

Engineering Fund	Worker's Compensation Fund	Administrative Services Fund	Total
\$ 184,802	\$ 234	\$ 2,146,892	\$ 4,397,444
(28,319)	(324,471)	(646,260)	(1,760,275)
(97,044)	(41,636)	(1,493,654)	(2,077,456)
<u>59,439</u>	<u>(365,873)</u>	<u>6,978</u>	<u>559,713</u>
0	0	0	(112,542)
<u>0</u>	<u>0</u>	<u>0</u>	<u>3,650</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>(108,892)</u>
0	310,000	0	310,000
(32,000)	0	(51,000)	(135,264)
0	0	0	19,785
<u>1,453</u>	<u>0</u>	<u>28,198</u>	<u>37,939</u>
<u>(30,547)</u>	<u>310,000</u>	<u>(22,802)</u>	<u>232,460</u>
<u>2,927</u>	<u>13,338</u>	<u>0</u>	<u>148,731</u>
<u>2,927</u>	<u>13,338</u>	<u>0</u>	<u>148,731</u>
<u>31,819</u>	<u>(42,535)</u>	<u>(15,824)</u>	<u>832,012</u>
<u>134,725</u>	<u>610,512</u>	<u>15,824</u>	<u>9,492,402</u>
<u>\$ 166,544</u>	<u>\$ 567,977</u>	<u>\$ 0</u>	<u>\$ 10,324,414</u>
\$ 58,161	(\$ 420,870)	\$ 17,273	\$ 141,182
4,637	0	0	489,214
0	0	0	46,500
0	0	(92)	(723)
0	0	0	(164,352)
0	0	0	13,528
<u>(3,359)</u>	<u>54,997</u>	<u>(10,203)</u>	<u>34,364</u>
<u>\$ 59,439</u>	<u>(\$ 365,873)</u>	<u>\$ 6,978</u>	<u>\$ 559,713</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, 2009

	Firemen's Pension Fund	Police Pension Fund	Bargaining and Administrative Employees Pension Fund	Total Pension Trust Funds
ASSETS				
Cash and cash equivalents	\$ 149,169	\$ 322,445	\$ 620,819	\$ 1,092,433
Mutual funds - U.S. Securities	948,781	2,146,056	4,051,118	7,145,955
Mutual funds - Stocks	2,037,373	4,625,105	9,195,616	15,858,094
Mutual funds - Real estate securities	100,012	229,930	450,354	780,296
Total assets	<u>\$ 3,235,335</u>	<u>\$ 7,323,536</u>	<u>\$ 14,317,907</u>	<u>\$ 24,876,778</u>
NET ASSETS				
Held in trust for benefits and other purposes	<u>\$ 3,235,335</u>	<u>\$ 7,323,536</u>	<u>\$ 14,317,907</u>	<u>\$ 24,876,778</u>

BOROUGH OF CHAMBERSBURG

**COMBINING STATEMENT OF CHANGE IN FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
Year Ended December 31, 2009**

	Firemen's Pension Fund	Police Pension Fund	Bargaining and Administrative Employees Pension Fund	Total Pension Trust Funds
ADDITIONS				
Contributions				
Employer - contributions	\$ 124,682	\$ 466,941	\$ 454,028	\$ 1,045,651
Total contributions	<u>124,682</u>	<u>466,941</u>	<u>454,028</u>	<u>1,045,651</u>
Investment income:				
Net appreciation (depreciation) in fair value of investments and gains (loss) on sale of investments	505,579	1,071,264	2,187,841	3,764,684
Interest, dividends and other	<u>74,513</u>	<u>167,053</u>	<u>339,176</u>	<u>580,742</u>
Total net investment income/(loss)	<u>580,092</u>	<u>1,238,317</u>	<u>2,527,017</u>	<u>4,345,426</u>
Total additions	<u>704,774</u>	<u>1,705,258</u>	<u>2,981,045</u>	<u>5,391,077</u>
DEDUCTIONS				
Benefits	224,983	411,270	954,042	1,590,295
Administrative expenses	<u>986</u>	<u>1,382</u>	<u>4,425</u>	<u>6,793</u>
Total deductions	<u>225,969</u>	<u>412,652</u>	<u>958,467</u>	<u>1,597,088</u>
Change in net assets	478,805	1,292,606	2,022,578	3,793,989
Net assets - beginning	<u>2,756,530</u>	<u>6,030,930</u>	<u>12,295,329</u>	<u>21,082,789</u>
Net assets - ending	<u>\$ 3,235,335</u>	<u>\$ 7,323,536</u>	<u>\$ 14,317,907</u>	<u>\$ 24,876,778</u>

BOROUGH OF CHAMBERSBURG

**COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
December 31, 2009**

	Citizen's Reward Fund	Sister City Fund	Project Heat Fund	Total Private Purpose Trust Funds
ASSETS				
Cash and equity in pooled cash and investments	\$ 10,628	\$ 22,040	\$ 15,119	\$ 47,787
Other receivables	<u>47</u>	<u>0</u>	<u>0</u>	<u>47</u>
Total assets	<u>\$ 10,675</u>	<u>\$ 22,040</u>	<u>\$ 15,119</u>	<u>\$ 47,834</u>
 NET ASSETS				
Held in trust for other purposes	<u>\$ 10,675</u>	<u>\$ 22,040</u>	<u>\$ 15,119</u>	<u>\$ 47,834</u>

BOROUGH OF CHAMBERSBURG

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

PRIVATE PURPOSE TRUST FUNDS

For the Year Ended December 31, 2009

	Citizen's Reward Fund	Sister City Fund	Project Heat Fund	Total Private Purpose Trust Funds
ADDITIONS				
Interest earnings	\$ 225	\$ 116	\$ 89	\$ 430
Contributions - public	25	0	5,816	5,841
Other revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
 Total additions	 <u>250</u>	 <u>116</u>	 <u>5,905</u>	 <u>6,271</u>
DEDUCTIONS				
Payments to sister city committee	0	0	0	0
Administrative expense	0	0	10,403	10,403
Miscellaneous expense	<u>100</u>	<u>0</u>	<u>0</u>	<u>100</u>
 Total deductions	 <u>100</u>	 <u>0</u>	 <u>10,403</u>	 <u>10,503</u>
 Change in net assets	 150	 116	 (4,498)	 (4,232)
Net assets, beginning	<u>10,525</u>	<u>21,924</u>	<u>19,617</u>	<u>52,066</u>
Net assets, ending	<u><u>\$ 10,675</u></u>	<u><u>\$ 22,040</u></u>	<u><u>\$ 15,119</u></u>	<u><u>\$ 47,834</u></u>

BOROUGH OF CHAMBERSBURG

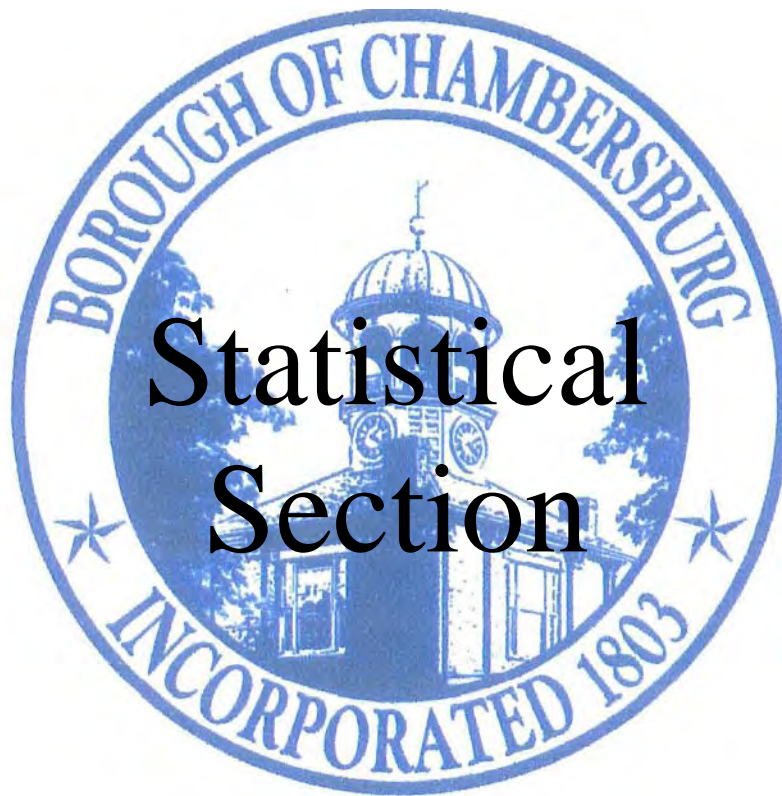
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
For the Year Ended December 31, 2009**

	Balance 1/1/09	Additions	Deductions	Balance 12/31/09
<u>Payroll Clearing Fund</u>				
ASSETS				
Cash and cash equivalents	\$ 0	\$ 11,525,390	\$ 11,525,390	\$ 0
Total assets	<u>\$ 0</u>	<u>\$ 11,525,390</u>	<u>\$ 11,525,390</u>	<u>\$ 0</u>
LIABILITIES				
Withholdings	\$ 0	\$ 3,504,188	\$ 3,504,188	\$ 0
Total liabilities	<u>\$ 0</u>	<u>\$ 3,504,188</u>	<u>\$ 3,504,188</u>	<u>\$ 0</u>
 <u>Consumer Deposit Fund</u>				
ASSETS				
Cash and cash equivalents	\$ 885,615	332,717	\$ 314,550	\$ 903,782
Other receivables	5,318	18,075	19,386	4,007
Total assets	<u>\$ 890,933</u>	<u>\$ 350,792</u>	<u>\$ 333,936</u>	<u>\$ 907,789</u>
LIABILITIES				
Consumer deposits	\$ 890,933	\$ 347,897	\$ 331,041	\$ 907,789
Total liabilities	<u>\$ 890,933</u>	<u>\$ 347,897</u>	<u>\$ 331,041</u>	<u>\$ 907,789</u>
 <u>Total - All Agency Funds</u>				
ASSETS				
Cash and cash equivalents	\$ 885,615	\$ 11,858,107	\$ 11,839,940	\$ 903,782
Other receivables	5,318	18,075	19,386	4,007
Total assets	<u>\$ 890,933</u>	<u>\$ 11,876,182</u>	<u>\$ 11,859,326</u>	<u>\$ 907,789</u>
LIABILITIES				
Withholdings	\$ 0	\$ 3,504,188	\$ 3,504,188	\$ 0
Consumer deposits	890,933	347,897	331,041	907,789
Total liabilities	<u>\$ 890,933</u>	<u>\$ 3,852,085</u>	<u>\$ 3,835,229</u>	<u>\$ 907,789</u>

BOROUGH OF CHAMBERSBURG

**SCHEDULE OF REAL ESTATE TAXES RECEIVABLE - GENERAL FUND
YEAR ENDED DECEMBER 31, 2009**

	General Purpose
Assessed valuation of real property	\$ 186,647,340
Add: Additions	1,055,535
Less: Reductions and exonerations	<u>568,205</u>
Adjusted assessment	187,134,670
Tax rate	<u>20</u> mills
Total tax levied	3,742,693
Add: Penalties	11,793
Less: Discounts	(62,487)
Collections	<u>(3,508,006)</u>
2009 taxes receivable - December 31, 2009	183,993
Prior years' taxes	<u>56,445</u>
Total taxes receivable - December 31, 2009	<u><u>\$ 240,438</u></u>



Statistical Section

STATISTICAL SECTION

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

Contents

Page(s)

Financial Trends

77-83

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

84-89

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

90-94

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

95-96

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

97-99

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 Seven Years
(accrual basis of accounting)

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

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

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

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

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

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

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

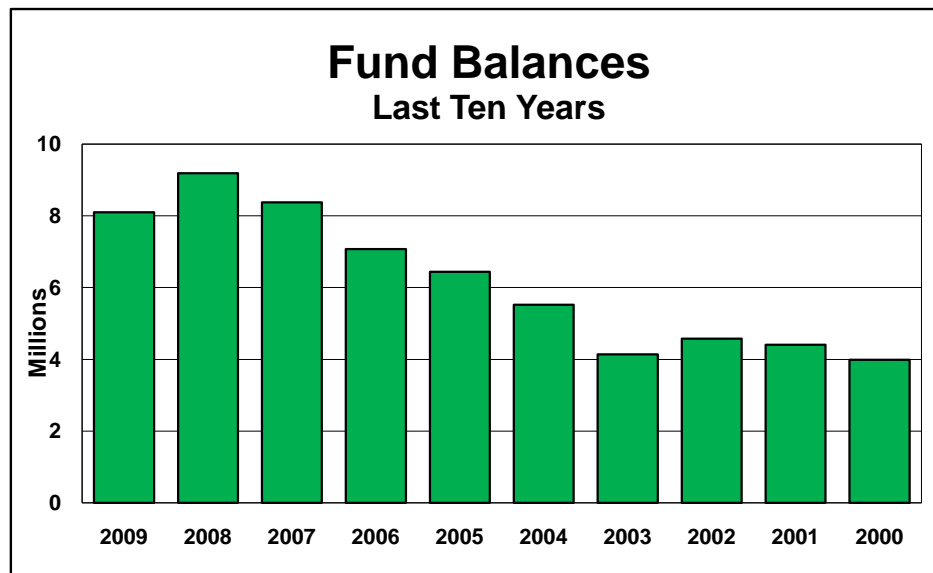
The net assets beginning balance for 2004 is \$351,204 more than the ending balance for 2003 due to prior period adjustments.

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)

	2009	2008	2007	2006
General Fund				
Reserved	\$ 0	\$ 0	\$ 0	\$ 0
Unreserved	2,139,230	3,022,011	3,132,235	3,002,526
Total general fund	2,139,230	3,022,011	3,132,235	3,002,526
All Other Governmental Funds				
Reserved	506,093	439,688	482,736	334,814
Unreserved, reported in:				
Special revenue funds	1,096,594	858,329	455,558	89,893
Capital reserve funds	4,359,108	4,871,296	4,309,406	3,647,518
Liquid FuelsTax Fund	0	0	0	0
Total all other governmental funds	5,961,795	6,169,313	5,247,700	4,072,225
Total Governmental Funds	\$8,101,025	\$9,191,324	\$8,379,935	\$7,074,751

2005	2004	2003	2002	2001	2000
\$ 51,625	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
2,444,085	1,780,615	1,270,767	1,744,610	2,009,489	1,973,089
2,495,710	1,780,615	1,270,767	1,744,610	2,009,489	1,973,089
438,199	3,534,247	2,631,946	2,609,362	2,196,853	1,843,579
234,642	0	0	223,878	196,564	174,288
3,271,894	0	0	0	0	0
0	211,065	234,484	0	0	0
3,944,735	3,745,312	2,866,430	2,833,240	2,393,417	2,017,867
\$6,440,445	\$5,525,927	\$4,137,197	\$4,577,850	\$4,402,906	\$3,990,956



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

	2009	2008	2007	2006
REVENUES				
Real estate taxes	\$3,710,125	\$3,579,097	\$3,496,353	\$2,812,617
Local enabling taxes	2,438,571	3,115,435	3,795,794	3,378,559
Licenses and permits	329,480	314,841	283,832	327,849
Fines and forfeits	127,416	147,943	134,912	124,607
Interest and rents	130,960	304,813	433,095	340,051
Intergovernmental revenue	1,854,862	2,203,624	4,128,114	2,963,293
Program income	0	0	0	0
Departmental charges for service	1,551,711	1,533,643	1,609,239	1,429,528
Miscellaneous	217,277	225,042	286,146	406,735
Public contributions	392,826	767,176	0	0
<i>Total revenues</i>	<i>10,753,228</i>	<i>12,191,614</i>	<i>14,167,485</i>	<i>11,783,239</i>
EXPENDITURES				
Current				
General and administrative	936,903	900,500	885,772	888,809
Public safety				
Police	4,105,028	4,007,937	3,998,185	3,745,351
Fire	1,790,115	1,768,874	1,804,011	1,703,609
Fire code	0	0	0	0
Building regulation, planning, and zoning	371,105	424,173	454,234	359,499
General health and ambulance service	1,086,075	995,078	770,771	798,504
Public service				
Highway	2,168,345	1,330,447	962,915	2,553,405
Parking, traffic control, and transit system	684,238	448,458	476,549	718,504
Street lighting	0	0	0	0
Airport	0	0	0	0
Parks and recreation	1,394,860	1,493,780	1,189,479	1,058,650
Community Development	559,625	1,198,910	2,765,619	661,039
Capital projects	0	0	0	0
Housing rehabilitation grants/loans	0	0	0	0
Miscellaneous	102,223	95,068	638,818	332,789
Debt service:				
Principal Retirement	0	0	0	0
Interest and Fiscal Charges	0	0	0	0
<i>Total expenditures</i>	<i>13,198,517</i>	<i>12,663,225</i>	<i>13,946,353</i>	<i>12,820,159</i>
<i>Excess (deficiency) of revenues over expenditures</i>	<i>(2,445,289)</i>	<i>(471,611)</i>	<i>221,132</i>	<i>(1,036,920)</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)	1,330,307	1,283,000	1,084,052	1,671,226
<i>Total other financing sources (uses)</i>	<i>1,330,307</i>	<i>1,283,000</i>	<i>1,084,052</i>	<i>1,671,226</i>
<i>Net Change in Fund Balances sources over expenditures and other uses</i>	<i>(\$1,114,982)</i>	<i>\$811,389</i>	<i>\$1,305,184</i>	<i>\$634,306</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%

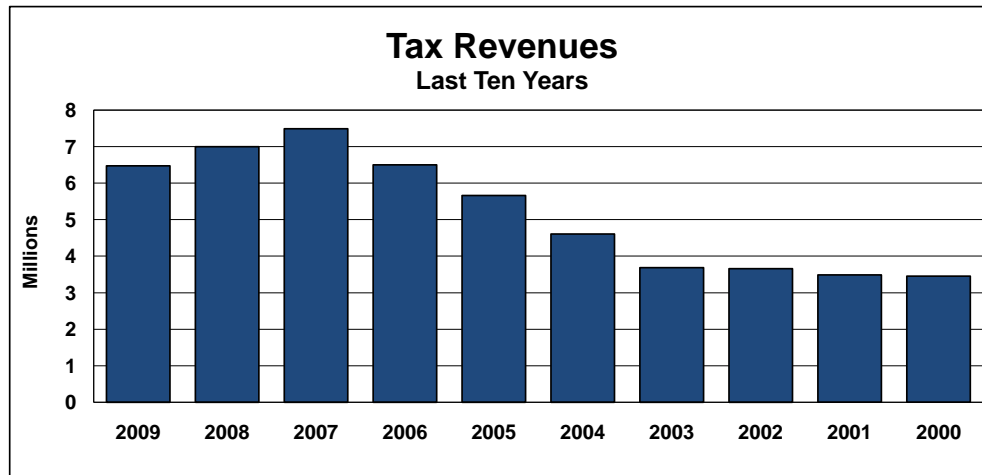
2005	2004	2003	2002	2001	2000
\$2,699,852	\$2,652,016	\$1,881,006	\$1,855,932	\$1,846,212	\$1,802,441
2,990,956	1,924,194	1,605,864	1,586,560	1,471,774	1,469,773
12,216	11,708	34,513	35,484	202,026	218,116
104,554	105,994	88,254	104,470	106,988	118,534
169,742	89,142	92,430	173,062	329,584	320,037
5,390,700	1,441,099	1,108,781	2,174,208	1,401,347	911,962
34,413	25,307	22,358	23,096	16,753	13,642
1,257,871	1,149,657	1,138,276	1,098,262	1,006,262	1,020,353
333,743	297,662	361,831	386,150	271,754	91,009
99,584	8,903	3,096	3,291	8,574	65,402
13,093,631	7,705,682	6,336,409	7,440,515	6,661,274	6,031,269
776,287	670,380	745,387	585,697	560,504	484,065
3,273,532	3,005,234	2,864,984	2,507,338	2,405,722	2,250,654
1,369,481	1,250,482	1,211,412	966,566	977,622	938,553
93,158	86,156	33,244	30,948	25,833	24,356
295,959	318,144	306,258	316,259	278,088	189,089
771,723	709,344	783,605	654,624	600,397	612,638
2,845,568	918,701	899,830	504,055	322,048	312,886
186,535	194,161	304,996	126,852	159,001	138,012
189,927	146,879	171,531	113,357	118,408	116,421
0	12,018	47,246	19,276	29,833	22,393
1,668,362	1,050,717	1,024,020	2,058,250	1,302,051	907,509
0	0	0	0	0	0
0	0	0	524,743	582,046	667,730
124,857	63,373	89,548	216,793	193,872	172,324
271,288	330,588	331,284	228,698	64,427	54,368
0	0	0	0	0	0
0	0	0	0	0	0
11,866,677	8,756,177	8,813,345	8,853,456	7,619,852	6,890,998
1,226,954	(1,050,495)	(2,476,936)	(1,412,941)	(958,578)	(859,729)
0	790,084	0	0	0	0
0	0	0	0	0	0
(312,436)	1,419,435	1,810,283	1,587,885	1,370,528	1,169,194
(312,436)	2,209,519	1,810,283	1,587,885	1,370,528	1,169,194
\$914,518	\$1,159,024	(\$666,653)	\$174,944	\$411,950	\$309,465
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 Seven Years
(accrual basis of accounting)

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

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

Fiscal Year	Real Estate	Real Estate Transfer	Earned Income	Occupational Privilege	Local Services Tax	Cable TV Franchise Fees	Payments in Lieu of Taxes	Total
2009	\$3,690,751	\$272,005	\$1,313,267		\$860,057	\$319,990	\$12,616	\$6,468,686
2008	3,579,097	540,465	1,787,688		775,600	302,892	11,682	6,997,424
2007	3,496,353	816,051	1,728,188		1,165,990	269,553	10,565	7,486,700
2006	2,812,617	674,435	1,582,009		1,111,662	308,267	10,452	6,499,442
2005 (1)	2,699,853	718,074	1,148,766		875,067	209,203	5,549	5,656,512
2004	2,652,016	535,173	1,085,130	113,974		206,943	9,897	4,603,133
2003	1,881,006	292,501	1,194,770	107,555		193,935	11,038	3,680,805
2002	1,855,932	286,133	1,187,482	112,945		201,313	8,721	3,652,526
2001	1,846,212	215,868	1,155,673	100,233		165,695	4,263	3,487,944
2000	1,802,441	238,170	1,130,040	101,562		174,495	4,314	3,451,022



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

Source: Borough of Chambersburg Finance Department

Revenue Capacity

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

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

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

Direct Debt <-----Overlapping Debt----->

Tax Year	Borough of Chambersburg	Chambersburg Area Sch Dist	Franklin County	Franklin County Library
2009	20.00	84.98	24.65	0.8
2008	20.00	80.98	21.95	0.8
2007	20.00	76.91	21.75	0.6
2006	17.00	70.68	21.75	0.6
2005	17.00	67.00	20.75	0.6
2004	12.20	62.53	16.75	0.6
2003	12.20	58.33	14.75	0.6
2002	12.20	56.79	14.75	0.6
2001 (1)	12.20	51.80	11.90	0.6
2000	30.50	129.50	27.25	1.5

(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 Financial Report
 Franklin County Tax Assessment Office

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

Fiscal Year Ended December 31,	Agricultural Property	Residential Property	Commercial Property	Industrial Property	Vacant Property	Tax Exempt Property	Total Estimated Assessed Value	Total Taxable Assessed Value	Chambersburg Municipal Millage Rate
2009	\$267,630	\$95,560,690	\$80,191,190	\$9,709,350	\$918,480	\$51,027,070	\$237,674,410	\$186,647,340	20.00
2008	267,630	92,976,990	75,930,440	10,991,900	947,560	50,789,290	231,903,810	181,114,520	20.00
2007	321,620	90,319,950	69,027,550	10,645,490	1,151,680	50,764,330	222,230,620	171,466,290	20.00
2006	331,460	87,762,230	64,269,630	9,698,490	2,111,770	50,389,070	214,562,650	164,173,580	17.00
2005	319,440	85,328,290	63,225,610	9,698,490	2,025,380	50,528,540	211,125,750	160,597,210	17.00
2004	388,360	83,479,750	61,341,400	9,730,290	1,864,130	51,884,030	208,687,960	156,803,930	12.20
2003	389,190	82,231,740	61,670,330	10,200,230	1,816,060	50,489,080	206,796,630	156,307,550	12.20
2002	425,700	80,787,460	61,169,280	10,274,500	1,711,990	49,861,470	204,230,400	154,368,930	12.20
2001 (1)	425,610	79,187,740	58,131,620	10,527,990	1,782,000	49,215,420	199,270,380	150,054,960	12.20
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

(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
12/31/2009 and 12/31/2000

December 31, 2009

Taxpayer	Estimated Actual Values of Real Property (1)	Rank	Percentage of Assessed Valuation
Chbg Health Srv/Chbg Hospital	\$6,032,430	1	3.23%
Menno-Haven, Inc	5,510,570	2	2.95%
Chambersburg Crossing LP	3,356,500	3	1.80%
Wilsey/Holsum-Ventura Food LLC	2,219,730	4	1.19%
ProLogis	1,770,950	5	0.95%
Wayne Avenue LLC	1,628,060	7	0.87%
Chambersburg Cold Storage	1,491,010	6	0.80%
Tanya K. Nitterhouse	1,418,560	8	0.76%
Chbg Area Development Corp	1,354,350	9	0.73%
Chambersburg Business Park	1,147,500	10	0.61%
<hr/>			
Total	\$25,929,660		13.89%
<hr/>			
Total Taxable Assessed Valuation	\$186,647,340		
<hr/>			

December 31, 2000

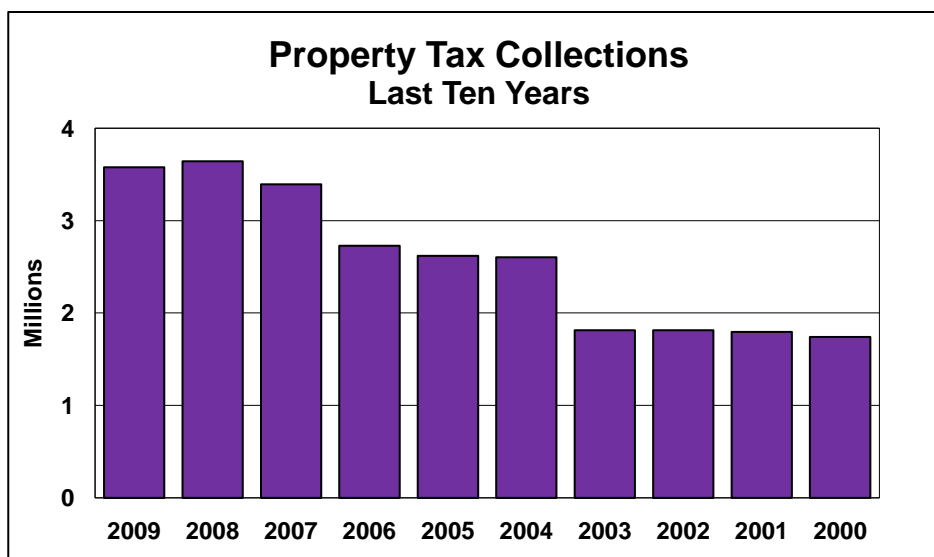
Taxpayer	Estimated Actual Values of Real Property (1)	Rank	Percentage of Assessed Valuation
Menno-Haven, Inc	\$1,480,180	1	2.51%
Wilsey/Holsum (Ventura)	1,050,000	2	1.78%
American Real Estate	936,260	3	1.59%
Tanya K. Nitterhouse	860,400	4	1.46%
Chbg Area Development Corp	857,570	5	1.45%
Dermody Owen LLC	708,380	6	1.20%
Franklin Properties Co	521,400	7	0.88%
Crown Communication Papers, Inc	459,000	8	0.78%
Chbg Health Srv/Chbg Hospital	446,550	9	0.76%
Chbg Cold Storage	402,420	10	0.68%
<hr/>			
	\$7,722,160		13.10%
<hr/>			
Total Taxable Assessed Valuation	\$58,964,040		
<hr/>			

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

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

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

Fiscal Year Ended Dec 31,	Taxes Levied for the Fiscal Year	Collections within the Fiscal Year of the Levy		Collections In Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2009	\$3,732,947	\$3,521,879	94.35%	\$55,365	\$3,577,244	95.83%
2008	3,691,170	3,449,448	93.45%	190,932	\$3,640,380	98.62%
2007 (2)	3,524,433	3,327,598	94.42%	192,307	3,519,905	99.87%
2006	2,842,065	2,689,089	94.62%	152,142	2,841,231	99.97%
2005	2,760,042	2,611,898	94.63%	147,851	2,759,749	99.99%
2004 (1)	2,685,963	2,546,557	94.81%	139,405	2,685,962	100.00%
2003	1,908,826	1,811,273	94.89%	97,553	1,908,826	100.00%
2002	1,890,019	1,772,981	93.81%	117,038	1,890,019	100.00%
2001	1,862,783	1,758,268	94.39%	104,515	1,862,783	100.00%
2000	1,801,792	1,688,415	93.71%	113,377	1,801,792	100.00%



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

Source: Borough of Chambersburg Finance Department

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

Fiscal Year	Tax Rate	Total Earned Income Tax Collected	Refunds	Net Earned Income Tax Collected
2009	1.00%	\$1,351,772	\$38,505	\$1,313,267
2008	1.00%	1,822,101	34,413	1,787,688
2007	1.00%	1,769,463	41,275	1,728,188
2006	1.00%	1,589,052	38,543	1,550,509
2005	1.00%	1,359,818	31,052	1,328,766
2004	1.00%	1,258,254	20,624	1,237,630
2003	1.00%	1,286,751	18,481	1,268,270
2002	1.00%	1,208,561	21,079	1,187,482
2001	1.00%	1,173,833	18,160	1,155,673
2000	1.00%	1,145,690	15,649	1,130,041

Source: Chambersburg Area Wage Tax Office

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

=====										
Income Range	Number of tax filers									
	2009 (1)	2008	2007	2006	2005	2004	2003	2002	2001	2000
> \$1,000,000		0	1	0	0	0	0	0	0	0
\$500,000 - \$999,999		16	16	15	12	11	7	7	3	0
\$200,000 - \$499,000		44	43	34	32	34	33	31	34	26
\$100,000 - \$199,000		148	140	132	116	101	81	65	70	71
\$50,000 - \$99,000		1,148	1,099	1,008	924	853	779	729	650	601
<\$50,000		7,455	7,079	7,344	7,377	7,353	7,475	7,643	7,763	7,880
Total		8,811	8,378	8,533	8,461	8,352	8,375	8,475	8,520	8,578
=====										
Income Range	% of total earned income taxes paid									
> \$1,000,000		0.00%	0.41%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
\$500,000 - \$999,999		3.54%	3.51%	3.42%	3.11%	2.67%	1.70%	1.74%	1.00%	0.00%
\$200,000 - \$499,000		4.88%	5.05%	3.86%	3.91%	4.16%	4.45%	4.01%	4.58%	4.67%
\$100,000 - \$199,000		7.10%	6.87%	6.64%	6.06%	5.63%	4.74%	4.14%	4.62%	4.68%
\$50,000 - \$99,000		27.73%	27.18%	25.64%	24.76%	23.78%	22.75%	21.68%	19.39%	18.37%
<\$50,000		56.75%	56.98%	60.44%	62.16%	63.76%	66.36%	68.43%	70.41%	72.28%
Total		100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
=====										
<u>Total Personal Income</u>		\$270,954,117	\$263,147,886	\$255,114,215	\$243,248,314	\$230,882,085	\$218,802,655	\$215,724,254	\$210,913,115	\$206,321,246

(1) Information for year ended 12/31/2009 not yet available

Source: Chambersburg Area Wage Tax Office

Debt Capacity

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

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

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

Governmental Activities (1)		Business Type Activities (1)					
Fiscal Year	General Obligation Bonds	Electric Department General Obligation Bonds	Waste Water Treatment Plant General Obligation Bonds	Water Treatment Plant Water Revenue Notes Payable (2)	Total Primary Government	Percentage of Personal Income	Per Capita
2009	0	\$15,941,300	\$3,353,700	\$2,370,233	\$21,665,233	6.257%	1,206
2008	0	16,355,000	3,955,000	2,338,177	22,648,177	6.541%	1,261
2007	0	17,240,000	4,340,000	2,556,619	24,136,619	6.971%	1,344
2006	0	17,550,000	4,715,000	2,732,990	24,997,990	7.220%	1,392
2005	0	18,355,000	4,720,000	4,200,000	27,275,000	7.877%	1,519
2004	0	19,140,000	5,440,000	4,371,675	28,951,675	8.361%	1,612
2003	0	19,900,000	5,300,000	4,400,000	29,600,000	8.549%	1,648
2002	0	19,900,000	5,575,000	4,400,000	29,875,000	8.628%	1,663
2001	0		5,835,000		5,835,000	1.685%	325
2000	0		6,090,000		6,090,000	1.759%	339

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

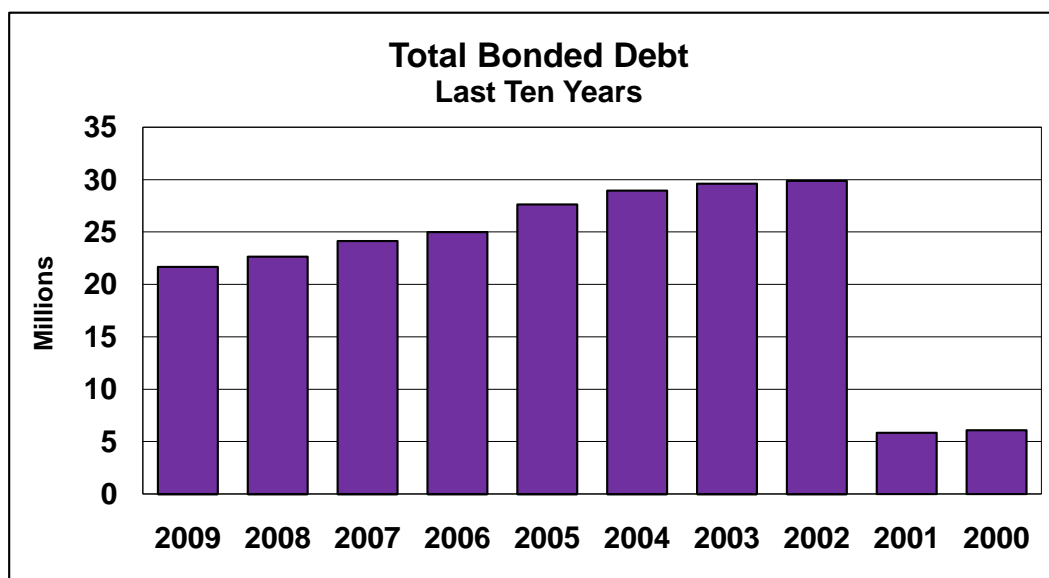
(2) Various water projects financed via the Commonwealth of Pennsylvania's Pennvest loan program.

Source: Borough of Chambersburg Finance Department

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

General Bonded Debt Outstanding

Fiscal Year	Net Non-electoral debt	Lease rental debt	Total Primary Government	% of Assessed Valuation	Debt per Capita
2009	\$21,665,233	\$0	21,665,233	11.61%	1,206
2008	22,648,177	0	22,648,177	12.50%	1,261
2007	24,136,619	0	24,136,619	14.08%	1,344
2006	24,997,990	0	24,997,990	15.23%	1,392
2005	27,634,228	0	27,634,228	18.35%	1,539
2004	28,951,675	0	28,951,675	18.46%	1,612
2003	29,600,000	0	29,600,000	18.94%	1,648
2002	29,875,000	0	29,875,000	19.35%	1,663
2001 (1)	5,835,000	0	5,835,000	3.89%	325
2000	6,090,000	0	6,090,000	10.33%	341



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

Source: Borough of Chambersburg Finance Department

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

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General Bonded Debt Outstanding

Fiscal Year	Three year average revenue borrowing base	Legal debt limit	Total Debt Applicable to limit	Legal Debt margin (1)	Legal Debt margin %
2009	60,298,760	150,746,900	21,665,233	129,081,667	85.63%
2008	57,735,693	144,339,233	22,648,254	121,690,979	84.31%
2007	54,371,026	135,927,564	24,136,619	111,790,945	82.24%
2006	49,400,865	123,502,163	24,997,990	98,504,173	79.76%
2005	44,163,564	110,408,911	27,634,228	82,774,683	74.97%
2004	40,676,773	101,691,932	28,951,675	72,740,257	71.53%
2003	38,208,010	95,520,026	29,600,000	65,920,026	69.01%
2002	37,361,931	93,404,827	29,875,000	63,529,827	68.02%
2001	37,528,820	93,822,050	5,835,000	87,987,050	93.78%
2000	25,253,770	63,134,426	6,090,000	57,044,426	90.35%

(1) Legal Debt Margin: (12/31/2009)

a	Average revenues past 3 yrs	60,298,760 (\$180,896,280) / 3
b	Legal debt limit (2.5 time average rev)	150,746,900
c	Debt outstanding @ 12/31/2009	(21,665,233)
	Legal Debt Margin (b-c)	\$129,081,667

Source: Borough of Chambersburg Finance Department

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	\$108,536,469	29.0009%	\$31,476,602
County of Franklin	42,505,000	13.8847%	5,901,689
<i>Total Overlapping Debt</i>	151,041,469		37,378,291
Total	\$151,041,469		\$37,378,291

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

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

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

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

Water Revenue Loan Payable (1)

Fiscal Year	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2009	\$3,375,869	\$2,831,476	544,393	\$223,025	\$60,540	1.92
2008	3,469,626	2,674,069	795,557	218,753	61,061	2.84
2007	3,879,178	2,673,401	1,205,777	213,118	66,696	4.31
2006	3,472,734	2,495,541	977,193	218,998	60,816	3.49
2005	3,107,143	2,440,826	666,317	213,595	66,220	2.38
2004	2,752,040	2,346,858	405,182	42,531	109,955	2.66
2003	2,449,629	1,967,482	482,147	0	110,044	4.38
2002	2,374,647	2,174,670	199,977	0	77,948	2.57
2001	2,235,914	1,914,605	321,309	0	0	N/A
2000	1,963,094	1,721,458	241,636	0	0	N/A

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

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

Source: Borough of Chambersburg Finance Department

Demographic and Economic Information

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

Demographic and Economic Statistics	Schedule 18
Principal Employers	Schedule 19

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

=====					
Fiscal Year	Population (2)	Per Capita Personal Income (2)	Per Capita Household Income (2)	Median Household Income (2)	Median Age (2)

2009	17,961	\$19,278	\$41,641	\$32,336	40
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

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	\$186,647,340	(5)
17.90%	3,635	3.90%	86,500	181,114,520	270,954,117
17.90%	3,635	3.90%	86,500	171,466,290	263,147,886
17.90%	3,635	3.90%	86,500	164,173,580	255,114,215
17.90%	3,635	3.90%	86,500	160,597,230	243,248,314
17.90%	3,635	3.90%	86,500	156,803,930	230,882,085
17.90%	3,635	3.90%	86,500	156,307,550	218,802,655
17.90%	3,635	3.90%	86,500	154,368,930	215,724,254
17.90%	3,635	3.90%	86,500	150,054,960	21,091,315
17.90%	3,635	3.90%	86,500	58,964,040	206,321,246

(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 12/31/2009 not yet available

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

2009				2000		
Employer	Employees	Rank	Percentage of Total Borough Employment	Employees	Rank	Percentage of Total Borough Employment
Summit Health Services	2,968	1	11.01%	1,285	1	5.94%
Chambersburg School District	1,075	2	3.99%	958	2	4.43%
County of Franklin	912	3	3.38%	751	3	3.47%
Menno Haven, Inc	565	4	2.10%	554	4	2.56%
Ventura Foods	382	5	1.42%	220	6	1.02%
Farmers & Merchants Trust Co.	275	6	1.02%	199	8	0.92%
K-Mart Regional Specialty Center	268	7	0.99%	-----		-----
T.B. Woods, Inc	230	8	0.85%	412	5	1.90%
Staples Direct	220	9	0.82%	209	7	0.97%
Knouse Foods	213	10	0.79%	170	10	0.79%
Borough of Chambersburg	210		0.78%	177	9	0.82%
Patriot Federal Credit Union	120		0.45%	121		0.56%
Public Opinion Newspaper	95		0.35%	120		0.55%
Hagermeyer	74		0.27%			
Nitterhouse Masonry Products	61		0.23%	92		0.43%
Total	7,668		28.44%	5,268		24.35%
Total Employees	26,964 (1)			21,637		

(1) Estimated by Chambersburg Area Wage Tax Office

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

Operating Information

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

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

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

	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Function/program										
General Government:										
Administration	5	4	4	4	4	4	4	4	4	3
MIS	5	5	5	5	5	4	4	4	4	3
Finance	28	22	22	22	22	22	22	24	24	24
Public Information	0	0	0	0	0	0	0	0	0	0
Community Development:										
Economic Develop/Planning	2	2	2	1	1	1	1	1	1	1
Inspections	4	4	4	4	4	5	6	6	5	4
Public Works:										
Administration	2	2	2	2	2	2	2	2	2	2
Maintenance/Labor	26	25	25	22	22	22	24	24	24	23
Human Services:										
	0	0	0	0	0	0	0	0	0	0
Public Safety:										
Police Officers	33	33	33	30	30	30	30	29	29	29
Police Civilians	4	4	4	4	4	4	4	4	4	4
Fire	22	22	21	21	18	18	18	21	18	18
Fire Civilians	3	3	3	3	3	3	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	17	14	14	14	14	14	14	14	13
Maintenance/Operations										
Electric Department	19	19	19	19	19	17	16	16	16	16
Gas Department	8	8	8	8	8	8	8	7	7	7
Water Department	11	11	11	11	11	11	10	10	10	9
Wastewater Treat. Plant	15	15	15	15	15	14	13	13	13	13
Parking Department	1	1	1	1	1	1	1	1	1	1
Totals	210	202	198	191	188	185	184	187	183	177

Source: Borough of Chambersburg Human Resources Department

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

	2009	2008	2007	2006
Function/program				
General Government:				
Lien Letter & Tax Certification Requests	73	55	42	41
Community Development				
Building Permits Issued	337	398	463	338
Estimated Value of Construction	\$19,856,490	\$3,798,670	\$60,752,500	\$55,624,200
Occupancy Permits Issued	91	133	68	44
Number of Planning Commission Agenda Items	34	33	52	59
Public Works:				
Roads Resurfaced (linear feet)	4,500	11,904	14,500	28,200
Roads Reconstructed (linear feet)	2,550	0		2,200
Tons of Snow Melting Salt Used	336	420	546	150
Recreation:				
Pool Attendance	30,700	32,714	33,224	34,491
Number of Utilization Events (2)	1,714	1,859	1,130	2,068
Number of Consumers Served	69,813	74,431	73,002	79,783
Number of seasonal programs	91	82	77	92
Police:				
Calls for Service	13,439	14,584	14,698	14,564
Total Arrests	1,587	780	1,000	978
Part I Offenses Reported (major offenses)	1,260	1,356	1,337	1,187
Part I Offenses cleared (Percentage)	40.0%	35.0%	32.2%	27.5%
Part II Offenses Reported (Major offenses)	1,826	2,053	2,042	2,129
Part II Offenses cleared (Percentage)	36.0%	23.0%	38.5%	36.1%
DUI Arrests	112	145	153	151
Fire:				
Total Number of Responses	947	1,068	1,216	1,219
Responses Involving Loss	7	5	3	0
Structure Fires	30	20	31	(1)
Volunteer Hours	87,190	88,195	86,342	112,414
False Alarms/False Calls	148	171	144	205
Total Calls For Assistance	3,626	4,461	4,769	4,543
Utilities:				
<i>Electric Department</i>				
Units Billed (kwh)	283,303,708	301,419,493	298,904,180	280,162,497
Billed Revenue	\$29,658,637	\$25,122,123	\$22,832,498	\$19,350,942
<i>Gas Department</i>				
Units Billed (100 Cu. Ft.)	9,331,406	9,548,283	9,263,225	8,764,951
Billed Revenue	\$9,546,728	\$10,804,867	\$9,931,409	\$11,161,166
<i>Water Department</i>				
Units Billed (10 Cu. Ft.)	14,573,232	14,601,233	14,666,433	14,922,136
Billed Revenue	\$2,855,138	\$2,856,052	\$2,824,616	\$2,805,748
<i>Wastewater Treatment Plant</i>				
Units Billed (10 Cu. Ft.)	23,577,112	24,492,922	22,945,608	21,063,582
Billed Revenue	\$3,805,662	\$3,699,207	\$3,579,563	\$3,289,890
<i>Sanitation Department</i>				
Units Billed (Cu. Yds.)	150,805	157,123	154,436	143,248
Billed Revenue	\$1,994,205	\$2,015,815	\$1,974,698	\$1,891,367

2005	2004	2003	2002	2001	2000
45	49	56	49	38	37
277	101	191	221	195	220
\$32,147,498	\$17,768,938	\$18,787,722	\$18,889,459	\$15,306,064	\$22,802,725
53	17	10	6	5	7
62	39	24	44	54	55
8,900	4,800	11,600	10,300	3,600	0
0	5,870	700	600	600	3,000
100	250	275	125	125	150
37,513	31,854	33,061	46,586	36,131	32,360
1,936	1,905	1,930	1,634	1,733	1,471
80,030	77,227	80,839	77,540	75,629	76,447
86	95	90	90	81	60
14,298	13,762	12,873	6,998	4,051	3,116
1,031	1,392	969	665	1,203	691
1,020	1,096	922	952	1,065	1,027
36.7%	28.6%	26.7%	25.2%	24.6%	(1)
1,837	2,045	1,640	1,946	21,202	2,086
39.3%	32.1%	31.3%	28.3%	2.8%	(1)
146	119	75	26	76	7
1,246	1,037	725	766	720	(1)
2	5	4	7	5	9
19	16	14			
87,807	81,905	84,762	135,051	145,528	136,396
225	324	241	299	265	(1)
4,856	(1)	(1)	(1)	(1)	(1)
270,674,464	263,990,940	254,497,955	253,386,353	250,886,958	252,819,642
\$16,909,558	\$16,419,739	\$16,785,427	\$12,761,569	\$13,568,627	\$13,958,596
9,408,519	9,778,613	10,084,543	8,708,675	9,462,917	9,755,191
\$10,926,767	\$8,814,262	\$8,356,282	\$6,998,000	\$7,715,720	\$5,776,620
14,738,824	13,881,565	12,989,941	13,100,816	13,323,535	12,801,422
\$2,590,999	\$2,382,552	\$2,276,402	\$2,286,907	\$2,139,079	\$1,901,988
25,142,782	24,349,957	23,162,292	17,330,483	18,813,519	19,635,973
\$3,375,059	\$3,061,013	\$2,595,252	\$2,269,712	\$2,228,802	\$2,190,242
139,650	140,090	141,257	139,337	142,442	138,543
\$1,856,212	\$1,347,760	\$1,362,011	\$1,346,109	\$1,354,893	\$1,336,296

(1) Information not available

(2) Recreation center usage only

Source: Borough of Chambersburg Designated Departments

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

	2009	2008	2007	2006
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	45	40	40	35
Street Lights	2,161	1,500	1,500	1,500
Vehicles	11	11	11	11
Recreation:				
Number of Parks	16	16	16	16
Acerage of Park Lands	88	81	81	81
Recreation Centers	1	1	1	1
Recreation Center Square Footage	20,154	20,154	20,154	20,154
Tennis Courts	5	9	10	10
Ball Fields	4	4	4	4
Skate Parks	2	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	9
Police Vehicles	13	12	13	13
Utilities				
<i>Electric Department</i>				
Value of Plant in Service	\$60,896,827	\$63,374,252	\$60,902,232	\$57,912,422
Vehicles	9	8	9	8
<i>Gas Department</i>				
Value of Plant in Service	\$10,825,895	\$11,053,344	\$10,752,079	\$10,336,655
Vehicles	10	9	9	9
<i>Water Department</i>				
Value of Plant in Service	\$25,690,405	\$26,612,637	\$26,063,089	\$25,506,678
Vehicles	7	7	7	7
<i>Wastewater Treatment Department</i>				
Value of Plant in Service	\$38,313,773	\$39,038,610	\$38,578,161	\$36,284,115
Vehicles	6	6	6	6
<i>Sanitation Department</i>				
Value of Plant in Service	\$555,737	\$502,148	\$498,893	\$465,795
Vehicles	8	8	7	7

2005	2004	2003	2002	2001	2000
16,571	16,571	16,571	16,571	16,571	16,571
2	2	3	3	3	3
5	6	5	6	5	3
35	35	35	35	34	33
1,500	1,500	1,500	1,500	1,500	1,500
11	13	13	12	12	14
14	13	12	12	12	12
78	71	70	70	70	68
1	1	1	1	1	1
20,154	20,154	20,154	20,154	20,154	20,154
12	12	12	12	12	12
5	5	5	5	5	5
3	2	2	3	3	2
9,526	9,526	9,526	9,526	9,526	9,526
10,726	10,726	10,726	10,726	10,726	10,726
10	12	11	11	11	11
13	14	12	11	11	12
\$61,554,987	\$38,721,722	\$38,353,769	\$37,929,660	\$33,129,754	\$32,061,631
8	8	9	8	8	10
\$9,708,207	\$9,145,687	\$8,901,920	\$8,223,042	\$7,485,579	\$6,967,273
7	7	7	7	6	6
\$26,361,379	\$20,567,285	\$1,695,244	\$15,731,162	\$15,578,933	\$15,372,063
7	7	7	7	6	4
\$36,574,119	\$36,087,251	\$36,035,703	\$17,420,031	\$17,356,632	\$17,185,394
6	6	6	6	5	4
\$473,423	\$475,825	\$472,381	\$474,481	\$485,589	\$479,427
8	6	6	6	6	6

Source: Borough of Chambersburg Designated Departments



Single Audit Section



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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Borough of Chambersburg, as of and for the year ended December 31, 2009, which collectively comprise the Borough's basic financial statements, and have issued our report thereon dated June 22, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness. See finding 2009-01.



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 22, 2010.

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

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 22, 2010



**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, 2009. 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, 2009.

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.



To the Mayor and Borough Council
Borough of Chambersburg

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

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

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

Smith Elliott Kearns & Company, LLC

Chambersburg, Pennsylvania
June 22, 2010

Borough of Chambersburg

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2009

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, 2008	Revenue Recognized	Expenditures Recognized	Accrued or (Deferred) Revenue at December 31, 2009
U.S. Department of Housing and Urban Development Program:									
Economic Development Initiative	14.246	B-05-SP-PA-0635	January 1, 2009 - December 31, 2009	24,800	891	0	891	891	0
<u>Passed-through the P.A. Dept. of Community and Economic Development</u>									
Community Development Block Grant	14.228	C0000010440	January 1, 2004 - December 31, 2004	331,992	52,320	30,355	21,965	21,965	0
Community Development Block Grant	14.228	C000014702	January 1, 2005 - December 31, 2005	305,376	59,891	50,850	9,041	9,041	0
Community Development Block Grant	14.228	C000022662	January 1, 2006 - December 31, 2006	267,016	100,585	72,883	29,223	29,223	1,521
Community Development Block Grant	14.228	C000029556	January 1, 2007 - December 31, 2007	262,610	113,593	15,150	104,835	104,835	6,392
Community Development Block Grant	14.228	C000036981	January 1, 2008 - December 31, 2008	252,677	161,082	70,205	95,262	95,262	4,385
Community Development Block Grant	14.228	C000046101	January 1, 2009 - December 31, 2009	258,038	0	0	22,939	22,939	22,939
ARRA - Community Development Block Grant	14.255	C000046400	January 1, 2009 - December 31, 2009	33,470	11,495	0	16,207	16,207	4,712
HOME Grant	14.239	C000026927	January 1, 2006 - December 31, 2009	350,000	78,934	11,543	76,962	76,962	9,571
Franklin County Home Grant	14.239	C000026927	January 1, 2007 - December 31, 2010	40,000	0	(40,000)	0	0	(40,000)
					577,900	210,986	376,434	376,434	9,520
<u>Passed-through the P.A. Dept. of Transportation</u>									
Hometown Street Lighting	20.205	23-6002979	January 1, 2008 - December 31, 2009	165,000	24,682	24,682	0	0	0
Total U.S. Department of HUD					603,473	235,668	377,325	377,325	9,520
U.S. Department of Justice									
Justice Assistance Grant	16.738	2009-SB-B9-2495	January 1, 2009 - December 31, 2009	55,593	0	0	39,471	39,471	39,471
Franklin County Justice Assistance Grant	16.738	2009-DJ-BX-0277	January 1, 2009 - December 31, 2009	21,586	21,586	0	0	0	(21,586)
Total U.S. Department of Justice					21,586	0	39,471	39,471	17,885
U.S. Environmental Protection Agency									
Environmental Protection Agency	66.606	XP-429955-01	January 1, 2001 - December 31, 2009	2,771,088	52	52	0	0	0
Environmental Protection Agency	66.606	XP-97361801-0	January 1, 2009 - December 31, 2012	591,712	30,141	0	134,181	134,181	104,040
Total U.S. Environmental Protection Agency					30,193	52	134,181	134,181	104,040
Total Expenditures of Federal Awards					\$ 655,252	\$ 235,720	\$ 550,977	\$ 550,977	\$ 131,445

BOROUGH OF CHAMBERSBURG**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2009****NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS****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	\$ 299,472
HOME Grant	76,962
Economic Development Initiative	891
Justice Assistance Grant	<u>39,471</u>
	416,796
Water Fund	
Environment Protection Agency	<u>134,181</u>
Total	<u>\$ 550,977</u>

Note 4. Determination of Major Programs

Project Title	CFDA No.	Expenditures	Percent
Community Development Block Grant Cluster:			
Community Development Block Grant	14.228	\$ 283,265 *	51.3%
ARRA - Community Development Block Grant	14.255	<u>16,207 *</u>	2.9%
		299,472	
HOME Grant	14.239	76,962	14.0%
Economic Development Initiative	14.246	891	0.2%
Justice Assistance Grant	16.738	39,471	7.2%
Environment Protection Agency	66.606	<u>134,181</u>	<u>24.4%</u>
Total federal expenditures		<u>\$ 550,977</u>	100.0%

* Selected for testing as major program.

**BOROUGH OF CHAMBERSBURG
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2009**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major program:

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

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

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

Identification of the major programs:

CFDA Number(s)	Name of Federal Program
14.228 and 14.255	CDBG and ARRA-CDBG

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

Auditee qualified as low-risk auditee? X Yes No

BOROUGH OF CHAMBERSBURG
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
December 31, 2009

Section II - Financial Statement Findings

A. Material Weakness in Internal Control

2009-01 Proper recording of debt activity

Condition: During 2009, several bond issues were refunded by the issuance of the 2009 General Obligation Bonds. Two of these bond issues were in the Electric Fund and one was in the Sewer Fund. However, this bond refinancing was not recorded by the Borough. In addition, when the first principal and interest payment was made by the electric fund on the new bonds, it was not properly allocated between sewer and electric, and was incorrectly coded to administrative expense in the electric fund.

Criteria: Debt transactions should be properly recorded and allocated to the appropriate funds.

Cause: The initial debt transaction was not properly reviewed with and understood by the individuals responsible for recording these transactions. In addition, there was an inadequate review process at year end to identify that these transactions were not properly recorded.

Effect: The financial statements would have been materially misstated had this not been caught by audit procedures.

Recommendation: We recommend that all major changes in debt during the year be reviewed with the appropriate finance department personnel to ensure proper recording. Also, there should be a thorough review of all expenses on a regular basis, to ensure proper recording.

Response: All transactions relating to the Borough's indebtedness will be monitored from the initial transaction through posting into the general ledger by the Director of Finance. This will pertain to the issuance of new debt and the normal scheduled payments. Additionally, general ledger balances regarding debt will be compared to the proper amortization schedules prior to year end "closing". Any discrepancies will be rectified prior to the general ledger being presented to the auditors for review.

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, 2009***

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