

*Borough of Chambersburg
Pennsylvania*



*Comprehensive Annual
Financial Report
December 31, 2017*

Borough of Chambersburg
Pennsylvania

Comprehensive Annual
Financial Report

For the Year Ended
December 31, 2017

Prepared By the Department of Finance



Government Finance Officers Association

Certificate of
Achievement
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Reporting

Presented to

**Borough of Chambersburg
Pennsylvania**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2016

Christopher P. Morill

Executive Director/CEO

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Introductory Section



Borough of Chambersburg

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

Letter of Transmittal for 2017 Comprehensive Annual Financial Report

June 28, 2018

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, 2017, is hereby submitted for your review. This report represents the commitment of the Borough of Chambersburg to adhere to nationally recognized standards of excellence in financial reporting.

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

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

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

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

THE BOROUGH OF CHAMBERSBURG

General Information

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

According to the U.S. Bureau of the Census, the Borough's population increased from 20,268 to 20,878, between 2010 and 2017; an increase of 3.0 percent during the period.

Municipal Services and Facilities

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

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

Governmental Organization

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

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

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

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

Departmental Highlight – Land Use and Community Development Department

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

The Land Use and Community Development Department helps to plan and design the Borough’s form and character, support community values, preserve the environment, promote the wise use of resources and protect public health and safety through code enforcement.

The Land Use and Community Development Department provides high quality service to Borough citizens and customers according to the following principles:

- Listen to understand your needs;
- Give clear, accurate and prompt answers to your questions;
- Help resolve problems in an open, objective manner;
- Explain how you can achieve your goals under the Borough’s rules or the uniform code;
- Maintain high ethical standards;
- Work to improve our service.

The Land Use and Community Development Department is comprised of the following offices:

1. Codes Office
2. Community & Economic Development Office
3. Engineering Office
4. Planning & Zoning Office
5. Storm Sewer Utility Office

The Codes Office is responsible for enforcing the Property Maintenance Code, Rental Property Code, Brush, Grass and Weeds Code and Streets and Sidewalks Code as well as the PA Retail Food Facility Safety Act and Uniform Construction Code that is enforced by the Borough’s third party code enforcement services contractor, Pennsylvania Municipal Code Alliance (PMCA). PMCA employees also enforce the Rental Property Code with administrative support from the Codes Office.

The Community & Economic Development Office administers Community Development Block Grants, HOME Investment Partnership Program grants, Elm Street Program grants and the Housing Rehabilitation Program. The office also provides outreach and technical assistance for a variety of downtown and Borough-wide economic development projects.

The Engineering Office reviews the design process and inspection of all public works and utility projects. Such projects include, but are not limited to, storm sewers, streets and sidewalks. In general, the office provides support services to all Borough departments from preliminary layout to final completion. The office also maintains the Geographic Information System that contains 522 layers of community information.

The Planning & Zoning Office coordinates review and approval of subdivision and land development plans to include fee collection, review and analysis, meeting facilitation, street addressing, document recordation, and public works security administration. The office also processes Land Use Permit Applications and Zoning Hearing Board Appeals and provides technical assistance regarding the Comprehensive Plan and other planning-related issues.

The Storm Sewer Utility Office is dedicated to improving health, safety, and welfare in the Borough of Chambersburg by providing for the safe and efficient capture and conveyance of storm water runoff resulting from development, by enforcing the Borough's Storm Water Management Ordinance, by maintaining compliance with the Borough's municipal separate storm sewer system (MS4) permit, and through construction and maintenance of the Borough's storm sewer system according to sound financial resource and capital improvements management.

Economic Environment - Historical

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

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

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

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

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

Economic Environment - Today

The construction of the interstate highway system in the 1960's resulted in Interstate 81 being on the eastern edge of the Borough. Chambersburg has become a magnet for distribution warehouses to facilitate the flow of goods on the East Coast. Authorities are examining their options on how Interstate 81 can be improved to handle the abundant truck traffic that transverses the highway daily. This access to major highways and railroads coupled with Chambersburg's location has created opportunities for our continued prosperity. Other factors that make the Borough a good place to do business are competitively low utility rates, quality municipal services, ample power supplies, affordable housing, a skilled and diversified workforce, a low crime rate, and a progressive school district.

The 10 largest employers operating in the Borough in 2017 were:

EMPLOYER	PRIMARY BUSINESS	AVERAGE NUMBER OF EMPLOYEES
Summit Health Services	Health Care	3,600
Chambersburg Area School District	Public Education	1,125
Menno Haven, Inc.	Retirement Community	705
County of Franklin	Government	690
Ventura Foods	Food Packaging	630
Staples	Retailing	350
Knouse Foods	Food Packaging	276
F & M Trust Company	Financial Services	265
T. B. Woods, Inc.	Power Transmission Equipment	230
Borough of Chambersburg	Municipal Government	219

The Borough of Chambersburg is considered the employment center for the region. Between 24,000 and 28,000 people work in the Borough on a daily basis.

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

EMPLOYER	PRIMARY BUSINESS	AVERAGE NUMBER OF EMPLOYEES
Letterkenny Army Depot/Tenants	Repair Military Vehicles and Missiles/Misc.	3,600
Ulta Beauty	Distribution Center	600
Target Distribution Center	Distribution Warehousing	590
Martins Famous Pastry Shoppe, Inc.	Potato Bread and Rolls	495
Walmart	Retail	300
Ingram Book Company	Warehousing	285
New Enterprise Stone & Lime Co., Inc.	Manufacturing	250

FINANCIAL INFORMATION

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

Accounting/Budgetary Control System

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

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

The concept of reasonable assurance recognizes that:

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

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

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

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

Long Term Financial Planning

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

The plan defines capital projects accordingly:

- A project related to a capital asset according to the Capital Asset Policy adopted by Town Council.
- A project that adds value or useful life to a capital asset.
- A project involving buildings, facilities, land or easements as long as title does not expire in less than twenty-one years.
- A project involving buildings, facilities, land or easements as long as the useful life of such is twenty years or greater and the fair market value is greater than \$ 2,500.
- A project involving technology, vehicles or equipment as long as the useful life of such is two years or greater and the fair market value is greater than \$ 2,500.

Capital improvement needs for a particular fiscal year are budgeted in a variety of accounts due to the complexity of the Borough budget. Regardless of their placement in the budget, projects require the approval of Town Council in scheduling and appropriation. Should the project be approved in a future budget, the recommended funding source will be set. As such, the plan is subject to change as Town Council adjusts spending limits going forward. Beginning in 2018, in an effort to begin classifying capital projects and assets in a manner more consistent with an organization the size of the Borough of Chambersburg, the afore-mentioned thresholds are being changed to \$10,000.

CHANGES IN FINANCIAL POLICIES

There were no changes in financial policies in 2017 that had a significant impact on the current period’s financial statements.

INDEPENDENT AUDIT

The independent accounting firm, Smith Elliott Kearns & Company, LLC, audited the basic financial statements of the Borough of Chambersburg for fiscal year 2017. The financial statements have received an unmodified opinion indicating that, in all material respects, the Borough's basic financial statements are presented fairly and in conformity with accounting principles generally accepted in the United States of America. Auditing standards generally accepted in the United States of America were used by the auditors in conducting the engagement.


ACKNOWLEDGMENTS

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

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

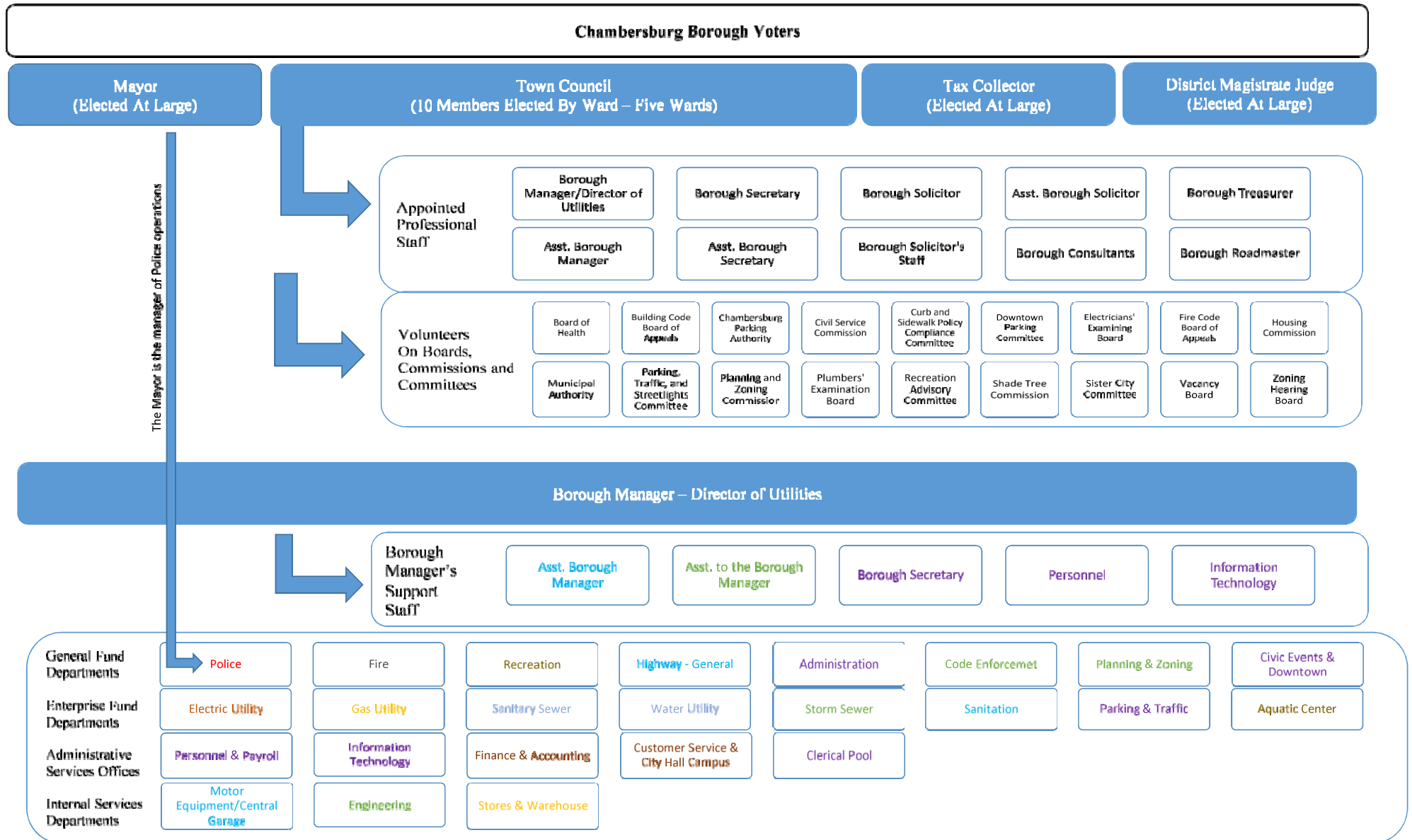
Finally, I wish to thank the Mayor and members of Town Council for their leadership and support, and particularly for their faith in the abilities and dedication of Borough staff to strive for, and to continue to meet, the high performance standards that have come to be the norm in our organization.

Respectfully submitted,

A handwritten signature in black ink that reads "Jason H. Cohen". The signature is written in a cursive, slightly stylized font.

Jason H. Cohen, MPA
Director of Finance

Chambersburg Organizational Chart 2018



The Mayor is the manager of Police operations

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

MAYOR

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

COUNCIL MEMBERS

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

Allen B. Coffman
112 Pennsylvania Avenue
First Ward - 2018-2021
acoffman@chambersburgpa.gov

Samantha J. Bietsch
218 Limekiln Drive
Second Ward - 2016-2019
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Michael Herbert
209 South Coldbrook Avenue
Second Ward – 2018-2021
mherbert@chambersburgpa.gov

Kathy J. Leedy
191 Eisenhower Drive
Third Ward - 2016-2019
kleedy@chambersburgpa.gov

Barbara Beattie
218 Lantern Lane
Third Ward – 2018-2021
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Sharon A. Bigler
359 High Street
Fourth Ward - 2016-2019
sbigler@chambersburgpa.gov

Amer Chaudhry
97 Glen Street
Fourth Ward – 2018-2021
achaudhry@chambersburgpa.gov

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

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

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

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

BOROUGH OFFICERS AND OFFICIALS

Jeffrey Stonehill
Borough Manager
Director of Utilities
(717) 261-3245

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

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

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

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

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

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

Ron Pezon
Electric Superintendent
(717) 261-3238

Jeff Heverley
Assistant Electric Superintendent
(717) 261-3236

John Leary
Gas Superintendent
(717) 261-3234

Jon Mason
Assistant Gas Superintendent
(717) 263-6385

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

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

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

Dustin Ulrich
Emergency Services Chief
(717) 261-3230

Ron Camacho
Police Chief
(717) 264-4131

Julie Redding
Recreation Superintendent
(717) 261-3275

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

Paul Cullinane
Economic Development Specialist
(717) 660-2704

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

Jason H. Cohen
Finance Director
(717) 261-3248

Franklin County Area Tax Bureau
Wage Tax Collector
(717) 263-5141

Brenda Hill
Borough Tax Collector
(717) 263-6565



Financial Section



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Chambersburg, Pennsylvania, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Chambersburg, Pennsylvania, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 16, schedule of changes in the Borough's net pension liability and related ratios on page 69, schedule of Borough (pension) contributions on page 70, schedule of investment returns on page 71, schedule of funding progress –OPEB on page 72, and budgetary comparison information on pages 73 through 74 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Chambersburg, Pennsylvania's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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



Chambersburg, Pennsylvania
June 28, 2018

BOROUGH OF CHAMBERSBURG, PENNSYLVANIA

Management's Discussion and Analysis - Unaudited

Year Ended December 31, 2017

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, 2017. Readers should also review the basic financial statements and related footnotes on pages 17 - 68 to further enhance their understanding of the Borough's financial performance.

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

Using this Annual Financial Report

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

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

Reporting on the Borough of Chambersburg as a Whole

Statement of Net Position and Statement of Activities

These government-wide statements answer the question "How did the Borough, as a whole, perform financially during 2017?" They are prepared on the accrual basis of accounting, in much the same way as a private enterprise. This basis of accounting includes all assets and liabilities and takes into account all of the reporting year's revenues and expenses, regardless of when the cash was received or paid.

- **The Statement of Net Position.** This statement (page 17) reports all assets and liabilities of the Borough as of December 31, 2017. The difference between total assets plus deferred outflow of resources and total liabilities plus deferred inflows of resources is reported as "net position". Increases in net position generally indicate an improvement in financial standing while decreases may indicate a deterioration of financial position.
- **The Statement of Activities.** This statement (page 18) serves the purpose of the traditional income statement. It provides consolidated reporting of the results of all activities of the Borough for the year ended December 31, 2017. Changes in net position are recorded in the period in which the underlying event takes place, which may differ from the period in which cash is received or disbursed. The Statement of Activities displays the expense of the Borough's various programs net of related revenues, as well as a separate presentation of revenues available for general purposes.

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

Reporting on the Borough of Chambersburg's Most Significant Funds

Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

Other Information

Notes to the Basic Financial Statements

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

Required Supplementary Information

In addition to the basic financial statements and notes, this report also contains required supplementary information (RSI). RSI includes schedules of pension information, OPEB required schedule of funding progress and budgetary schedules for the General Fund and grant programs fund. This data is on pages 69 through 74 of this report.

The Borough of Chambersburg as a Whole

The following table presents condensed information on net position as of December 31, 2017 and 2016.

	Net Position					
	December 31, 2017 and 2016					
	2017	2016	2017	2016	2017	2016
	Governmental	Governmental	Business-Type	Business-Type	Total	Total
	Activities	Activities	Activities	Activities		
Assets						
Current and other assets	\$ 13,681,455	\$ 13,342,506	\$ 53,336,714	\$ 56,620,475	\$ 67,018,169	\$ 69,962,981
Capital assets	25,679,806	24,372,846	139,730,141	132,811,813	165,409,947	157,184,659
Total assets	<u>39,361,261</u>	<u>37,715,352</u>	<u>193,066,855</u>	<u>189,432,288</u>	<u>232,428,116</u>	<u>227,147,640</u>
Deferred Outflows of Resources						
Deferred outflows related to pension liability	891,228	1,216,864	1,112,081	1,096,238	2,003,309	2,313,102
Deferred charge on bond refunding	-	-	71,170	120,280	71,170	120,280
Total deferred outflows of resources	<u>891,228</u>	<u>1,216,864</u>	<u>1,183,251</u>	<u>1,216,518</u>	<u>2,074,479</u>	<u>2,433,382</u>
Liabilities						
Current liabilities	1,403,647	891,627	7,507,153	7,631,784	8,910,800	8,523,411
Other liabilities	10,854,162	10,301,172	29,614,171	29,950,975	40,468,333	40,252,147
Total liabilities	<u>12,257,809</u>	<u>11,192,799</u>	<u>37,121,324</u>	<u>37,582,759</u>	<u>49,379,133</u>	<u>48,775,558</u>
Deferred Inflows of Resources						
Deferred inflows related to pension liability	837,744	530,462	906,623	289,161	1,744,367	819,623
Total deferred inflows of resources	<u>837,744</u>	<u>530,462</u>	<u>906,623</u>	<u>289,161</u>	<u>1,744,367</u>	<u>819,623</u>
Net Position:						
Net investment in capital assets	22,392,162	21,924,750	119,251,728	116,310,111	141,643,890	138,234,861
Restricted	6,915,510	6,540,937	-	-	6,915,510	6,540,937
Unrestricted	(2,150,736)	(1,256,732)	36,970,431	36,466,775	34,819,695	35,210,043
Total net position	<u>\$ 27,156,936</u>	<u>\$ 27,208,955</u>	<u>\$ 156,222,159</u>	<u>\$ 152,776,886</u>	<u>\$ 183,379,095</u>	<u>\$ 179,985,841</u>

In total, combined net position equaled \$ 183.37 million as of December 31, 2017.

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The following tables present condensed information on the changes in net position for the years ended December 31, 2017, and 2016, respectively.

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

	Governmental Activities	Business-Type Activities	Total Activities
Revenues			
Program revenues:			
Charges for services	\$ 2,735,386	\$ 49,162,814	\$ 51,898,200
Operating grants and contributions	1,781,090	328,881	2,109,971
Capital grants and contributions	42,044	2,179,904	2,221,948
General revenues:			
Property taxes, levied for general purposes	4,647,594	-	4,647,594
Property taxes, levied for specific purposes	504,460	-	504,460
Real estate transfer tax	467,067	-	467,067
Earned income tax	1,999,358	-	1,999,358
Local services tax	824,411	-	824,411
Other taxes	90,970	-	90,970
Unrestricted investment earnings (loss)	149,219	604,900	754,119
Miscellaneous income	36,190	60,323	96,513
Total revenues	<u>\$ 13,277,789</u>	<u>\$ 52,336,822</u>	<u>\$ 65,614,611</u>
Expenses			
General government	\$ 2,294,640	\$ -	\$ 2,294,640
Public safety	9,477,333	-	9,477,333
Public works	1,673,405	-	1,673,405
Community development	286,185	-	286,185
Culture and recreation (also interest expense)	1,505,839	-	1,505,839
Electric	-	25,729,659	25,729,659
Gas	-	5,564,198	5,564,198
Water	-	3,462,915	3,462,915
Sewer	-	7,981,669	7,981,669
Swimming Pool	-	-	-
Other business-type activities	-	4,245,514	4,245,514
Total expenses	<u>15,237,402</u>	<u>46,983,955</u>	<u>62,221,357</u>
Excess before transfers	(1,959,613)	5,352,867	3,393,254
Transfers	1,907,594	(1,907,594)	-
Change in net position	(52,019)	3,445,273	3,393,254
Net position - beginning, as restated	<u>27,208,955</u>	<u>152,776,886</u>	<u>179,985,841</u>
Net position - ending	<u>\$ 27,156,936</u>	<u>\$ 156,222,159</u>	<u>\$ 183,379,095</u>

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Changes in Net Position
For the Year Ended December 31, 2016

	Governmental Activities	Business-Type Activities	Total Activities
Revenues			
Program revenues:			
Charges for services	\$ 2,826,603	\$ 47,494,672	\$ 50,321,275
Operating grants and contributions	2,614,177	385,322	2,999,499
Capital grants and contributions	346,069	7,141,427	7,487,496
General revenues:			
Property taxes, levied for general purposes	4,651,001	-	4,651,001
Property taxes, levied for specific purposes	503,954	-	503,954
Real estate transfer tax	649,324	-	649,324
Earned income tax	2,130,470	-	2,130,470
Local services tax	921,024	-	921,024
Other taxes	82,118	-	82,118
Unrestricted investment earnings (loss)	2,108	(1,158)	950
Miscellaneous income	25,245	50,670	75,915
Total revenues	<u>\$ 14,752,093</u>	<u>\$ 55,070,933</u>	<u>\$ 69,823,026</u>
Expenses			
General government	\$ 2,163,331	\$ -	\$ 2,163,331
Public safety	8,993,278	-	8,993,278
Public works	1,658,783	-	1,658,783
Community development	962,778	-	962,778
Culture and recreation (also interest expense)	1,746,791	-	1,746,791
Electric	-	26,383,643	26,383,643
Gas	-	5,089,708	5,089,708
Water	-	7,047,612	7,047,612
Sewer	-	6,290,729	6,290,729
Swimming Pool	-	163,013	163,013
Other business-type activities	-	4,343,133	4,343,133
Total expenses	<u>15,524,961</u>	<u>49,317,838</u>	<u>64,842,799</u>
Excess before transfers	(772,868)	5,753,095	4,980,227
Transfers	1,632,974	(1,632,974)	-
Change in net position	860,106	4,120,121	4,980,227
Net position - beginning, as restated	26,348,849	148,656,765	175,005,614
Net position - ending	<u>\$ 27,208,955</u>	<u>\$ 152,776,886</u>	<u>\$ 179,985,841</u>

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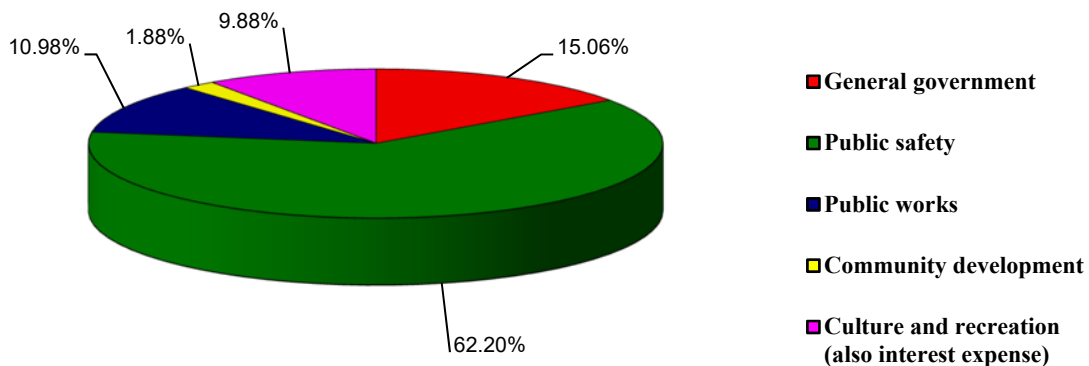
Net position increased by \$ 3.39 million in 2017 for “total activities” compared to an increase of \$ 4.98 million in 2016. Generally, these “total activities” were the same. This is a \$ 1.59 million decrease in overall performance for 2017 compared to 2016, and is the result of a decrease in total revenues of \$ 4.21 million, and a decrease in expenses of \$ 2.62 million. Although offset by smaller increases and/or decreases in other funds, the decrease in total revenues is due primarily to a decrease of \$ 4.95 million in payments from neighboring municipalities to the Sewer Fund, to fund the capital improvements to the Waste Water Treatment Plant, as a result of the project being completed in 2017. The year-over-year decrease in business-type activities expenses consists primarily of the Water Department’s 2016 recorded loss of \$ 3,294,173, resulting from the disposition of various capital assets; while the 2017 decrease in Governmental Activities expenses of \$287,559, or 1.85%, was negligible.

In the Business-Type Activities transfers line item, there were \$ 1,907,594 of transfers to governmental activities. This represents net transfers from the business-type activities funds to the governmental activities funds, the majority of which (\$ 1,764,000) consists of operating transfers (Payments in Lieu of Gross Receipts Tax) from the Electric and Gas Departments to the General Fund.

The Borough’s largest governmental activities revenue source: real estate taxes, decreased by \$ 2,901 or 0.05% in 2017. This differed significantly from the 11.25% year-over-year increase for the year ended December 31, 2016. The significant increase in real estate tax revenues in 2016 was due to an increase in the property tax millage rate of two (2) mils, while 2017 figures represent a marginal decrease in real estate tax revenue, based upon the same millage rate as the previous year. The earned income tax receipts decreased by \$ 131,112 or 6.15%, in 2017, while the real estate transfer tax decreased by \$ 182,257 or 28.06% in 2017. This comparative decrease was due, in large part, to the sale of several high-value parcels containing shopping centers and distribution warehouses that took place in 2016. The Local Services Tax yield decreased by \$ 96,613, or 10.48%, in 2017. While this depicts a moderate decrease, the Local Services Tax is inclined to ebb and flow, depending upon various economic conditions, as evidenced by the 31.18% increase in 2016.

Expenses of governmental activities break down as follows:

**Governmental Expenses by Program
2017**



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Total governmental expenses for 2017 were \$ 15.23 million, down from \$ 15.52 million in 2016. Public safety, which consisted primarily of police, fire, and ambulance services, comprised 62.20% of the total governmental expenses. Public works expenses, which include streets overlaying and repairs, were 10.98%. Leisure time activities represented by the Culture and Recreation portion of expenses were 9.88% of the total. General government expenses were 15.06%. Community development comprised 1.88% of total expenses.

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

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

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

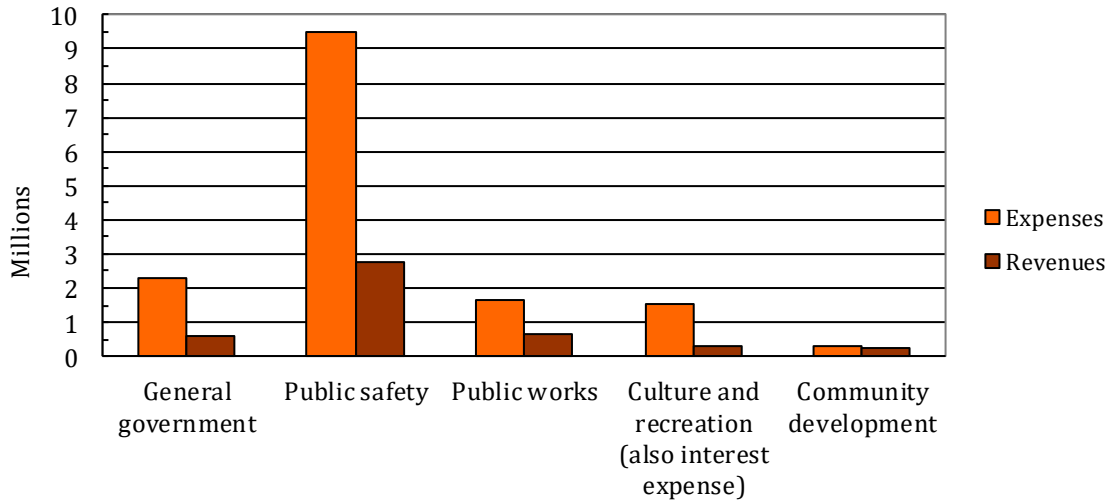
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Governmental activities					
General government	\$ 2,294,640	\$ 572,926	\$ 38,702	\$ -	\$ (1,683,012)
Public safety	9,477,333	1,941,723	798,162	-	(6,737,448)
Public works	1,673,405	3,770	621,494	42,044	(1,006,097)
Culture and recreation (also interest expense)	1,505,839	216,967	90,458	-	(1,198,414)
Community development	<u>286,185</u>	<u>-</u>	<u>232,274</u>	<u>-</u>	<u>(53,911)</u>
Total Governmental Activities	<u>\$ 15,237,402</u>	<u>\$ 2,735,386</u>	<u>\$ 1,781,090</u>	<u>\$ 42,044</u>	<u>\$ (10,678,882)</u>

Expenses and Program Revenue - Governmental Activities
Year Ended December 31, 2016

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Governmental activities					
General government	\$ 2,163,331	\$ 532,334	\$ 39,423	\$ -	\$ (1,591,574)
Public safety	8,993,278	1,874,555	1,380,624	-	(5,738,099)
Public works	1,658,783	2,650	603,075	346,069	(706,989)
Culture and recreation (also interest expense)	1,746,791	417,064	129,311	-	(1,200,416)
Community development	<u>962,778</u>	<u>-</u>	<u>461,744</u>	<u>-</u>	<u>(501,034)</u>
Total Governmental Activities	<u>\$ 15,524,961</u>	<u>\$ 2,826,603</u>	<u>\$ 2,614,177</u>	<u>\$ 346,069</u>	<u>\$ (9,738,112)</u>

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Expenses and Program Revenue - Governmental Activities
2017



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

Business-Type Activities

Business-Type Activities net position increased by \$3.44 million in 2017. Electric Department revenues decreased 3.17%, Gas Department revenues increased 25.01%, Water Department revenues increased 8.38%, Sewer Department revenues increased 13.09%, Sanitation Department revenues increased 3.05%, Parking, Traffic & Street Lights Department revenues decreased 7.44%, Storm Sewer Department revenues increased by 34.20%, and the Swimming Pool revenues increased by 100%. The total increase in Charges for Services revenues was \$ 1,668,142 or 3.51%. The significant increase in Gas Department revenues was a result of an increase in sale price via the Purchased Gas Adjustment mechanism, and in the volume of sales, while the increase in Storm Sewer revenues was a direct result of a 33% increase in the per unit fee, and the increase in Swimming Pool revenues was due to there being no income prior to 2017.

Electric Department expenses decreased by 2.47%; Gas Department expenses increased by 9.32%; Water Department expenses decreased by 50.86%, which was due almost entirely to the 2016 recorded loss of \$3,294,173, resulting from the disposition of various assets; Sewer Department expenses increased by 26.87%, almost entirely as a result of beginning the depreciation of the wastewater treatment plant upgrades completed in 2017; Sanitation expenses decreased by 4.26%; Parking, Traffic & Street Lights Department expenses increased by 1.12%; Storm Sewer expenses increased by 5.05%, and Swimming Pool expenses decreased by 100%, as the 2016 expenses were those related to the bond issuance, and there were no subsequent expenses in 2017, as the pool was still under construction, and not yet in operation.

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

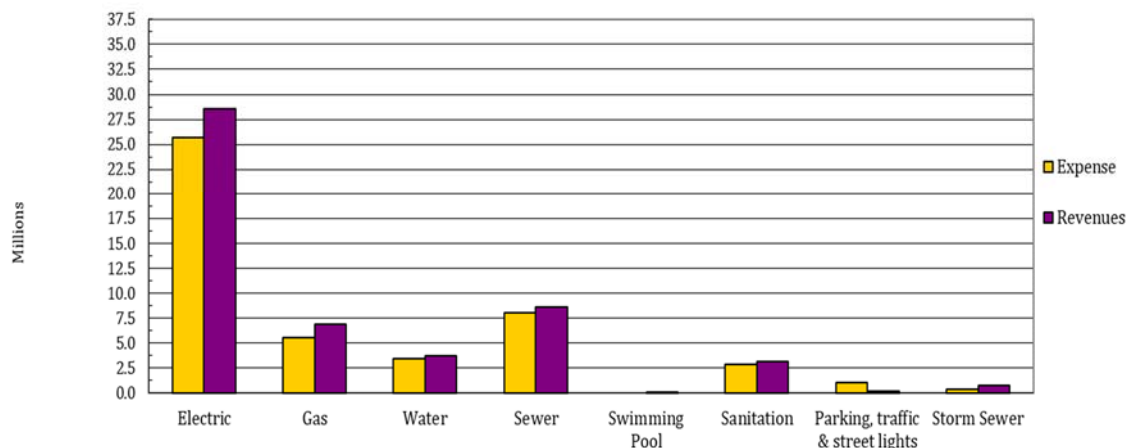
Expenses and Program Revenue - Business-Type Activities
For Year Ended December 31, 2017

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

Expenses and Program Revenue - Business-Type Activities
For Year Ended December 31, 2016

	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue
Electric	\$ 26,383,643	\$ 29,385,789	\$ 53,420	\$ -	\$ 3,055,566
Gas	5,089,708	5,470,742	27,481	24,000	432,515
Water	7,047,612	3,356,786	31,449	245,000	(3,414,377)
Sewer	6,290,729	5,864,946	70,579	6,766,172	6,410,968
Swimming Pool	163,013	-	-	-	(163,013)
Sanitation	2,984,839	2,966,732	40,387	-	22,280
Parking, traffic & st. lights	987,489	153,300	159,739	31,255	(643,195)
Storm Sewer	370,805	296,377	2,267	75,000	2,839
Total business-type activities	\$ 49,317,838	\$ 47,494,672	\$ 385,322	\$ 7,141,427	\$ 5,703,583

Expenses and Program Revenue - Business-Type Activities
2017



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Individual Funds Summary and Analysis

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

The combined fund balances of the Borough's governmental funds as of December 31, 2017 were \$ 11.07 million, as compared to \$ 11.10 million as of December 31, 2016.

The General Fund is the primary operating fund of the Borough of Chambersburg, accounting for such activities as police and fire protection, ambulance services, highways, parks and recreation, and general governmental services. The General Fund balance decreased from \$ 2,083,562 to \$ 1,678,221 entirely as a result of the decision to again transfer an un-budgeted sum – this year in the amount of \$ 1 million – into the General Capital Reserve Fund (in 2015 and 2016, un-budgeted transfers of \$ 1.1 million and \$ 1.25 million, respectively, were made in the same manner). Had these funds remained in the General Fund, the General Fund balance would have increased to \$ 2,678,221.

Budget Variations

Operations for the Borough's General Fund resulted in an overall unfavorable net budget variance of (\$ 405,341) (negative) for the year ended December 31, 2017. That means that we had \$ 405,341 more in negative net change in fund balance than we budgeted. The budget was balanced, with revenues equaling expenditures, but finished the year with an actual net deficit of (\$ 405,341). Total expenditures exceeded total revenues by \$ 1,320,479, and net inter-fund transfers from other Borough funds amounted to \$ 915,138, creating the overall negative results of (\$ 405,341) for net receipts or "net change in fund balance". Had the Borough not made the responsible decision to again transfer an un-budgeted sum – this year in the amount of \$ 1 million – into the General Capital Reserve Fund, the "net change in fund balance" would have been a positive \$ 594,659.

While we had a favorable budget variance of \$ 493,911 or 3.66%, of total budgeted operating expenditures (\$ 13,482,863), we also had a favorable budget variance of \$ 115,648 or 1.00% of total budgeted operating revenues (\$ 11,552,825). Additionally, there was an unfavorable budget variance of (\$ 1,014,900) (negative), or 212%, of the budgeted transfers out of the General Fund, resulting in an unfavorable net budget variance of (\$ 1,014,900) (negative), or 52.58%, of budgeted net transfers. Again, the variance of the budgeted transfers out of the General Fund is a result of a conscious decision, as approved by Borough Council, to transfer an additional \$ 1 million into the General Capital Reserve Fund in a continued effort to ensure adequate reserves, as the General Fund was in a position to absorb such a transfer from its fund balance.

The favorable variance (\$115,648) in revenues can be tied to the higher-than-anticipated revenues in the Licenses and Permits, Departmental Charges for Services, and Miscellaneous categories. On the expenditure side, the favorable variance (\$493,911) can be primarily attributed to salary cost savings within the Police Department due to employee retirement/turnover, and decreased use of part-time employees, which also resulted in lower than anticipated personnel costs. Lesser-than-budgeted health insurance, legal, snow removal, and patching costs also contributed to the variance.

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Changes in Revenue and Expenditure Levels

In looking at the performance of the General Fund for 2017, we had an overall decrease of \$ 495,663 in 2017, as compared to 2016, for the net change in fund balance (**ncfb**). In 2017, we finished the year with a negative **ncfb** of \$ 405,341, compared to a positive **ncfb** of \$ 90,322 for 2016. This decrease in 2017 can be entirely attributed to the unbudgeted transfer from the General Fund to the General Capital Reserve Fund. In 2017, Borough Council again made the decision to transfer an unbudgeted \$ 1 million into the General Capital Reserve Fund (in 2015 and 2016, transfers of \$ 1.1 million, and \$1.25 million, respectively, were made in the same manner). Had these funds remained in the General Fund, the General Fund balance would have realized a positive **ncfb** of \$ 594,659, all else remaining the same. While the Borough could have chosen to forgo the transfer to the reserve fund, thereby ending the year with a substantial positive net change in fund balance, we continue to proactively set aside funds for anticipated future capital asset and infrastructure needs. Although the Borough insists on setting funds aside for such future needs, ultimately, as the funds in the Capital Reserve Fund are not restricted, they would be available for General Fund operations, if that were ever deemed necessary.

In the absence of transfers to and from other departments, we would have ended the year with a **ncfb** of (\$ 1,320,479) (negative) for 2017, in the General Fund. Compared to the same for 2016, of (\$ 545,258) (negative), 2017 is \$ 775,221. In 2017 there was budgeted a net \$ 1,930,038 transfer into the general fund, whereas in 2016, budgeted net was \$ 1,883,575.

Changes in Fund Balance

The fund balance in the General Fund decreased by \$ 405,341 in 2017. This was because total expenditures (\$ 12,988,952) exceeded total revenues (\$ 11,668,473) by \$ 1,320,479, while net transfers, (\$ 915,138) from other departments, helped close the deficiency, while leaving (\$ 405,341) (negative) as the net decrease in fund balance for the General Fund. As previously discussed, this decrease in fund balance is the result of the Borough's continued commitment to adequately fund the future capital improvements of the Borough and its infrastructure.

The fund balance in the Special Revenue Fund – Grant Funds, decreased by \$ 30,195 in 2017. Revenues decreased by \$ 684,553 to \$ 273,244 in 2017, while expenditures decreased by \$ 682,882, to \$ 312,059. However, this net decrease in resources of \$ 38,815 was mitigated slightly by net transfers in, in the amount of \$ 8,620, resulting in a decrease of the fund balance in the amount of \$ 30,195, related directly to the spending down of grant funds that were received in prior years.

The net position in the enterprise funds increased by \$ 2,711,957, or 1.92%, in 2017, compared to an increase of \$ 3,067,853, or 2.22%, in 2016. Operating revenues in the enterprise funds increased by \$ 1,000,317, or 2.12%. The increase in operating revenues for 2017 can be largely attributed to an increase in Gas Department revenues, which was due to increased natural gas purchase and sales prices, which also resulted in higher expenses for the Gas Department; as well as an increase in Sewer Department revenues resulting from a renegotiated agreement with the neighboring Townships, which now has them paying the Borough in proportion to their flows into the wastewater treatment plant. However, the Electric Department experienced minor declines in revenues and expenses due to a decrease in customer consumption. Operating expenses increased by \$ 1,962,462, or 4.34%, which is comprised of a combination of decreases in the operating expenses of the Electric Fund by 0.88%, and the Water Fund by 6.70%, and increases in the operating expenses of the Gas Fund by 16.56% as a result of increased purchase prices, the Sewer Fund by 27.01% as a result of beginning to depreciate the wastewater treatment plant improvements, and Other Enterprise Funds, collectively, by 1.15%.

BOROUGH OF CHAMBERSBURG, PENNSYLVANIA
Management's Discussion and Analysis - Unaudited
Year Ended December 31, 2017

The net position of the Sewer Department increased by \$ 478,833, or 0.86%, in 2017. The net position of the Water Department increased by \$ 215,649, or 0.99%. Net position of the Gas Department increased by \$ 729,151, or 5.16%, largely as a result of an increase in charges for services; and Electric increased again, this year by \$ 10,171, or 0.02%. Additionally, the net position of the Swimming Pool realized an increase of \$277,921, or 170.48%, as a result of a lack of activity in 2017, while the Other Enterprise Funds (Sanitation, Parking, Traffic & Street Lights, and Storm Sewer) increased by \$ 1,000,232, or 11.94%, which is largely due to the transfer of \$ 1,342,549 into the Parking, Traffic, and Street Light Fund, although the effects are mitigated due to the fact that expenses exceeded revenues in this fund by \$ 840,206, and also capital contributions and grants into the Storm Sewer Fund in the amount of \$292,755.

Also, the net position in the internal service funds increased by \$ 1,351,080, or 8.48%, compared to an increase of \$ 415,308, or 2.67% in 2016. Operating revenues increased by \$ 844,236, or 10.68%, while operating expenses increased by \$ 464,418, or 5.76%. The increase in revenues continues to be due largely to the increased use of the Engineering Department assets on behalf of other departments; increased contributions to the Self Insurance Fund as a result of increases in employee contributions towards health insurance premiums; and an increasingly more accurate assessment of the costs of services to the respective departments making use of the Administrative Services Department, which also saw an increase in expenses, thereby resulting in increased revenue from the contributing departments. Increases in expenses are primarily the result of increased personnel costs within the Stores Department, building maintenance in the Motor Equipment Fund, and additional staff being added to the Administrative Services Fund, although the Worker's Compensation Fund did benefit from a large decrease in unexpected paid losses, thereby mitigating the increase in cumulative expenses across the funds.

Capital Asset and Debt Administration

Capital Asset Activity

In 2017, Chambersburg Borough continued its ambitious multi-year plan to provide its residents, businesses, patrons, and visitors with top-notch infrastructure accommodations, via significant upgrades, by utilizing accumulated reserves in utility funds and special accounts, the issuance of a General Obligation Note, and financing partnerships with state and federal agencies.

The Gas Department continued to undertake significant main extensions and service line improvements in order to improve the safety of the system. Major pipe replacement projects were completed on Catherine Street, Liberty Street, Paul Avenue, Hollywell Avenue, and Elder Street. Due to ever-increasing demands for service, new gas mains were also installed in order to expand service to Brandon Drive and parts of Progress Avenue and Cheree Drive.

In 2017 there were various streets improved through the use of Liquid Fuels and General Capital Reserve funds and environmentally-sound recycling construction methods; including Full Depth Reclamation on Catherine Street, Liberty Street, McKinley Street, Montgomery Avenue and Sixth Street and Ultra-Thin Bonded Wearing Course on Fifth Avenue to Norland Avenue. Similar construction activity will continue in 2018 with Full Depth Reclamation on Alexander Avenue and Park Avenue and Ultra-Thin Bonded Wearing Course on Mill Road, Orchard Drive and Sheffler Drive. Bedington Boulevard, Hollywell Avenue, Mill Road and Phoenix Drive will receive standard mill and overlay.

BOROUGH OF CHAMBERSBURG, PENNSYLVANIA
Management's Discussion and Analysis - Unaudited
Year Ended December 31, 2017

In 2017 the Storm Sewer Utility completed the Norland Avenue and Fifth Avenue storm sewer system improvements in conjunction with the North Chambersburg Improvements Project that was financed with grant funding from the Commonwealth Financing Authority Multimodal Transportation Fund. Also, the Storm Sewer Utility financed completion of the West King Street pipe lining project, improvements necessary to alleviate flooding on Pine Court, storm sewer system improvements comprised of inlets and pipes on Catherine Street as well as numerous other small inlet and pipe maintenance projects.

With grant funding from the Commonwealth Financing Authority Multimodal Transportation Fund, Chesapeake Bay Trust Implementation Grant Program, and the Franklin County Conservation District Dirt, Gravel and Low Volume Road Maintenance Program in 2018, the Storm Sewer Utility will complete the Rhodes Drive Improvements Project to reconstruct Rhodes Drive, replace the existing sidewalk with a storm water bio-retention facility and establish a new pervious sidewalk network on the adjacent Towers at Falling Spring property. With grant funding from the Community Development Block Grant Program a new storm sewer system comprised of inlets and pipes will be constructed on Elder Street with an outfall and rock-lined swale adjacent to the Conococheague Creek.

The Electric Department continued to make significant improvement to the Borough's overall electric system. In 2017, the Department extended the second of two distribution electric feeders which now connect the Borough's northern tier Commerce Street Substation to the Cree Substation. This new double circuit connection between substations is part of the Borough's long term plan to further implement its "restore and repair" campaign. The "restore and repair" concept is simple: using feeder ties, the Electric Department can, under some circumstances, transfer all customers' electric supply from one feeder, to another. During power outages, the system operators and line crews can isolate the problem area, with a smaller number of customers being effected in the damaged area, while transferring the majority of the remaining customers to the other "good" source of power ("restore"), until "repairs" can be made. Such infrastructure improvements ensure that the electric system can supply all of the Borough's planned growth, as well as respond in emergencies using the available alternative supplies. The Borough presently enjoys feeder ties for these purposes from south to north, and east to west, with more reliability feeder ties on the way. These types of distribution, substation operating, maintenance, and capital upgrade projects were completed to maintain the high electric delivery reliability standards that Chambersburg has come to enjoy. The American Public Power Association recognized the Chambersburg Electric Department to have "exceptional reliability", an award made using 2017 National reliability data collected by the Federal Energy Information Administration, and likely resulting from these and the other types of infrastructure reliability projects undertaken over the years.

In 2017, the Water Department continued to plan for future water needs with the design of an additional 2 million gallon clearwell at the water treatment plant. The second clearwell will increase the borough's storage capacity and allow maintenance to take place on the existing 2 million gallon clearwell that was constructed in 1969. Construction on the new clearwell is expected to take place in late 2018, through 2019. The Water Department continued to oversee the design and construction of the future utility building expansion. Construction of the addition commenced in 2017 and is projected to be completed in the fourth quarter of 2018. The project is being financed by a \$ 9.75 million note through F&M Trust.

BOROUGH OF CHAMBERSBURG, PENNSYLVANIA
Management's Discussion and Analysis - Unaudited
Year Ended December 31, 2017

In 2017, the Borough Sewer Department completed the largest public works project in Borough history; renovations to the J. Hase Mowrey Regional Wastewater Treatment Plant, which virtually doubled the treatment capacity of the plant, thereby allowing the reception and treatment of the region's sanitary sewage, while continuing to meet current and anticipated nutrient discharge limits into the future. The project reached substantial completion in March 2017. The Borough's portion of the costs associated with the Waste Water Treatment Plant upgrade were funded by the Borough's 2012, \$8 million debt offering.

Moreover, the Water and Sewer Departments continued to undertake main and service line repairs in advance of street paving and reconstruction projects. In 2017, improvements were made within Catherine Street, Liberty Street, Montgomery Avenue, Sixth Street, and McKinley Street. Much of the water and sewer infrastructure throughout Chambersburg is 50 to 100 years old. These repairs and improvements will allow us to continue to efficiently serve our customers for decades to come.

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

Additional detail on the capital asset activity for the year ended December 31, 2017 is presented in the Notes to the Basic Financial Statements in Note 4.

Debt

A summary of outstanding debt at December 31, 2017 and 2016, respectively, is as follows:

	December 31, 2017	December 31, 2016
General Obligation Bonds/Notes		
Governmental activities	\$ 3,235,369	\$ 2,500,000
Business-type activities	<u>24,351,673</u>	<u>24,483,364</u>
Total outstanding debt	<u>\$ 27,587,042</u>	<u>\$ 26,983,364</u>

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

Contacting the Borough's Management

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

BOROUGH OF CHAMBERSBURG
Statement of Net Position
December 31, 2017

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets			
Cash and equity in pooled cash and investments	\$ 11,238,200	\$ 45,062,710	\$ 56,300,910
Taxes receivable, net of allowance	467,165	-	467,165
Accounts receivable, net of allowance	283,035	5,935,439	6,218,474
Due from other governments	908,835	2,090	910,925
Internal balances	116,453	(116,453)	-
Other receivables	155,769	93,710	249,479
Inventories	334,696	2,303,560	2,638,256
Prepaid expenses	395	55,658	56,053
Total current assets	<u>13,504,548</u>	<u>53,336,714</u>	<u>66,841,262</u>
Noncurrent assets			
Noncurrent receivables	176,907	-	176,907
Internal balances	2,363,218	(2,363,218)	-
Capital assets not being depreciated:			
Land	401,900	1,848,761	2,250,661
Construction in progress	1,925,151	10,855,938	12,781,089
Capital assets net of accumulated depreciation:			
Utility plant in service	-	118,849,894	118,849,894
Land improvements	1,441,300	2,838,869	4,280,169
Buildings and improvements	977,882	290,184	1,268,066
Machinery, equipment and furniture	2,271,224	7,409,713	9,680,937
Infrastructure	<u>16,299,131</u>	<u>-</u>	<u>16,299,131</u>
Total noncurrent assets	<u>25,856,713</u>	<u>139,730,141</u>	<u>165,586,854</u>
Total assets	<u>39,361,261</u>	<u>193,066,855</u>	<u>232,428,116</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension liability	891,228	1,112,081	2,003,309
Deferred charge on bond refunding	-	71,170	71,170
Total deferred outflows of resources	<u>891,228</u>	<u>1,183,251</u>	<u>2,074,479</u>
Total assets and deferred outflows of resources	<u>\$ 40,252,489</u>	<u>\$ 194,250,106</u>	<u>\$ 234,502,595</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 559,033	\$ 4,277,614	\$ 4,836,647
Accrued wages and withholdings	217,372	302,563	519,935
Accrued interest expense	5,077	86,625	91,702
Unearned revenues	98,418	141,279	239,697
Long-term liabilities: Due within one year			
Bonds and notes payable	120,159	2,082,883	2,203,042
Compensated absences	367,715	512,076	879,791
Liability for self-insured losses	<u>35,873</u>	<u>104,113</u>	<u>139,986</u>
Total current liabilities	<u>1,403,647</u>	<u>7,507,153</u>	<u>8,910,800</u>
Noncurrent liabilities			
Long-term liabilities: Due in more than one year			
Bonds and notes payable	3,140,608	22,388,046	25,528,654
Compensated absences	292,475	406,730	699,205
Net pension obligation	5,623,097	5,158,644	10,781,741
Total OPEB obligation	1,695,032	1,361,959	3,056,991
Liability for self-insured losses	<u>102,950</u>	<u>298,792</u>	<u>401,742</u>
Total noncurrent liabilities	<u>10,854,162</u>	<u>29,614,171</u>	<u>40,468,333</u>
Total liabilities	<u>12,257,809</u>	<u>37,121,324</u>	<u>49,379,133</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension liability	837,744	906,623	1,744,367
NET POSITION			
Net investment in capital assets	22,392,162	119,251,728	141,643,890
Restricted			
Highway projects	596,333	-	596,333
Capital improvements	6,102,693	-	6,102,693
Grants	196,325	-	196,325
Fire expenses	19,579	-	19,579
Recreation expenses	580	-	580
Unrestricted	<u>(2,150,736)</u>	<u>36,970,431</u>	<u>34,819,695</u>
Total net position	<u>27,156,936</u>	<u>156,222,159</u>	<u>183,379,095</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 40,252,489</u>	<u>\$ 194,250,106</u>	<u>\$ 234,502,595</u>

BOROUGH OF CHAMBERSBURG
Statement of Activities
Year Ended December 31, 2017

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government							
Governmental activities							
General government	\$ 2,294,640	\$ 572,926	\$ 38,702	\$ -	\$ (1,683,012)	\$ -	\$ (1,683,012)
Public safety	9,477,333	1,941,723	798,162	-	(6,737,448)	-	(6,737,448)
Public works	1,673,405	3,770	621,494	42,044	(1,006,097)	-	(1,006,097)
Culture and recreation	1,413,812	216,967	90,458	-	(1,106,387)	-	(1,106,387)
Community development	286,185	-	232,274	-	(53,911)	-	(53,911)
Interest expense and debt issuance costs	92,027	-	-	-	(92,027)	-	(92,027)
Total governmental activities	<u>15,237,402</u>	<u>2,735,386</u>	<u>1,781,090</u>	<u>42,044</u>	<u>(10,678,882)</u>	<u>-</u>	<u>(10,678,882)</u>
Business-type activities							
Electric	25,729,659	28,452,711	64,311	3,000	-	2,790,363	2,790,363
Gas	5,564,198	6,838,981	27,795	37,000	-	1,339,578	1,339,578
Water	3,462,915	3,638,154	35,289	15,000	-	225,528	225,528
Sewer	7,981,669	6,633,050	116,932	1,818,519	-	586,832	586,832
Swimming pool	-	2,987	97	-	-	3,084	3,084
Sanitation	2,857,397	3,057,311	71,581	-	-	271,495	271,495
Parking, traffic and street lights	998,553	141,881	10,151	13,630	-	(832,891)	(832,891)
Storm sewer	389,564	397,739	2,725	292,755	-	303,655	303,655
Total business-type activities	<u>46,983,955</u>	<u>49,162,814</u>	<u>328,881</u>	<u>2,179,904</u>	<u>-</u>	<u>4,687,644</u>	<u>4,687,644</u>
Total primary government	<u>\$ 62,221,357</u>	<u>\$ 51,898,200</u>	<u>\$ 2,109,971</u>	<u>\$ 2,221,948</u>	<u>\$ (10,678,882)</u>	<u>\$ 4,687,644</u>	<u>\$ (5,991,238)</u>
General revenues and transfers:							
Taxes:							
Property taxes, levied for general purposes					\$ 4,647,594	\$ -	\$ 4,647,594
Property taxes, levied for specific purposes					504,460	-	504,460
Real estate transfer tax					467,067	-	467,067
Earned income tax					1,999,358	-	1,999,358
Local services tax					824,411	-	824,411
Payments in lieu of taxes					90,970	-	90,970
Unrestricted investment earnings					149,219	604,900	754,119
Miscellaneous income					36,190	60,323	96,513
Transfers					<u>1,907,594</u>	<u>(1,907,594)</u>	<u>-</u>
Total general revenues and transfers					<u>10,626,863</u>	<u>(1,242,371)</u>	<u>9,384,492</u>
Change in net position					(52,019)	3,445,273	3,393,254
Net position - beginning					<u>27,208,955</u>	<u>152,776,886</u>	<u>179,985,841</u>
Net position - ending					<u>\$ 27,156,936</u>	<u>\$ 156,222,159</u>	<u>\$ 183,379,095</u>

BOROUGH OF CHAMBERSBURG
Balance Sheet - Governmental Funds
December 31, 2017

	General Fund	Special Revenue Fund - Grant Programs	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and equity in pooled cash and investments	\$ 1,096,851	\$ 96,900	\$ 6,659,395	\$ 7,853,146
Taxes receivable, net	420,537	-	46,628	467,165
Due from other funds	149,545	-	118,000	267,545
Due from other funds - long term	-	-	2,363,218	2,363,218
Receivable from other governments	746,003	171,504	-	917,507
Other receivables, net	308,996	103,966	182,375	595,337
Total assets	<u>\$ 2,721,932</u>	<u>\$ 372,370</u>	<u>\$ 9,369,616</u>	<u>\$ 12,463,918</u>
LIABILITIES				
Accounts payable	\$ 133,470	\$ 17,771	\$ 143,330	\$ 294,571
Due to other funds	31,163	149,545	-	180,708
Unearned revenue	89,720	8,698	-	98,418
Accrued wages, benefits and withholdings	184,188	31	341	184,560
Total liabilities	<u>438,541</u>	<u>176,045</u>	<u>143,671</u>	<u>758,257</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable tax revenue	605,170	-	27,089	632,259
Total deferred inflows of resources	<u>605,170</u>	<u>-</u>	<u>27,089</u>	<u>632,259</u>
FUND BALANCES				
Restricted	-	196,325	9,198,856	9,395,181
Unassigned	1,678,221	-	-	1,678,221
Total fund balances	<u>1,678,221</u>	<u>196,325</u>	<u>9,198,856</u>	<u>11,073,402</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,721,932</u>	<u>\$ 372,370</u>	<u>\$ 9,369,616</u>	<u>\$ 12,463,918</u>

BOROUGH OF CHAMBERSBURG
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2017

Total fund balance - governmental funds \$ 11,073,402

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

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

Cost of assets	36,573,245	
Accumulated depreciation	<u>(15,907,407)</u>	
		20,665,838

Taxes receivable will be collected in the future, but are not available soon enough to pay for the current period's expenditures, and therefore are not recorded in the fund financial statement. 632,259

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

Bonds payable, net of premium	(2,524,117)	
Accrued interest on bonds	(5,077)	
Compensated absences	(544,477)	
Net pension liability	(5,043,307)	
Deferred outflows related to pension liability	763,587	
Deferred inflows related to pension liability	(744,181)	
OPEB liability	<u>(1,541,959)</u>	
		(9,639,531)

Internal service funds are used by management to charge the costs of certain activities, such as insurance, motor equipment, engineering, administrative, and others, to individual funds. A portion of these assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the internal service funds are included in the governmental activities and are allocated based on the usage of those funds by the governmental funds. 4,424,968

Total net position - governmental activities \$ 27,156,936

BOROUGH OF CHAMBERSBURG
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Governmental Funds
Year Ended December 31, 2017

	General Fund	Special Revenue Fund - Grant Programs	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 8,038,752	\$ -	\$ 507,738	\$ 8,546,490
Licenses and permits	501,057	-	-	501,057
Fines and forfeits	152,342	-	-	152,342
Interest earnings and unrealized investment gains (losses)	(49,124)	827	155,921	107,624
Intergovernmental	916,959	246,219	590,386	1,753,564
Charges for services	1,881,459	-	-	1,881,459
Miscellaneous	227,028	26,198	51,768	304,994
Total revenues	<u>11,668,473</u>	<u>273,244</u>	<u>1,305,813</u>	<u>13,247,530</u>
EXPENDITURES				
General government	1,468,009	35,956	81,220	1,585,185
Public safety				
Police department	4,842,209	25,001	47,941	4,915,151
Emergency services	3,832,816	15,001	5,125	3,852,942
Planning and zoning	580,913	-	-	580,913
Public works				
Highways	1,073,012	165,843	1,109,208	2,348,063
Culture and recreation	1,191,993	-	176,965	1,368,958
Community development	-	70,258	20,000	90,258
Debt service	-	-	68,724	68,724
Total expenditures	<u>12,988,952</u>	<u>312,059</u>	<u>1,509,183</u>	<u>14,810,194</u>
Excess (deficiency) of revenues over expenditures	<u>(1,320,479)</u>	<u>(38,815)</u>	<u>(203,370)</u>	<u>(1,562,664)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	2,407,400	8,620	1,188,625	3,604,645
Transfers out	<u>(1,492,262)</u>	<u>-</u>	<u>(582,034)</u>	<u>(2,074,296)</u>
Total other financing sources and uses	<u>915,138</u>	<u>8,620</u>	<u>606,591</u>	<u>1,530,349</u>
Net change in fund balances	(405,341)	(30,195)	403,221	(32,315)
Fund balances - beginning	<u>2,083,562</u>	<u>226,520</u>	<u>8,795,635</u>	<u>11,105,717</u>
Fund balances - ending	<u>\$ 1,678,221</u>	<u>\$ 196,325</u>	<u>\$ 9,198,856</u>	<u>\$ 11,073,402</u>

BOROUGH OF CHAMBERSBURG
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance of
Governmental Funds to the Statement of Activities
Year Ended December 31, 2017

Net change in fund balances - total governmental funds: \$ (32,315)

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	(1,310,746)	
Capital outlays	<u>1,440,318</u>	129,572

In the statement of activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase other financing sources. Thus, the change in net position differs from the changes in the fund balance by the depreciated cost of the capital assets sold. (280,354)

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. (12,630)

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

Repayment of long term obligations	1,282	
Amortization of bond premium	<u>1,058</u>	2,340

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

Accrued interest	5,896	
OPEB liability	(281,390)	
Net pension liability and related deferred outflows and inflows	(242,501)	
Compensated absences	<u>41,600</u>	(476,395)

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. 617,763

Change in net position - governmental activities \$ (52,019)

BOROUGH OF CHAMBERSBURG
Statement of Net Position - Proprietary Funds
December 31, 2017

	Enterprise Funds						Total	Internal Service Funds
	Electric Fund	Gas Fund	Water Fund	Sewer Fund	Swimming Pool Fund	Other Enterprise Funds		
ASSETS								
Current assets								
Cash and equity in pooled cash and investments	\$ 8,779,717	\$ 3,792,532	\$ 7,998,707	\$ 5,572,157	\$ 5,516,981	\$ 3,578,220	\$ 35,238,314	\$ 13,209,450
Accounts receivable, net	2,986,398	1,407,964	290,743	971,063	508	276,447	5,933,123	3,114
Receivables from other governments	-	-	-	2,090	-	-	2,090	-
Other receivables	28,052	12,213	25,765	17,956	-	11,552	95,538	42,552
Due from other funds	6,037	-	-	-	-	-	6,037	-
Inventories	876,661	313,423	51,908	90,183	-	-	1,332,175	1,306,081
Prepaid expenses	41,031	3,246	3,697	5,445	-	1,093	54,512	1,541
Total current assets	<u>12,717,896</u>	<u>5,529,378</u>	<u>8,370,820</u>	<u>6,658,894</u>	<u>5,517,489</u>	<u>3,867,312</u>	<u>42,661,789</u>	<u>14,562,738</u>
Noncurrent assets								
Capital assets not being depreciated:								
Land	447,512	37,716	384,488	24,299	-	944,346	1,838,361	13,984
Construction in progress	687,511	731,821	155,620	511,652	5,195,631	308,411	7,590,646	4,390,368
Capital assets being depreciated:								
Buildings and system	75,470,515	14,926,220	19,530,277	91,105,967	-	1,782,411	202,815,390	155,804
Improvements other than buildings	40,970	2,860	406,331	-	-	4,105,165	4,555,326	-
Machinery and equipment	780,622	290,998	404,276	(3,551,426)	11,552	4,237,899	2,173,921	11,321,093
Less accumulated depreciation	(36,692,290)	(5,210,089)	(6,378,878)	(32,275,752)	-	(4,016,509)	(84,573,518)	(5,537,265)
Total capital assets	<u>40,734,840</u>	<u>10,779,526</u>	<u>14,502,114</u>	<u>55,814,740</u>	<u>5,207,183</u>	<u>7,361,723</u>	<u>134,400,126</u>	<u>10,343,984</u>
Total noncurrent assets	<u>40,734,840</u>	<u>10,779,526</u>	<u>14,502,114</u>	<u>55,814,740</u>	<u>5,207,183</u>	<u>7,361,723</u>	<u>134,400,126</u>	<u>10,343,984</u>
Total assets	<u>53,452,736</u>	<u>16,308,904</u>	<u>22,872,934</u>	<u>62,473,634</u>	<u>10,724,672</u>	<u>11,229,035</u>	<u>177,061,915</u>	<u>24,906,722</u>
DEFERRED OUTFLOWS OF RESOURCES								
Deferred outflows related to pension liability	251,845	133,662	110,330	129,047	-	116,747	741,631	498,091
Deferred charge on bond refunding	71,170	-	-	-	-	-	71,170	-
Total deferred outflows of resources	<u>323,015</u>	<u>133,662</u>	<u>110,330</u>	<u>129,047</u>	<u>-</u>	<u>116,747</u>	<u>812,801</u>	<u>498,091</u>
Total assets and deferred outflows of resources	<u>\$ 53,775,751</u>	<u>\$ 16,442,566</u>	<u>\$ 22,983,264</u>	<u>\$ 62,602,681</u>	<u>\$ 10,724,672</u>	<u>\$ 11,345,782</u>	<u>\$ 177,874,716</u>	<u>\$ 25,404,813</u>
LIABILITIES								
Current liabilities								
Accounts payable	\$ 1,756,382	\$ 648,908	\$ 100,283	\$ 167,634	\$ 794,017	\$ 166,765	\$ 3,633,989	\$ 910,400
Accrued wages payable	73,079	27,233	35,793	38,710	23	32,494	207,332	128,043
Accrued interest payable	72,056	-	-	-	14,569	-	86,625	-
Unearned revenue	12,597	24,940	-	-	-	103,742	141,279	-
Due to other funds	-	-	-	-	118,000	-	118,000	6,037
Compensated absences - current	134,024	48,605	53,204	60,171	-	38,764	334,768	238,401
Liability for self insured losses - current	-	-	-	-	-	-	-	139,986
Bonds, notes and loans payable - current	1,454,625	-	-	212,844	233,582	66,859	1,967,910	154,587
Total current liabilities	<u>3,502,763</u>	<u>749,686</u>	<u>189,280</u>	<u>479,359</u>	<u>1,160,191</u>	<u>408,624</u>	<u>6,489,903</u>	<u>1,577,454</u>
Noncurrent liabilities								
Compensated absences	104,182	30,278	46,770	46,614	-	20,364	248,208	213,142
Due to other funds	-	-	-	-	2,363,218	-	2,363,218	-
Liability for self insured losses	-	-	-	-	-	-	-	401,742
Net pension obligation	1,224,251	579,003	570,722	667,541	-	434,411	3,475,928	2,262,506
Total OPEB obligation	323,221	152,865	150,678	176,241	-	114,691	917,696	597,336
Bonds, notes and loans payable	7,118,077	-	-	5,305,053	7,086,356	855,561	20,365,047	2,720,035
Total noncurrent liabilities	<u>8,769,731</u>	<u>762,146</u>	<u>768,170</u>	<u>6,195,449</u>	<u>9,449,574</u>	<u>1,425,027</u>	<u>27,370,097</u>	<u>6,194,761</u>
Total liabilities	<u>12,272,494</u>	<u>1,511,832</u>	<u>957,450</u>	<u>6,674,808</u>	<u>10,609,765</u>	<u>1,833,651</u>	<u>33,860,000</u>	<u>7,772,215</u>
DEFERRED INFLOWS OF RESOURCES								
Deferred inflows related to pension liability	187,110	88,492	102,405	116,513	-	140,556	635,076	365,110
NET POSITION								
Net investment in capital assets	32,227,974	10,758,710	14,489,688	50,256,959	130,304	6,410,829	114,274,464	6,692,165
Unrestricted (deficit)	9,088,173	4,083,532	7,433,721	5,554,401	(15,397)	2,960,746	29,105,176	10,575,323
Total net position	<u>41,316,147</u>	<u>14,842,242</u>	<u>21,923,409</u>	<u>55,811,360</u>	<u>114,907</u>	<u>9,371,575</u>	<u>143,379,640</u>	<u>17,267,488</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 53,775,751</u>	<u>\$ 16,442,566</u>	<u>\$ 22,983,264</u>	<u>\$ 62,602,681</u>	<u>\$ 10,724,672</u>	<u>\$ 11,345,782</u>	<u>\$ 177,874,716</u>	<u>\$ 25,404,813</u>

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

12,842,519

Net position of business-type activities

\$ 156,222,159

BOROUGH OF CHAMBERSBURG
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds
Year Ended December 31, 2017

	Enterprise Funds							Total	Internal Service Funds
	Electric Fund	Gas Fund	Water Fund	Sewer Fund	Swimming Pool Fund	Other Enterprise Funds			
OPERATING REVENUES									
Charges for services	\$ 27,790,094	\$ 6,818,088	\$ 2,888,815	\$ 6,342,500	\$ 2,987	\$ 3,475,756	\$ 47,318,240	\$ 8,735,993	
Miscellaneous	594,342	19,955	98,643	35,876	-	117,206	866,022	11,601	
Total operating revenues	28,384,436	6,838,043	2,987,458	6,378,376	2,987	3,592,962	48,184,262	8,747,594	
OPERATING EXPENSES									
Production, gathering, treatment and transmission	2,914,389	715,736	2,021,968	2,757,349	-	-	8,409,442	-	
Operation and maintenance	-	-	-	-	-	735,335	735,335	6,354,191	
Collection and disposal	-	-	-	811,676	-	2,620,086	3,431,762	-	
Purchase of energy for sale	17,963,817	3,303,400	-	-	-	-	21,267,217	-	
Customer accounting and administrative	2,734,414	1,278,694	956,647	1,524,714	-	605,550	7,100,019	1,018,692	
Claim payments and special services	-	-	-	-	-	-	-	669,230	
Increase (decrease) in expected unpaid losses	-	-	-	-	-	-	-	(241,333)	
Depreciation and amortization	2,096,720	336,834	554,840	2,873,628	-	331,025	6,193,047	725,842	
Total operating expenses	25,709,340	5,634,664	3,533,455	7,967,367	-	4,291,996	47,136,822	8,526,622	
Operating income (loss)	2,675,096	1,203,379	(545,997)	(1,588,991)	2,987	(699,034)	1,047,440	220,972	
NONOPERATING REVENUES (EXPENSES)									
Connection fees	-	-	625,461	244,365	-	-	869,826	-	
Interest earnings and unrealized investment gains (losses)	131,825	60,387	99,165	74,960	75,525	42,154	484,016	162,316	
Gain (loss) on sale of assets	(10,033)	(4,342)	(4,667)	(4,219)	-	303	(22,958)	15,493	
Reimbursement of prior year expense	-	-	-	-	-	-	-	502,020	
Other nonoperating revenues	88,067	1,282	56,998	14,710	-	-	161,057	5,050	
Intergovernmental revenues	64,311	27,795	35,289	116,932	97	84,171	328,595	155,791	
Interest expense and debt issuance costs	(210,621)	-	-	(131,593)	-	(30,846)	(373,060)	(123,076)	
Total nonoperating revenues (expenses)	63,549	85,122	812,246	315,155	75,622	95,782	1,447,476	717,594	
Income (loss) before contributions and transfers	2,738,645	1,288,501	266,249	(1,273,836)	78,609	(603,252)	2,494,916	938,566	
Capital contributions and grants	3,000	37,000	15,000	1,818,519	-	306,385	2,179,904	-	
Transfers in	-	-	-	-	199,312	1,342,549	1,541,861	1,142,964	
Transfers out	(2,731,474)	(596,350)	(65,600)	(65,850)	-	(45,450)	(3,504,724)	(730,450)	
Change in net position	10,171	729,151	215,649	478,833	277,921	1,000,232	2,711,957	1,351,080	
Total net position - beginning	41,305,976	14,113,091	21,707,760	55,332,527	(163,014)	8,371,343	140,667,683	15,916,408	
Total net position - ending	\$ 41,316,147	\$ 14,842,242	\$ 21,923,409	\$ 55,811,360	\$ 114,907	\$ 9,371,575	\$ 143,379,640	\$ 17,267,488	

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

Change in net position of business-type activities \$ 3,445,273

BOROUGH OF CHAMBERSBURG
Statement of Cash Flows - Proprietary Funds
Year Ended December 31, 2017

	Enterprise Funds					Other Enterprise Funds	Total	Internal Service Funds
	Electric Fund	Gas Fund	Water Fund	Sewer Fund	Swimming Pool Fund			
Cash flows from operating activities:								
Receipts from customers/interfund services provided	\$ 28,278,230	\$ 6,432,443	\$ 3,062,949	\$ 7,843,475	\$ 2,479	\$ 3,561,959	\$ 49,181,535	\$ 8,749,849
Payments to suppliers	(21,035,452)	(4,410,314)	(1,645,604)	(5,896,382)	-	(2,587,589)	(35,575,341)	(3,246,612)
Payments to and on behalf of employees	(2,403,870)	(826,253)	(1,233,397)	(1,414,743)	-	(1,280,681)	(7,158,944)	(4,573,147)
Net cash provided (used) by operating activities	<u>4,838,908</u>	<u>1,195,876</u>	<u>183,948</u>	<u>532,350</u>	<u>2,479</u>	<u>(306,311)</u>	<u>6,447,250</u>	<u>930,090</u>
Cash flows from capital and related financing activities:								
Grants and reimbursements received	-	-	-	2,255,180	-	-	2,255,180	-
Proceeds from capital debt	-	-	-	-	-	-	-	2,874,622
Purchase of capital assets	(773,303)	(825,574)	(214,453)	(2,073,101)	(3,768,520)	(419,297)	(8,074,248)	(5,279,540)
Proceeds from sale of assets	-	-	-	-	-	4,522	4,522	17,010
Proceeds from tap fees	-	-	625,461	244,365	-	-	869,826	-
Principal paid on capital debt	(1,752,505)	-	-	(442,495)	(3,718)	(70,945)	(2,269,663)	-
Interest and fiscal charges paid on capital debt	(214,784)	-	-	(146,501)	(195,591)	(30,846)	(587,722)	(150,193)
Net cash provided (used) by capital and related financing activities	<u>(2,740,592)</u>	<u>(825,574)</u>	<u>411,008</u>	<u>(162,552)</u>	<u>(3,967,829)</u>	<u>(516,566)</u>	<u>(7,802,105)</u>	<u>(2,538,101)</u>
Cash flows from non-capital financing activities:								
Transfer from other funds	-	-	-	-	199,312	1,342,549	1,541,861	1,142,964
Transfer to other funds	(2,731,474)	(596,350)	(65,600)	(65,850)	-	(45,450)	(3,504,724)	(730,450)
Refund received for health insurance	-	-	-	-	-	-	-	502,020
Grants received	64,311	27,795	35,289	116,932	97	187,913	432,337	155,791
Net cash provided (used) by non-capital financing activities	<u>(2,667,163)</u>	<u>(568,555)</u>	<u>(30,311)</u>	<u>51,082</u>	<u>199,409</u>	<u>1,485,012</u>	<u>(1,530,526)</u>	<u>1,070,325</u>
Cash flows from investing activities:								
Interest and dividends received	128,845	58,249	99,281	76,539	75,069	41,607	479,590	167,552
Net cash provided (used) by investing activities	<u>128,845</u>	<u>58,249</u>	<u>99,281</u>	<u>76,539</u>	<u>75,069</u>	<u>41,607</u>	<u>479,590</u>	<u>167,552</u>
Net increase (decrease) in cash and cash equivalents	(440,002)	(140,004)	663,926	497,419	(3,690,872)	703,742	(2,405,791)	(370,134)
Market appreciation (depreciation) (*)	3,096	2,207	(2,950)	(3,746)	456	(1,990)	(2,927)	(5,336)
Total increase (decrease) in cash and cash equivalents	<u>(436,906)</u>	<u>(137,797)</u>	<u>660,976</u>	<u>493,673</u>	<u>(3,690,416)</u>	<u>701,752</u>	<u>(2,408,718)</u>	<u>(375,470)</u>
Cash and equity in pooled cash and investments - beginning of the year	<u>9,216,623</u>	<u>3,930,329</u>	<u>7,337,731</u>	<u>5,078,484</u>	<u>9,207,397</u>	<u>2,876,468</u>	<u>37,647,032</u>	<u>13,584,920</u>
Cash and equity in pooled cash and investments - end of the year	<u>\$ 8,779,717</u>	<u>\$ 3,792,532</u>	<u>\$ 7,998,707</u>	<u>\$ 5,572,157</u>	<u>\$ 5,516,981</u>	<u>\$ 3,578,220</u>	<u>\$ 35,238,314</u>	<u>\$ 13,209,450</u>
Reconciliation of income (loss) from operations to net cash provided (used) by operating activities:								
Operating income (loss)	\$ 2,675,096	\$ 1,203,379	\$ (545,997)	\$ (1,588,991)	\$ 2,987	\$ (699,034)	\$ 1,047,440	\$ 220,972
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:								
Depreciation and amortization expense	2,096,720	336,834	554,840	2,873,628	-	331,025	6,193,047	725,842
Miscellaneous nonoperating income	88,067	1,282	56,998	14,710	-	-	161,057	5,050
(Increase) decrease in:								
Accounts receivable	(193,378)	(407,446)	9,339	674,749	(508)	(31,003)	51,753	(2,795)
Inventories	(88,793)	(39,661)	9,154	(1,355)	-	-	(120,655)	(69,869)
Prepaid expenses	(1,225)	(268)	(294)	(344)	-	(108)	(2,239)	(198)
Increase (decrease) in:								
Accounts payable and accrued expenses	153,469	66,995	75,348	(1,469,589)	-	81,573	(1,092,204)	(77,698)
Net pension liability and related deferred outflows and inflows	64,616	34,197	24,560	29,542	-	11,236	164,151	122,749
Unearned revenue	50,373	564	-	-	-	-	50,937	-
Due to other funds	(6,037)	-	-	-	-	-	(6,037)	6,037
Net cash provided (used) by operating activities	<u>\$ 4,838,908</u>	<u>\$ 1,195,876</u>	<u>\$ 183,948</u>	<u>\$ 532,350</u>	<u>\$ 2,479</u>	<u>\$ (306,311)</u>	<u>\$ 6,447,250</u>	<u>\$ 930,090</u>
Non-cash investing, capital and non-capital financing activities								
Donated assets from developers	\$ 3,000	\$ 37,000	\$ 15,000	\$ 6,566	\$ -	\$ 306,385	\$ 367,951	\$ -
Market appreciation (depreciation) (*)	3,096	2,207	(2,950)	(3,746)	456	(1,990)	(2,927)	(5,336)

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

BOROUGH OF CHAMBERSBURG
Statement of Fiduciary Net Position
December 31, 2017

	Pension Trust Funds	Private Purpose Trust Funds	Agency Funds
ASSETS			
Cash and equity in pooled cash and investments	\$ 211,401	\$ 68,651	\$ 1,748,112
Mutual funds - U.S. Securities	2,068,208	-	-
Mutual funds - Corporate bonds	11,775,913	-	-
Mutual funds - Stocks	26,095,806	-	-
Mutual funds - Real estate securities	1,220,288	-	-
Employee contribution receivable	2,055	-	-
Due from other funds	-	-	31,163
Other receivables	-	34	5,624
Total assets	<u>\$ 41,373,671</u>	<u>\$ 68,685</u>	<u>\$ 1,784,899</u>
LIABILITIES			
Accounts payable	\$ -	\$ 477	\$ -
Consumer deposits	-	-	1,784,899
Total liabilities	<u>-</u>	<u>477</u>	<u>1,784,899</u>
NET POSITION			
Net position restricted for pensions	41,373,671	-	-
Held in trust for other purposes	-	68,208	-
Total net position	<u>41,373,671</u>	<u>68,208</u>	<u>-</u>
Total liabilities and net position	<u>\$ 41,373,671</u>	<u>\$ 68,685</u>	<u>\$ 1,784,899</u>

BOROUGH OF CHAMBERSBURG
Statement of Changes in Fiduciary Net Position
Year Ended December 31, 2017

	Pension Trust Funds	Private Purpose Trust Funds
ADDITIONS		
Contributions		
Employer	\$ 1,436,722	\$ -
Plan member	672,039	-
Public contributions and other revenue	-	5,006
Transfer in	-	20,000
Total contributions	<u>2,108,761</u>	<u>25,006</u>
Investment income		
Net appreciation (depreciation) in fair value of investments and gain (loss) on sale of investments	3,939,797	-
Interest, dividends, and other	852,335	931
Total net investment earnings	<u>4,792,132</u>	<u>931</u>
 Total additions	 <u>6,900,893</u>	 <u>25,937</u>
DEDUCTIONS		
Benefits	2,671,166	-
Administrative expenses	77,814	3,128
Pledge payments to customers/other	-	54,870
Total deductions	<u>2,748,980</u>	<u>57,998</u>
Change in net position	4,151,913	(32,061)
Net position - beginning	<u>37,221,758</u>	<u>100,269</u>
Net position - ending	<u>\$ 41,373,671</u>	<u>\$ 68,208</u>

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

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

Reporting Entity

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

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

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

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

Based upon the application of these criteria, the following component unit meets the criteria for blending:

The Municipal Authority of the Borough of Chambersburg (the "Authority") is governed by a Board appointed by Borough Council. The Authority exists to provide services entirely to benefit the Borough. The Authority had minimal financial activity during 2017. See Note 11 for additional information.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting

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

Governmental Funds

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

The Borough reports the following major governmental funds:

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

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

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

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

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

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

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

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

Proprietary Funds

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting (Continued)

Proprietary Funds (Continued)

The Borough reports the following major enterprise funds:

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

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

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

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

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

The Borough reports the following non-major enterprise funds:

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

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

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting (Continued)

Proprietary Funds (Continued)

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

The Borough's internal service funds consist of:

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

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

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

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

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

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

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

Fiduciary Fund Types

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary Fund Types (Continued)

The Borough's fiduciary funds consist of:

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

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

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

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

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

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

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

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

Basis of Presentation

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

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

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

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

Budgets

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

Use of Estimates

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash, Cash Equivalents, and Investments

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

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

Inventories

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

Capital Assets

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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

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

Deferred Outflows and Inflows of Resources

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Borough has several items that qualify for reporting in this category, including unavailable tax revenue that is reported as deferred inflows of resources in the governmental funds balance sheet and various amounts related to pension liabilities on the statement of net position. These amounts will be amortized in future periods.

Interfund Transactions

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interfund Transactions (Continued)

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

Allowance for Uncollectible Accounts

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

Loans Receivable

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

Long-Term Obligations

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

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

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

BOROUGH OF CHAMBERSBURG
Notes to Financial Statements
December 31, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

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

Net Investment in Capital Assets: This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt and accounts payable and retainage payable that are attributable to the acquisition, construction or improvement of these assets reduce this category. *Net Investment in Capital Assets* consists of the following at December 31, 2017:

Government-Wide Activity

	Governmental Activities	Business-Type Activities
Capital assets	\$ 23,316,588	\$ 142,093,359
Bonds and notes payable	(3,260,767)	(24,470,929)
Deferred charge on bond refunding	-	71,170
Accounts and retainage payable related to capital assets	(143,330)	(1,477,635)
Unspent bond proceeds	<u>2,479,671</u>	<u>3,035,763</u>
Net investment in capital assets	<u>\$ 22,392,162</u>	<u>\$ 119,251,728</u>

Proprietary Funds

	Electric Fund	Gas Fund	Water Fund	Sewer Fund	Swimming Pool Fund	Sanitation Fund	Parking, Traffic, and Street Lights Fund	Storm Sewer Fund
Capital assets	\$ 40,734,840	\$ 10,779,526	\$ 14,502,114	\$ 55,814,740	\$ 5,207,183	\$ 1,113,198.00	\$ 2,731,367	\$ 3,517,158
Bonds and notes payable	(8,572,702)	-	-	(5,517,897)	(7,319,938)	(922,420)	-	-
Deferred charge on bond refunding	71,170	-	-	-	-	-	-	-
Accounts and retainage payable related to capital assets	(5,334)	(20,816)	(12,426)	(39,884)	(792,704)	-	(35)	(28,439)
Unspent bond proceeds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,035,763</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net investment in capital assets	<u>\$ 32,227,974</u>	<u>\$ 10,758,710</u>	<u>\$ 14,489,688</u>	<u>\$ 50,256,959</u>	<u>\$ 130,304</u>	<u>\$ 190,778</u>	<u>\$ 2,731,332</u>	<u>\$ 3,488,719</u>

Internal Service Funds

	Stores Fund	Motor Equipment Fund	Engineering Fund	Administrative Services Fund
Capital assets	\$ 1,818	\$ 5,893,466	\$ 7,705	\$ 4,440,995
Bonds and notes payable	-	-	-	(2,874,622)
Accounts and retainage payable related to capital assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>(777,197)</u>
Net investment in capital assets	<u>\$ 1,818</u>	<u>\$ 5,893,466</u>	<u>\$ 7,705</u>	<u>\$ 789,176</u>

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

Restricted for capital improvements	\$ 6,102,693
Restricted for grant expenses	196,325
Restricted for fire expenses	19,579
Restricted for recreation expenses	580
Restricted for highway improvements/projects	<u>596,333</u>
	<u>\$ 6,915,510</u>

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

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

Net Position Flow Assumption

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

Deficit Net Position

The Administrative Services Fund and Worker's Compensation Fund (internal service funds) have deficit net position balances of \$ 1,854,473 and \$ 138,743 respectively, at December 31, 2017.

Fund Balance – Governmental Funds

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

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

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

Restricted for capital improvements	\$ 8,582,364
Restricted for grant expenditures	196,325
Restricted for fire expenditures	19,579
Restricted for recreation expenditures	580
Restricted for highway improvements/projects	<u>596,333</u>
	<u>\$ 9,395,181</u>

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance – Governmental Funds (Continued)

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

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

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

Minimum Fund Balance

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

Order of Spending Policy

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

Pension Trust Funds

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Compensation Plan

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

Compensated Absences

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

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

- **Bargaining, Non-Bargaining and Police** - As a wellness incentive, the Borough shall pay to an employee with at least five (5) years of continuous employment with the Borough, a post-separation lump sum payment of 1% of such employee's unused accumulated sick leave for each year that the employee has been employed with the Borough. (Example: An employee who has been employed for 15 years with the Borough would be entitled to 15% of the employee's unused accumulated sick leave, subject to the maximum payment amount set forth below). Such payment shall be based upon the employee's hourly rate at the time of separation. However, any employee who is terminated due to gross neglect, fraud, dishonesty, or willful failure to perform such employee's duties, shall forfeit all rights to such lump sum payment for unused sick leave (the wellness incentive). Additionally, employees shall only be eligible for the wellness incentive if, upon separation, the employee has accumulated at least five hundred (500) hours of sick leave. The maximum amount to be paid to any employee for such wellness incentive shall be ten thousand dollars (\$ 10,000).
- **Fire** - 15% to 27.5% of accumulated sick leave based on years of service.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Postemployment Benefits Other Than Pension

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

Statement of Cash Flows - Proprietary Funds

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

NOTE 2 CASH AND CASH EQUIVALENTS

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

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

NOTE 2 CASH AND CASH EQUIVALENTS (CONTINUED)

Deposits

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Borough's deposits may not be returned to it. The Borough does not have a written policy for custodial credit risk. As of December 31, 2017, the Borough has a bank balance of \$ 5,945,848. Of this balance, \$ 581,108 is covered by FDIC insurance and the remaining balance of \$ 5,364,740 is collateralized by securities held by the pledging financial institution, not in the Borough's name.

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

Investments

As of December 31, 2017, the Borough's investments were as follows:

Investment Type	Fair Value	Credit Quality Rating
PLGIT/PLGIT Term	\$ 1,000,000	AAAm
PLGIT/PLGIT ARM	6,039,106	AAAm
PLGIT/PLGIT Class	100,056	AAAm
PLGIT/PLGIT Prime	1,881,841	AAAm
Sterling Advisors - Agency Bonds	40,942,842	AA+
Sterling Advisors - Negotiable CD's	3,271,607	Not Rated

Credit Risk - Investments

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

Included in cash and cash equivalents on the statement of net position are pooled investments in the Pennsylvania Local Government Investment Trust (PLGIT)/PLIGIT ARM and PLIGIT Class of \$ 6,139,162. 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.

NOTE 2 CASH AND CASH EQUIVALENTS (CONTINUED)

Investments (Continued)

Interest Rate Risk - Investments

The following investments are subject to interest rate risk:

	Total Fair Value	Investment Maturities (in Years)	
		Less Than 1	1-5
PLGIT/PLGIT Term	\$ 1,000,000	\$ 1,000,000	\$ -
Sterling Advisors - Agency Bonds	40,942,842	3,813,841	37,129,001
Sterling Advisors - Negotiable CD's	3,271,607	59,868	3,211,739

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

Concentrations of Credit Risk - Investments

At December 31, 2017, the following investments were in excess of 5% of the Borough's investments: Federal Farm Credit Banks (29.55%), Federal National Mortgage Association (22.64%) and Federal Home Loan Bank (15.05%).

Policies Followed at PLGIT

Regulatory Oversight

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

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

Valuation of Investments

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

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

NOTE 2 CASH AND CASH EQUIVALENTS (CONTINUED)

Investments (Continued)

Municipal Pension Plans

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

	Total Fair Value	Investment Maturities
U.S. Government and Agency Securities Mutual Funds	\$ 2,068,208	Less Than 1 Year
Corporate Bond Mutual Funds	11,775,913	Less Than 1 Year
Open End Mutual Funds	<u>27,316,094</u>	N/A
Total	<u>\$ 41,160,215</u>	

Credit Risk - Pension Plans

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

<u>Institution</u>	<u>Description</u>	<u>Credit Quality</u>
Vanguard	GNMA Fund Admiral Shares	AA
Vanguard	Short-Term Investment – Grade Admiral	A
Vanguard	Intermediate Term Bond Index	A
DFA	Short-Term Government Portfolio	AAA

Foreign Securities and Currencies Risk - Pension Plans

Foreign securities prices may decline or fluctuate because of economic or political actions of foreign governments or the possibility that foreign currency will fluctuate in value against the U. S. dollar. Included in the \$ 27,316,094 of Open End Mutual Funds shown above are International Mutual Funds with a fair value of \$ 5,197,899. The International Mutual Funds may be subject to foreign securities and currencies risk.

Investments – Fair Value Measurements

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

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

NOTE 2 CASH AND CASH EQUIVALENTS (CONTINUED)

Investments (Continued)

Investments – Fair Value Measurements (Continued)

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

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

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

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

Negotiable Certificates of Deposit

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

Agency Bonds

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

Mutual Funds

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

BOROUGH OF CHAMBERSBURG
Notes to Financial Statements
December 31, 2017

NOTE 2 CASH AND CASH EQUIVALENTS (CONTINUED)

Investments (Continued)

Investments – Fair Value Measurements (Continued)

The following table sets forth, by level within the fair value hierarchy, the financial assets that were accounted for at fair value on a recurring basis as of December 31, 2017:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Negotiable certificates of deposit	\$ 3,271,607	\$ -	\$ 3,271,607	\$ -
Agency Bonds:				
Federal Farm Credit Banks	15,729,896	-	15,729,896	-
Federal Home Loan Mortgage Corp	3,753,731	-	3,753,731	-
Federal Home Loan Bank	8,012,260	-	8,012,260	-
Federal Home Loan Mortgage Co.	898,848	-	898,848	-
Federal National Mortgage Association	12,054,472	-	12,054,472	-
Fannie Mae	493,635	-	493,635	-
Total Agency Bonds	<u>40,942,842</u>	<u>-</u>	<u>40,942,842</u>	<u>-</u>
Mutual funds by type:				
U.S. Government and Agency Securities	2,068,208	2,068,208	-	-
Corporate Bond	11,775,913	11,775,913	-	-
Open End	27,316,094	27,316,094	-	-
Total mutual funds	<u>41,160,215</u>	<u>41,160,215</u>	<u>-</u>	<u>-</u>
Total investments by fair value category	<u>\$ 85,374,664</u>	<u>\$ 41,160,215</u>	<u>\$ 44,214,449</u>	<u>\$ -</u>

BOROUGH OF CHAMBERSBURG
Notes to Financial Statements
December 31, 2017

NOTE 3 TAXES AND OTHER RECEIVABLES

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

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

Receivables as of December 31, 2017 for the Borough's governmental activities, including the applicable allowances for uncollectible accounts, are as follows:

Real estate	\$	467,165
Earned income tax		689,101
Real estate transfer tax		37,024
Ambulance billings		437,703
Loans receivable		228,895
Grants receivable		162,832
Other		262,722
Allowance for uncollectible accounts		<u>(293,731)</u>
Receivables - full accrual basis		1,991,711
Allocation of internal service funds receivables not recorded in the governmental fund financial statements		<u>(11,702)</u>
Receivables - modified accrual basis	\$	<u><u>1,980,009</u></u>

BOROUGH OF CHAMBERSBURG
Notes to Financial Statements
December 31, 2017

NOTE 4 CAPITAL ASSETS

Capital asset activity for the Borough consists of the following for the year ended December 31, 2017:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Cost:				
Capital assets not being depreciated				
Land	\$ 401,900	\$ -	\$ -	\$ 401,900
Construction-in-progress	638,351	1,793,709	(506,909)	1,925,151
Capital assets				
Land improvements	3,151,448	529,905	(869,222)	2,812,131
Buildings	4,697,630	26	(2,338)	4,695,318
Machinery and equipment	4,770,298	486,197	(256,723)	4,999,772
Infrastructure - highways	15,825,909	-	-	15,825,909
Infrastructure - railroads	4,093,266	696,587	-	4,789,853
Infrastructure - other	5,192,939	-	-	5,192,939
Total cost	<u>38,771,741</u>	<u>3,506,424</u>	<u>(1,635,192)</u>	<u>40,642,973</u>
Less accumulated depreciation:				
Land improvements	(1,734,074)	(234,223)	597,466	(1,370,831)
Buildings	(3,635,360)	(84,414)	2,338	(3,717,436)
Machinery and equipment	(2,680,522)	(295,613)	247,587	(2,728,548)
Infrastructure - highways	(4,242,650)	(99,148)	-	(4,341,798)
Infrastructure - railroads	(2,410,541)	(621,127)	-	(3,031,668)
Infrastructure - other	(1,973,879)	(162,225)	-	(2,136,104)
Total accumulated depreciation	<u>(16,677,026)</u>	<u>(1,496,750)</u>	<u>847,391</u>	<u>(17,326,385)</u>
Capital assets, net	<u>\$ 22,094,715</u>	<u>\$ 2,009,674</u>	<u>\$ (787,801)</u>	<u>\$ 23,316,588</u>
Business-Type Activities:				
Cost:				
Capital assets not being depreciated				
Land	\$ 1,848,761	\$ -	\$ -	\$ 1,848,761
Construction-in-progress	43,218,372	9,225,474	(41,587,908)	10,855,938
Capital assets				
Utility plant in service	153,569,242	44,208,480	(37,824)	197,739,898
Land improvements	4,402,960	152,366	-	4,555,326
Buildings	971,397	101,617	(4,447)	1,068,567
Machinery and equipment	13,535,828	1,669,690	(488,844)	14,716,674
Total cost	<u>217,546,560</u>	<u>55,357,627</u>	<u>(42,119,023)</u>	<u>230,785,164</u>
Less accumulated depreciation:				
Utility plant in service	(73,218,068)	(5,703,376)	31,440	(78,890,004)
Land improvements	(1,569,279)	(147,178)	-	(1,716,457)
Buildings	(723,769)	(59,061)	4,447	(778,383)
Machinery and equipment	(6,945,501)	(823,270)	461,810	(7,306,961)
Total accumulated depreciation	<u>(82,456,617)</u>	<u>(6,732,885)</u>	<u>497,697</u>	<u>(88,691,805)</u>
Capital assets, net	<u>\$ 135,089,943</u>	<u>\$ 48,624,742</u>	<u>\$ (41,621,326)</u>	<u>\$ 142,093,359</u>

BOROUGH OF CHAMBERSBURG
Notes to Financial Statements
December 31, 2017

NOTE 4 CAPITAL ASSETS (CONTINUED)

See Note 10 for project commitments.

Depreciation expense for the year ended December 31, 2017 was charged to expense functions, including the internal service fund allocations, as follows:

	Governmental	Business-Type
	Activities	Activities
General government	\$ 468,222	\$ -
Public safety	150,520	-
Public services	651,165	-
Parks and recreation	226,843	-
Electric	-	2,294,687
Gas	-	416,806
Water	-	625,624
Sewer	-	2,987,992
Sanitation	-	169,030
Parking, traffic and street lights	-	142,682
Storm Sewer	-	96,064
Pool Fund	-	552
	<u>\$ 1,496,750</u>	<u>\$ 6,732,885</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 (26%) and the business-type activities (74%). These allocations changed in 2017 compared to 2016, thus the beginning balances do not match the previous year financial statements due to reallocating the beginning balance of the internal service funds using the new allocations.

BOROUGH OF CHAMBERSBURG
Notes to Financial Statements
December 31, 2017

NOTE 5 LONG-TERM LIABILITIES

The changes in long-term liabilities during the year ended December 31, 2017 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Unamortized Bond Premium and Discount</u>	<u>Current Portion</u>	<u>Long-term Portion</u>
Governmental Activities:							
Bonds and notes payable							
(E) Capital Reserve 2016 GO Bond	\$ 2,500,000	\$ -	\$ (1,282)	\$ 2,498,718	\$ 25,399	\$ 80,545	\$ 2,443,572
(F) Administrative Services 2017 GO Note	-	736,651	-	736,651	-	39,614	697,036
Subtotal - bonds and notes	<u>2,500,000</u>	<u>736,651</u>	<u>(1,282)</u>	<u>3,235,369</u>	<u>25,399</u>	<u>120,159</u>	<u>3,140,608</u>
Liability for self-insured losses	200,667	31,159	(93,003)	138,823	-	35,873	102,950
Compensated absences	<u>709,531</u>	<u>379,368</u>	<u>(428,709)</u>	<u>660,190</u>	<u>-</u>	<u>367,715</u>	<u>292,475</u>
Total long-term liabilities	<u>\$ 3,410,198</u>	<u>\$ 1,147,178</u>	<u>\$ (522,994)</u>	<u>\$ 4,034,382</u>	<u>\$ 25,399</u>	<u>\$ 523,747</u>	<u>\$ 3,536,033</u>
Business-Type Activities							
Bonds and notes payable							
(A) Sewer 2009 GO Bond	\$ 182,829	\$ -	\$ (182,829)	\$ -	\$ -	\$ -	\$ -
(C) Sewer 2012 GO Note	5,777,562	-	(259,665)	5,517,897	-	212,844	5,305,053
(A) Electric 2009 GO Bond	327,171	-	(327,171)	-	-	-	-
(B) Electric 2012 GO Bond	8,610,000	-	(1,365,000)	7,245,000	45,599	1,405,170	5,885,429
(C) Electric 2012 GO Note	1,342,437	-	(60,334)	1,282,103	-	49,455	1,232,648
(D) Sanitation 2014 GO Note	993,365	-	(70,945)	922,420	-	66,859	855,561
(E) Swimming Pool 2016 GO Bond	7,250,000	-	(3,718)	7,246,282	73,656	233,582	7,086,356
(F) Administrative Services 2017 GO Note	-	2,137,971	-	2,137,971	-	114,973	2,022,999
Subtotal - bonds and notes	<u>24,483,364</u>	<u>2,137,971</u>	<u>(2,269,662)</u>	<u>24,351,673</u>	<u>119,255</u>	<u>2,082,883</u>	<u>22,388,046</u>
Liability for self-insured losses	582,394	90,433	(269,922)	402,905	-	104,113	298,792
Compensated absences	<u>947,515</u>	<u>430,312</u>	<u>(459,021)</u>	<u>918,806</u>	<u>-</u>	<u>512,076</u>	<u>406,730</u>
Total long-term liabilities	<u>\$ 26,013,273</u>	<u>\$ 2,658,716</u>	<u>\$ (2,998,605)</u>	<u>\$ 25,673,384</u>	<u>\$ 119,255</u>	<u>\$ 2,699,072</u>	<u>\$ 23,093,568</u>

The General Fund and Internal Service Funds have been used in prior years to liquidate the liability for compensated absences in the Governmental Activities. In addition to the long-term liabilities listed above, the Borough has a net pension obligation and a total OPEB obligation. See Note 7 and Note 8 for additional details. The General Fund and the Internal Service Fund have been used in prior years to liquidate the net pension liability and total OPEB obligation in the Governmental Activities.

Internal Service Fund Allocation

The liability for self-insured losses and compensated absences information shown above for governmental activities and business-type activities includes the allocation of self-insured losses and compensated absences of internal service funds. This allocation is based on the applicable usage of each internal service fund by the governmental activities (26%) and the business-type activities (74%). These allocations changed in 2017 compared to 2016, thus the beginning balances do not match the previous year financial statements due to reallocating the beginning balance of the internal service funds using the new allocations.

- (A) **General Obligation Bonds – Series of 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. Interest rates vary from 2.50% to 3.00%. Interest is payable every March 1 and September 1. The debt was fully satisfied during the year ended December 31, 2017.

BOROUGH OF CHAMBERSBURG
Notes to Financial Statements
December 31, 2017

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

- (B) **General Obligation Bonds – Series of 2012** – On May 29, 2012, the Borough issued General Obligation Bonds in the principal amount of \$ 9,785,000 to be used for a partial refunding of the General Obligation Bonds, Series of 2007 and the costs of issuing the bonds. Annual installments of debt are to be paid from the Electric Funds, which vary in amounts from \$ 5,000 to \$ 1,500,000 and are due through July 1, 2022. Interest rates for the bonds are 2.00%. Interest is payable every January 1 and July 1.
- (C) **General Obligation Notes – Series of 2012** – On October 5, 2012, the Borough issued a General Obligation Note in the total of \$ 8,000,000 to be used for various projects. The drawdown period on the note was through April 31, 2014. The funds will be utilized by the Sewer and Electric Funds. Principal is due monthly beginning on May 1, 2014. Interest rates for the note is 2.46% for the first eight years, followed by 66% of U.S. prime rate, less 0.25% with a floor of 1.98% and a ceiling of 2.51% for the next 3.5 years and 66% of the U.S. prime rate less 0.25% with a floor of 1.98% and a ceiling of 5.3% for the remaining 15 years. The interest rate was 2.46% at December 31, 2017. The maturity date of the principal is October 1, 2038.
- (D) **General Obligation Notes – Series of 2014** – On March 31, 2014, the Borough issued a General Obligation Note in the total amount of \$ 1,500,000 to be used for the purpose of financing the construction of a new green waste recycling facility. The funds will be utilized by the Sanitation Fund. Principal is due monthly beginning on November 1, 2015. Interest rates for the note are 3.17% for the first 11 years and six months, followed by 66% of U.S. prime rate, less 0.25% with a floor of 1.98% and a ceiling of 5.30% for the remaining 10 years. The interest rate was 3.17% at December 31, 2017. The maturity date of the principal is October 1, 2035, based on the loan being fully drawn.
- (E) **General Obligation Bonds – Series of 2016** – On September 19, 2016, the Borough issued a General Obligation Bond in the total of \$ 9,750,000 to be used for the purpose of financing the construction of a new swimming pool, various recreational improvements including upgrades to playground equipment and to pay the costs of issuing the Bonds. The funds will be utilized by the Capital Reserve Fund and Swimming Pool Fund. Principal is due monthly beginning on December 1, 2017. Fixed interest rates vary from 1.50% to 4.00%. Interest is payable every June 1 and December 1.
- (F) **General Obligation Notes – Series of 2017** – On February 17, 2017, the Borough issued a General Obligation Note in the total amount not to exceed \$ 9,750,000 to be used for the purpose of financing the design, construction and equipping of a municipal building annex. The funds will be utilized by the Administrative Services Fund, which is an Internal Service Fund; thus the debt is allocated between the governmental activities and business-type activities. The Note is interest only for 18 months from the date of issuance, with principal and interest due monthly beginning on September 1, 2018. Interest rates for the note are 2.60% for the first 16 years and six months, followed by 66% of U.S. prime rate, with a ceiling of 4.85% until final maturity. The interest rate was 2.60% at December 31, 2017. The maturity date of the principal is August 1, 2043, based on the loan being fully drawn. At December 31, 2017, \$ 2,874,622 has been drawn on this note.

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

BOROUGH OF CHAMBERSBURG
Notes to Financial Statements
December 31, 2017

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

During the year ended December 31, 2017 the Borough capitalized a portion of interest expense as follows:

	Sewer Fund	Swimming Pool Fund	Administrative Services Fund
Interest incurred	\$ 144,675	\$ 175,270	\$ 27,117
Interest capitalized	<u>(35,255)</u>	<u>(175,270)</u>	<u>(27,117)</u>
Interest expensed	<u>\$ 109,420</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2017:

	Electric				Sewer	
	Series of 2012 Bonds		Series of 2012 Note		Series of 2012 Note	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 1,395,000	\$ 144,900	\$ 44,188	\$ 29,912	\$ 212,844	\$ 135,061
2019	1,420,000	117,000	49,455	31,382	218,139	129,765
2020	1,450,000	88,600	50,685	30,151	223,609	124,544
2021	1,480,000	59,600	51,956	28,938	228,198	121,200
2022	1,500,000	30,000	53,023	28,161	233,992	115,406
2023 - 2027	-	-	263,398	187,700	1,138,414	875,931
2028 - 2032	-	-	309,239	181,391	1,403,172	708,388
2033 - 2037	-	-	402,837	87,793	1,827,873	283,692
2038 - 2042	-	-	57,322	1,410	31,656	779
	<u>\$ 7,245,000</u>	<u>\$ 440,100</u>	<u>\$ 1,282,103</u>	<u>\$ 606,838</u>	<u>\$ 5,517,897</u>	<u>\$ 2,494,766</u>

	Sanitation		Swimming Pool		Internal Service	
	Series of 2014 Note		Series of 2016 Bond		Series of 2017 Note	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 66,859	\$ 26,061	\$ 230,513	\$ 178,638	\$ 154,587	\$ 64,348
2019	75,333	26,033	234,231	174,028	471,433	61,621
2020	77,756	23,610	241,667	169,344	483,162	49,892
2021	80,257	21,109	245,385	164,510	495,182	37,871
2022	82,839	18,528	256,538	154,694	507,502	25,552
2023 - 2027	470,768	59,054	1,345,896	703,474	762,756	14,555
2028 - 2032	68,608	1,278	1,487,180	559,536	-	-
2033 - 2037	-	-	1,680,512	365,660	-	-
2038 - 2042	-	-	1,524,360	115,998	-	-
	<u>\$ 922,420</u>	<u>\$ 175,673</u>	<u>\$ 7,246,282</u>	<u>\$ 2,585,882</u>	<u>\$ 2,874,622</u>	<u>\$ 253,839</u>

BOROUGH OF CHAMBERSBURG
Notes to Financial Statements
December 31, 2017

NOTE 5 LONG-TERM LIABILITIES (CONTINUED)

	<u>Capital Reserve</u>		<u>Total</u>
	<u>Series of 2016 Bond</u>		
	<u>Principal</u>	<u>Interest</u>	
2018	\$ 79,487	\$ 61,600	\$ 2,823,998
2019	80,769	60,010	3,149,199
2020	83,333	58,394	3,154,747
2021	84,615	56,728	3,155,549
2022	88,462	53,342	3,148,039
2023 - 2027	464,104	242,578	6,528,628
2028 - 2032	512,820	192,942	5,424,554
2033 - 2037	579,488	126,090	5,353,945
2038 - 2042	525,640	40,002	2,297,167
	<u>\$ 2,498,718</u>	<u>\$ 891,686</u>	<u>\$ 35,035,826</u>

NOTE 6 INTERFUND ACTIVITY

Interfund receivables and payables consist of the following at December 31, 2017:

	<u>Due From</u>	<u>Due To</u>
Major governmental funds:		
General fund	\$ 149,545	\$ 31,163
Special revenue grant programs	-	149,545
Nonmajor governmental funds:		
Capital reserve	2,481,218	-
Major proprietary funds:		
Electric	6,037	-
Swimming pool	-	2,481,218
Internal service funds:		
Administrative services	-	6,037
Agency funds:		
Customer deposits	31,163	-
	<u>\$ 2,667,963</u>	<u>\$ 2,667,963</u>

The Swimming pool fund owes the Capital reserve fund for its portion of the General Obligation Bonds – Series of 2016 as the bond proceeds are maintained in the Swimming pool fund. The proceeds utilized by the Capital reserve fund will be used for the various recreational improvements. Of the total owed at December 31, 2017, \$ 118,000 is expected to be paid in 2018. The remaining amount is expected to be paid after 2018. The remaining interfund receivables and payables are for invoices paid by a fund on behalf of another fund that is to be reimbursed.

BOROUGH OF CHAMBERSBURG
Notes to Financial Statements
December 31, 2017

NOTE 6 INTERFUND ACTIVITY (CONTINUED)

Interfund transfers consisted of the following during 2017:

	Transfers In	Transfers Out
Major governmental funds:		
General fund	\$ 2,407,400	\$ 1,492,262
Special revenue grant programs	8,620	-
Nonmajor governmental funds:		
Special revenue fire tax	-	509,689
Recreation tax	68,725	-
Capital reserve	1,119,900	72,345
Major proprietary funds:		
Electric	-	2,731,474
Gas	-	596,350
Water	-	65,600
Sewer	-	65,850
Swimming Pool	199,312	-
Nonmajor proprietary funds:		
Sanitation	-	44,800
Parking, traffic and street lights	1,342,549	650
Internal service funds:		
Stores	208,000	875
Motor equipment	557,689	541,250
Self insurance	75,000	-
Engineering	-	106,400
Worker's compensation	302,275	-
Administrative services	-	81,925
Private purpose trust funds:		
Project Heat	20,000	-
	<u>\$ 6,309,470</u>	<u>\$ 6,309,470</u>

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

NOTE 7 PENSION PLANS

Summary of Significant Accounting Policies

Plan Description

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

Plan Membership

At December 31, 2017, the participation in each plan is as follows:

	Bargaining and Administrative Employees	Police	Firemen
Participants:			
Retirees and beneficiaries	90	29	16
Vested former members	20	1	-
Active employees	<u>136</u>	<u>34</u>	<u>26</u>
Total	<u>246</u>	<u>64</u>	<u>42</u>

Benefits Provided

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

Financial Reports

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

NOTE 7 PENSION PLANS (CONTINUED)

Summary of Significant Accounting Policies

Contributions

The Bargaining and Administrative Employees plan require employee contributions of 5.5% after January 1, 2017 and 6.0% after January 1, 2018. The Police Officers plan requires employee contributions of 4%. The Firemen plan requires employee contributions of 5%. The Borough is required to contribute the remaining amounts necessary to fund the plans, using the actuarial basis specified by the plan. The average contribution rate was 7.18 percent of annual payroll for the Bargaining and Administrative Employees, 22.09 percent of annual payroll for the Police Officers, and 15.44 percent of annual payroll for the Paid Firemen. The employer contributions for 2017 were \$ 641,491 for the Bargaining and Administrative Employees, \$ 505,579 for the Police Officers, and \$ 289,652 for the Paid Firemen.

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

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

Investments

Method Used to Value Investments

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

Rate of Return

For the year ended December 31, 2017, the annual money weighted rate of return on pension plan investments, net of pension plan investment expense was positive 13.1 percent for the bargaining and administrative plan, the police officers plan, and the paid firemen plan. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

BOROUGH OF CHAMBERSBURG
Notes to Financial Statements
December 31, 2017

NOTE 7 PENSION PLANS (CONTINUED)

Net Pension Liability

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

At December 31, 2017 the Borough reported a liability of \$ 10,781,741 in the Statement of Net Position. The net pension liability was measured as of December 31, 2017, and the total pension liability was determined by rolling forward liabilities from an actuarial valuation as of January 1, 2017. No significant events or changes in assumptions occurred between the valuation date and the fiscal year end. For the year ended December 31, 2017, the Borough recognized pension expense of \$ 957,938 for the Bargaining and Administrative Employees, \$ 635,437 for the Police Officers, and \$ 372,748 for the Paid Firemen.

The following details the changes in total pension liability, the plan fiduciary net position, and the net pension liability, for the year ended December 31, 2017:

Bargaining and Administrative Employees

	Increase (Decrease)			Plan Fiduciary Net Position as a % of Total Pension Liability
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)	
Balances as of December 31, 2016	\$ 26,321,820	\$ 19,533,232	\$ 6,788,588	74.21%
Changes for the year:				
Service cost	673,049		673,049	
Interest	2,130,695		2,130,695	
Changes in benefits	-		-	
Changes of assumptions	1,338,876		1,338,876	
Differences in expected and actual experience	(950,893)		(950,893)	
Contributions - employer		641,491	(641,491)	
Contributions - employee		490,416	(490,416)	
Net investment income		2,478,738	(2,478,738)	
Benefit payments, including refunds of member contributions	(1,498,326)	(1,498,326)	-	
Administrative expenses		-	-	
Other	-	-	-	
Net changes	<u>1,693,401</u>	<u>2,112,319</u>	<u>(418,918)</u>	
Balances as of December 31, 2017	<u>\$ 28,015,221</u>	<u>\$ 21,645,551</u>	<u>\$ 6,369,670</u>	77.26%

BOROUGH OF CHAMBERSBURG
Notes to Financial Statements
December 31, 2017

NOTE 7 PENSION PLANS (CONTINUED)

Net Pension Liability (Continued)

Police

	<u>Increase (Decrease)</u>			Plan Fiduciary Net Position as a % of Total Pension Liability
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	
	(a)	(b)	(a)-(b)	
Balances as of December 31, 2016	\$ 14,934,575	\$ 12,058,961	\$ 2,875,614	80.75%
Changes for the year:				
Service cost	343,594		343,594	
Interest	1,224,345		1,224,345	
Changes in benefits	-		-	
Changes of assumptions	472,617		472,617	
Differences in expected and actual experience	15,785		15,785	
Contributions - employer		505,579	(505,579)	
Contributions - employee		94,940	(94,940)	
Net investment income		1,518,697	(1,518,697)	
Benefit payments, including refunds of member contributions	(924,511)	(924,511)	-	
Administrative expenses		-	-	
Other	-	-	-	
Net changes	<u>1,131,830</u>	<u>1,194,705</u>	<u>(62,875)</u>	
Balances as of December 31, 2017	<u>\$ 16,066,405</u>	<u>\$ 13,253,666</u>	<u>\$ 2,812,739</u>	82.49%

Firemen

	<u>Increase (Decrease)</u>			Plan Fiduciary Net Position as a % of Total Pension Liability
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	
	(a)	(b)	(a)-(b)	
Balances as of December 31, 2016	\$ 7,452,418	\$ 5,629,743	\$ 1,822,675	75.54%
Changes for the year:				
Service cost	210,445		210,445	
Interest	607,259		607,259	
Changes in benefits	76,888		76,888	
Changes of assumptions	249,908		249,908	
Differences in expected and actual experience	(274,630)		(274,630)	
Contributions - employer		289,652	(289,652)	
Contributions - employee		88,617	(88,617)	
Net investment income		718,183	(718,183)	
Benefit payments, including refunds of member contributions	(248,583)	(248,583)	-	
Administrative expenses		(3,241)	3,241	
Other	-	-	-	
Net changes	<u>621,287</u>	<u>844,628</u>	<u>(223,341)</u>	
Balances as of December 31, 2017	<u>\$ 8,073,705</u>	<u>\$ 6,474,371</u>	<u>\$ 1,599,334</u>	80.19%

BOROUGH OF CHAMBERSBURG
Notes to Financial Statements
December 31, 2017

NOTE 7 PENSION PLANS (CONTINUED)

Deferred Outflows/Inflows of Resources

At December 31, 2017 the Borough reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Bargaining and Administrative Employees		Police		Firemen		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 41,252	\$ 845,238	\$ 13,812	\$ 102,333	\$ -	\$ 270,969	\$ 55,064	\$ 1,218,540
Net difference between projected and actual earnings on pension plan investments	-	128,282	-	74,759	-	37,655	-	240,696
Changes in proportions - governmental activities/business-type activities	130,386	130,386	-	-	-	-	130,386	130,386
Changes in assumptions	<u>1,190,112</u>	<u>-</u>	<u>413,540</u>	<u>107,384</u>	<u>214,207</u>	<u>47,361</u>	<u>1,817,859</u>	<u>154,745</u>
	<u>\$ 1,361,750</u>	<u>\$ 1,103,906</u>	<u>\$ 427,352</u>	<u>\$ 284,476</u>	<u>\$ 214,207</u>	<u>\$ 355,985</u>	<u>\$ 2,003,309</u>	<u>\$ 1,744,367</u>

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

Year ended December 31:	Bargaining and Administrative Employees	Police	Firemen	Total
	2018	\$ 192,613	\$ 114,195	\$ 18,968
2019	192,613	114,195	18,968	325,776
2020	(180,350)	(111,468)	(83,398)	(375,216)
2021	(137,145)	(87,291)	(72,668)	(297,104)
2022	49,002	26,097	(20,118)	54,981
Thereafter	<u>141,111</u>	<u>87,148</u>	<u>(3,530)</u>	<u>224,729</u>
	<u>\$ 257,844</u>	<u>\$ 142,876</u>	<u>\$ (141,778)</u>	<u>\$ 258,942</u>

NOTE 7 PENSION PLANS (CONTINUED)

Actuarial Methods and Assumptions

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

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

Changes in Actuarial Assumptions

Mortality rates were modified from on the RP2000 Table for males and females to the IRS 2017 Static Combined Table for Small Plans. Incorporated into the table are rates for annuitants projected 7 years and rates for non-annuitants projected 15 years using scale AA to reflect mortality improvements.

Valuation Date

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

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

Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding the expected inflation. The pension plans' policy in regards to the allocation of invested assets is established and may be amended by the investment committee. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of December 31, 2017 are summarized in the table below and is applicable to all three plans:

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

BOROUGH OF CHAMBERSBURG
Notes to Financial Statements
December 31, 2017

NOTE 7 PENSION PLANS (CONTINUED)

Actuarial Methods and Assumptions (Continued)

Discount Rate

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

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

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

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Bargaining and Administrative Employees	\$ 9,484,755	\$ 6,369,670	\$ 3,680,497
Police Plan	\$ 4,711,588	\$ 2,812,739	\$ 1,216,907
Firemen Plan	\$ 2,614,906	\$ 1,599,334	\$ 742,233

Financial Statements

The following are financial statements as of December 31, 2017 for the individual pension plans maintained by the Borough:

	Firemen Pension Fund	Police Pension Fund	Bargaining and Administrative Employees Pension Fund	Total Pension Trust Funds
ASSETS				
Cash and cash equivalents	\$ 18,927	\$ 76,334	\$ 116,140	\$ 211,401
Mutual funds - U.S. Government and Agency securities	324,331	661,928	1,081,949	2,068,208
Mutual funds - Corporate bonds	1,846,907	3,770,124	6,158,882	11,775,913
Mutual funds - Stocks	4,090,850	8,354,673	13,650,283	26,095,806
Mutual funds - Real estate securities	191,302	390,607	638,379	1,220,288
Employee contribution receivable	2,055	-	-	2,055
Total assets	<u>\$ 6,474,372</u>	<u>\$ 13,253,666</u>	<u>\$ 21,645,633</u>	<u>\$ 41,373,671</u>
NET POSITION				
Net position restricted for pensions	<u>\$ 6,474,372</u>	<u>\$ 13,253,666</u>	<u>\$ 21,645,633</u>	<u>\$ 41,373,671</u>

BOROUGH OF CHAMBERSBURG
Notes to Financial Statements
December 31, 2017

NOTE 7 PENSION PLANS (CONTINUED)

Financial Statements (Continued)

	Firemen Pension Fund	Police Pension Fund	Bargaining and Administrative Employees Pension Fund	Total Pension Trust Funds
ADDITIONS				
Contributions				
Employer	\$ 289,652	\$ 505,579	\$ 641,491	\$ 1,436,722
Plan member	86,683	94,940	490,416	672,039
Total contributions	<u>376,335</u>	<u>600,519</u>	<u>1,131,907</u>	<u>2,108,761</u>
Investment income:				
Net appreciation in fair value of investments and gains on sale of investments	606,078	1,267,787	2,065,932	3,939,797
Interest, dividends and other	131,093	274,185	447,057	852,335
Total net investment earnings	<u>737,171</u>	<u>1,541,972</u>	<u>2,512,989</u>	<u>4,792,132</u>
Total additions	<u>1,113,506</u>	<u>2,142,491</u>	<u>3,644,896</u>	<u>6,900,893</u>
DEDUCTIONS				
Benefits	248,583	924,333	1,498,250	2,671,166
Administrative expenses	20,294	23,275	34,245	77,814
Total deductions	<u>268,877</u>	<u>947,608</u>	<u>1,532,495</u>	<u>2,748,980</u>
Change in net position	844,629	1,194,883	2,112,401	4,151,913
Net position - beginning	5,629,743	12,058,783	19,533,232	37,221,758
Net position - ending	<u>\$ 6,474,372</u>	<u>\$ 13,253,666</u>	<u>\$ 21,645,633</u>	<u>\$ 41,373,671</u>

Defined Contribution Plan

Effective January 1, 2016, the Borough amended the pension plan for non-uniform employees to add a defined contribution provision. To participate in the defined contribution plan, employees (or new hires who have completed their probationary period) on or after January 1, 2016, must elect to participate. Once a participant elects to participate in the defined contribution plan, the election is irrevocable and the participant shall remain in the defined contribution plan until terminated. Other than an initial contribution for those participants with less than 12 years of service, there are no employee contributions to the defined contribution plan. Employer contributions are made on an annual basis in the amount of \$ 3,400 for full-time defined contribution employees and \$ 1,700 for part-time defined contribution employees. Contributions to the defined contribution plan amounted to \$ 47,600 for 2017.

NOTE 8 POSTEMPLOYMENT HEALTHCARE PLAN

Plan Description

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

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

Funding Policy

The Borough funds Plan liabilities on a “pay-as-you-go” basis, and has not established an OPEB trust fund to accumulate assets to fund Plan obligations. The Borough has no statutory or contractual obligation to fund the Plan and only does so at the Borough’s discretion. The Borough funds the implicit rate subsidy through the payment of health insurance premiums. For fiscal year 2017, the Borough contributed an estimated \$ 44,182 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 \$ 8,424, or approximately 102% of the total premiums.

Annual OPEB Cost and Total 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 total OPEB obligation to the plan:

Annual required contribution (ARC)	\$ 607,438
Estimated interest on Total OPEB obligation	114,088
Estimated adjustment to ARC	<u>(155,646)</u>
Annual OPEB Cost	565,880
Estimated employer contributions made	<u>(44,182)</u>
Increase in total OPEB obligation	521,698
Total OPEB obligation – beginning of the year	<u>2,535,293</u>
Total OPEB obligation – end of the year	<u>\$ 3,056,991</u>

BOROUGH OF CHAMBERSBURG
Notes to Financial Statements
December 31, 2017

NOTE 8 POSTEMPLOYMENT HEALTHCARE PLAN (CONTINUED)

Annual OPEB Cost and Total OPEB Obligation (Continued)

The Borough's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the preceding two years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Total OPEB Obligation
12/31/17	\$ 565,880	8%	\$ 3,056,991
12/31/16	449,290	14%	2,535,293
12/31/15	456,169	8%	2,147,227

Funded Status and Funding Progress

As of January 1, 2017, the most recent actuarial valuation date, the plan had the following funding status and progress:

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2017	\$ -	\$ 2,072,359	\$ 2,072,359	0.00%	\$ 13,822,923	14.99%

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, presents multiyear trend information 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, 2017 actuarial valuation, the entry age normal cost method was used. The actuarial assumption included a 4.5 percent investment rate of return (net of administrative expenses), a 4.0 percent inflation rate, annual salary increases of 5% and an annual healthcare cost trend rate of 6.0% percent in 2017, 5.5 percent in 2018 through 2023, with rates gradually decreasing from 5.4% in 2024 to 3.9% in 2075 and later. The actuarial value of assets is equal to the market value of the assets. The UAAL is being amortized based on a level dollar 30 year open period.

BOROUGH OF CHAMBERSBURG
Notes to Financial Statements
December 31, 2017

NOTE 9 RISK MANAGEMENT

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

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

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

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

	Liability Beginning	Current Year Claims and Changes in Estimates	Claim Payments	Liability Ending
2017				
Self-insurance fund	\$ 183,988	\$ -	\$ (18,876)	\$ 165,112
Workers' compensation fund	599,073	(108,438)	(114,019)	376,616
	Liability Beginning	Current Year Claims and Changes in Estimates	Claim Payments	Liability Ending
2016				
Self-insurance fund	\$ 184,726	\$ -	\$ (738)	\$ 183,988
Workers' compensation fund	603,947	138,627	(143,501)	599,073

The Borough is part of the Pennsylvania Municipal Health Insurance Cooperative (PMHIC). This trust consists of a group of municipalities that have pooled their interests together in order to establish a self-funded medical insurance plan in order to better control insurance rates. The Borough pays a premium to PMHIC that consists of a portion for actual claim expenses, administrative costs, reinsurance costs and a reserve account. At year end, the actual claims of the Borough are reviewed and the reserve account is used to fund any excess claims for the Borough over premiums paid during the year. If any funds remain in the reserve account, 15% of the total reserve balance could possibly be used to fund claim overages for the trust. A reinsurance policy is used to pay any additional excess claims. Therefore, the expense recognized by the Borough is limited to the premiums paid during the year. Any potential refund of the reserve account is calculated and received by the Borough several months after year end. Total payments by the Borough to PMHIC during the year were \$ 4,226,579. During 2017, the Borough received \$ 833,368 from PMHIC as a refund for prior premiums paid.

BOROUGH OF CHAMBERSBURG
Notes to Financial Statements
December 31, 2017

NOTE 10 COMMITMENTS

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

The Borough has the following projects open at December 31, 2017:

Project Description	Total estimated costs										Costs paid as of 12/31/17	Costs to complete	
	Electric	Gas	Water	Sewer	Swimming Pool	Parking, Traffic, and Street Light	Storm Sewer	Administrative Services	Capital Reserve and General				
Installation of 261 Underground Getaway on Orchard Drive	\$ 250,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 192,260	\$ 57,740	
Convert Feeder 151 to 241	300,000	-	-	-	-	-	-	-	-	-	270,853	29,147	
Upgrade Circuit Breakers 1905, 2105 & 1506	181,000	-	-	-	-	-	-	-	-	-	180,265	735	
Gas Main & Service Installation at Progress Village	-	115,000	-	-	-	-	-	-	-	-	68,480	46,520	
Gas Main Extension on Stanley Avenue	-	120,000	-	-	-	-	-	-	-	-	59,565	60,435	
Gas Main and Service Replacement on Hollywell Avenue	-	140,000	-	-	-	-	-	-	-	-	110,583	29,417	
Gas Main Extension on Brandon Drive	-	150,000	-	-	-	-	-	-	-	-	37,444	112,556	
Upgrade Gas Main and Services on Lincoln Way West	-	190,000	-	-	-	-	-	-	-	-	81,710	108,290	
Design & Construction of Grant Point Valve Pit	-	-	250,000	-	-	-	-	-	-	-	-	3,019	246,981
Design & Construction of the New Clearwell	-	-	3,000,000	-	-	-	-	-	-	-	-	39,056	2,960,944
Upgrade East Conococheague Interceptor *	-	-	-	1,200,000	-	-	-	-	-	-	196,932	1,003,068	
Pump Station along Chambers Street	-	-	-	100,000	-	-	-	-	-	-	23,847	76,153	
Swimming Pool - Design, Engineering & Construction	-	-	-	-	7,250,000	-	-	-	-	-	5,020,360	2,229,640	
Miscellaneous Utilities Work for the Pool Project	-	-	-	-	480,000	-	-	-	-	-	374,970	105,030	
Traffic Signal at Intersection Wayne Avenue & Orchard Drive	-	-	-	-	-	-	175,000	-	-	-	102,757	72,243	
Downtown Pedestrian Network Integration Project	-	-	-	-	-	-	513,412	-	-	-	18,657	494,755	
North 4th Street Stream Bank Improvement Project	-	-	-	-	-	-	-	125,000	-	-	8,559	116,441	
Rhodes Drive Low Volume Road	-	-	-	-	-	-	-	400,000	-	-	50,774	349,226	
Construction of Utility Building	-	-	-	-	-	-	-	-	9,750,000	-	4,363,252	5,386,748	
Borough Wide Phone System	-	-	-	-	-	-	-	-	110,000	-	100,997	9,003	
Fee-in-lieu of Recreation for Chambersburg Family Townhomes	-	-	-	-	-	-	-	-	-	123,000	99,633	23,367	
Nicholson Square Park Project	-	-	-	-	-	-	-	-	-	470,000	134,228	335,772	
Upgrade of Playground Equipment	-	-	-	-	-	-	-	-	-	440,000	4,870	435,130	
Park Avenue Street Paving Project	-	-	-	-	-	-	-	-	-	179,822	6,670	173,152	
Hollywell Avenue Street Paving Project (Industrial Dr. to South Street)	-	-	-	-	-	-	-	-	-	259,111	5,121	253,990	
Sixth Street Street Paving Project (Lincoln Way East to Montgomery Avenue)	-	-	-	-	-	-	-	-	-	146,527	100,705	45,822	
Alexander Avenue Street Paving Project (Roland Avenue to Norland Avenue)	-	-	-	-	-	-	-	-	-	266,136	6,401	259,735	
Liberty Street Street Paving Project (Railroad Highline to Water Street)	-	-	-	-	-	-	-	-	-	243,106	211,105	32,001	
Kraiss Avenue Street Paving Project (South Fourth Street to Coldbrook Avenue)	-	-	-	-	-	-	-	-	-	112,573	5,239	107,334	
Blanchard Avenue Street Paving Project (Highland Avenue to Garfield Street)	-	-	-	-	-	-	-	-	-	111,483	4,502	106,981	
Various	93,000	458,000	40,000	167,460	-	174,854	40,000	-	-	476,966	548,671	901,609	
Totals	\$ 824,000	\$ 1,173,000	\$ 3,290,000	\$ 1,467,460	\$ 7,730,000	\$ 863,266	\$ 565,000	\$ 9,860,000	\$ 2,828,724	\$ 12,431,485	\$ 16,169,965		

(*) The Borough also has a signed agreement with the local Townships related to the wastewater treatment plant interceptor. The majority of the project is for the additional capacity of the Townships and therefore will be paid for by the Townships. Of this total cost, approximately 86% will be reimbursed by the Townships.

BOROUGH OF CHAMBERSBURG
Notes to Financial Statements
December 31, 2017

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, 2017 outstanding note balances under conduit debt arrangements were as follows:

Wilson College	\$ 31,180,000
The Shook Home	4,805,909
Lutheran Homes	1,995,069
Children's Aid Society	737,835
Coyle Free Library	4,981,326

NOTE 12 CONTINGENCIES

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

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

NOTE 13 SUBSEQUENT EVENTS

On February 26, 2018, the Borough signed a contract to purchase Innoprise Enterprise Resource Planning Software and related service and support agreements at a total cost of \$ 682,030.

REQUIRED SUPPLEMENTARY INFORMATION

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

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

Notes to the schedule:

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

Assumption changes:

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

In 2017, mortality rates were modified from the RP 2000 Table for males and females to the IRS 2017 Static Combined Table for Small Plans. Incorporated into the table are rates for annuitants projected 7 years and rates for non-annuitants projected 15 years using Scale AA to reflect mortality improvements.

Changes in benefit terms:

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

BOROUGH OF CHAMBERSBURG
Pension Trust Funds
Schedule of Borough Contributions

Bargaining and Administrative

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 641,491	\$ 727,254	\$ 699,463	\$ 640,380	\$ 789,962	\$ 650,683	\$ 648,163	\$ 472,936	\$ 454,029	\$ 418,654
Contributions in relation to the actuarially determined contribution	641,491	727,254	699,463	640,380	789,962	650,683	759,192	472,936	454,029	418,654
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (111,029)	\$ -	\$ -	\$ -
Covered payroll	\$ 8,932,704	\$ 8,975,023	\$ 9,251,503	\$ 8,505,696	Unavailable	\$ 7,504,401	Unavailable	\$ 7,587,865	Unavailable	\$ 6,873,071
Contributions as a percentage of covered payroll	7.18%	8.10%	7.56%	7.53%	N/A	8.67%	N/A	6.23%	N/A	6.09%

Police

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 505,579	\$ 509,013	\$ 498,970	\$ 399,615	\$ 420,753	\$ 454,682	\$ 474,748	\$ 490,641	\$ 466,941	\$ 453,071
Contributions in relation to the actuarially determined contribution	505,579	509,013	498,970	399,615	420,753	454,682	474,748	490,641	466,941	453,071
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 2,288,652	\$ 2,384,793	\$ 2,266,039	\$ 2,200,081	Unavailable	\$ 1,936,497	Unavailable	\$ 1,918,058	Unavailable	\$ 1,824,708
Contributions as a percentage of covered payroll	22.09%	21.34%	22.02%	18.16%	N/A	23.48%	N/A	25.58%	N/A	24.83%

Firemen

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 289,652	\$ 286,496	\$ 299,092	\$ 269,702	\$ 244,149	\$ 209,739	\$ 204,343	\$ 116,340	\$ 124,682	\$ 112,021
Contributions in relation to the actuarially determined contribution	289,652	286,496	299,092	269,702	244,149	209,739	204,343	116,340	124,682	112,021
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 1,875,428	\$ 1,642,257	\$ 1,577,331	\$ 1,464,554	Unavailable	\$ 1,414,222	Unavailable	\$ 1,330,676	Unavailable	\$ 1,231,786
Contributions as a percentage of covered payroll	15.44%	17.45%	18.96%	18.42%	N/A	14.83%	N/A	8.74%	N/A	9.09%

Notes to Schedule

Valuation date:

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

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

Actuarial valuation date January 1, 2017
Actuarial cost method Entry age normal
Amortization method Level dollar closed
Amortization period General - 14 years
Police - 11 years
Firemen - 12 years

Asset valuation method

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

Inflation 3.00%
Salary increases 5.00%
Investment rate of return 8.00%
Retirement age General - normal retirement age

Mortality

Police - Attainment of Age 53 and completion of 25 years of service
Firemen - Attainment of Age 53 and completion of 25 years of service
In 2017, mortality rates were modified from the RP 2000 Table for males and females to the IRS 2017 Static Combined Table for Small Plans. Incorporated into the table are rates for annuitants projected 7 years and rates for non-annuitants projected 15 years using Scale AA to reflect mortality improvements.

BOROUGH OF CHAMBERSBURG
Pension Trust Funds
Schedule of Investment Returns

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

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

BOROUGH OF CHAMBERSBURG
OPEB (Other Postemployment Benefit Plan)
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
1/1/2017	\$ -	\$ 2,072,359	\$ 2,072,359	0.00%	\$ 13,822,923	14.99%
1/1/2015	-	1,746,295	1,746,295	0.00%	12,170,331	14.35%
1/1/2012	-	1,538,475	1,538,475	0.00%	10,572,905	14.55%

BOROUGH OF CHAMBERSBURG
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
Year Ended December 31, 2017

	Original/Final Budget	Actual (Budgetary/ GAAP Basis)	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes	\$ 8,115,000	\$ 8,038,752	\$ (76,248)
Licenses and permits	392,600	501,057	108,457
Fines and forfeits	165,000	152,342	(12,658)
Interest earnings and unrealized investment gains (losses)	12,900	(49,124)	(62,024)
Intergovernmental	907,125	916,959	9,834
Departmental charges for services	1,782,700	1,881,459	98,759
Miscellaneous	177,500	227,028	49,528
Total revenues	<u>11,552,825</u>	<u>11,668,473</u>	<u>115,648</u>
EXPENDITURES			
General government	1,588,823	1,468,009	120,814
Police department	5,085,800	4,842,209	243,591
Emergency services	3,792,150	3,832,816	(40,666)
Planning and zoning	627,120	580,913	46,207
Highways	1,250,720	1,073,012	177,708
Culture and recreation	1,138,250	1,191,993	(53,743)
Total expenditures	<u>13,482,863</u>	<u>12,988,952</u>	<u>493,911</u>
Excess (deficiency) of revenues over expenditures	<u>(1,930,038)</u>	<u>(1,320,479)</u>	<u>609,559</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	2,407,400	2,407,400	-
Transfers out	(477,362)	(1,492,262)	(1,014,900)
Total other financing sources and uses	<u>1,930,038</u>	<u>915,138</u>	<u>(1,014,900)</u>
Net change in fund balance	<u>\$ -</u>	<u>(405,341)</u>	<u>\$ (405,341)</u>
Fund balance - beginning		<u>2,083,562</u>	
Fund balance - ending		<u>\$ 1,678,221</u>	

BOROUGH OF CHAMBERSBURG
Required Supplementary Information
Budgetary Comparison Schedule - Special Revenue Fund - Grant Programs
Year Ended December 31, 2017

	Original/Final Budget	Actual (Budgetary/ GAAP Basis)	Variance with Final Budget Positive (Negative)
REVENUES			
Interest earnings and unrealized investment gains (losses)	\$ 800	\$ 827	\$ 27
Intergovernmental	742,677	246,219	(496,458)
Miscellaneous	40,740	26,198	(14,542)
Total revenues	<u>784,217</u>	<u>273,244</u>	<u>(510,973)</u>
EXPENDITURES (by department)			
General government	11,400	35,956	(24,556)
Public safety			
Police department	24,300	25,001	(701)
Fire department	-	15,001	(15,001)
Public works			
Highways	1,500	165,843	(164,343)
Culture and recreation	9,698	-	9,698
Community development	800,152	70,258	729,894
Total expenditures	<u>847,050</u>	<u>312,059</u>	<u>534,991</u>
Excess (deficiency) of revenues over expenditures	<u>(62,833)</u>	<u>(38,815)</u>	<u>24,018</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	8,620	8,620
Transfers out	-	-	-
Total other financing sources and uses	<u>-</u>	<u>8,620</u>	<u>8,620</u>
Net change in fund balance	<u>\$ (62,833)</u>	<u>(30,195)</u>	<u>\$ 32,638</u>
Fund balance - beginning		<u>226,520</u>	
Fund balance - ending		<u>\$ 196,325</u>	

OTHER SUPPLEMENTARY INFORMATION

BOROUGH OF CHAMBERSBURG

Other Governmental Funds

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

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

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

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

BOROUGH OF CHAMBERSBURG
Combining Balance Sheet - Other Governmental Funds
December 31, 2017

	Special Revenue Liquid Fuels Fund	Special Revenue Fire Tax Fund	Special Revenue Recreation Tax Fund	Capital Reserve Fund	Total - Other Governmental Funds
ASSETS					
Cash and equity in pooled cash and investments	\$ 596,333	\$ 40	\$ 580	\$ 6,062,442	\$ 6,659,395
Taxes receivable, net	-	46,628	-	-	46,628
Due from other funds	-	-	-	118,000	118,000
Due from other funds - long term	-	-	-	2,363,218	2,363,218
Other receivables	-	-	-	182,375	182,375
Total assets	<u>\$ 596,333</u>	<u>\$ 46,668</u>	<u>\$ 580</u>	<u>\$ 8,726,035</u>	<u>\$ 9,369,616</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ 143,330	\$ 143,330
Accrued wages, benefits and withholdings	-	-	-	341	341
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>143,671</u>	<u>143,671</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable tax revenue	-	27,089	-	-	27,089
Total deferred inflows of resources	<u>-</u>	<u>27,089</u>	<u>-</u>	<u>-</u>	<u>27,089</u>
FUND BALANCES					
Restricted	596,333	19,579	580	8,582,364	9,198,856
Total fund balances	<u>596,333</u>	<u>19,579</u>	<u>580</u>	<u>8,582,364</u>	<u>9,198,856</u>
Total liabilities and fund balances	<u>\$ 596,333</u>	<u>\$ 46,668</u>	<u>\$ 580</u>	<u>\$ 8,726,035</u>	<u>\$ 9,369,616</u>

BOROUGH OF CHAMBERSBURG
Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
Other Governmental Funds
Year Ended December 31, 2017

	Special Revenue Liquid Fuels Fund	Special Revenue Fire Tax Fund	Special Revenue Recreation Tax Fund	Capital Reserve Fund	Total - Other Governmental Funds
REVENUES					
Taxes	\$ -	\$ 507,738	\$ -	\$ -	\$ 507,738
Interest earnings and unrealized investment gains	5,605	2,946	720	146,650	155,921
Intergovernmental	590,386	-	-	-	590,386
Miscellaneous	-	-	-	51,768	51,768
Total revenues	<u>595,991</u>	<u>510,684</u>	<u>720</u>	<u>198,418</u>	<u>1,305,813</u>
EXPENDITURES					
General government	-	-	-	81,220	81,220
Public safety					
Police department	-	-	-	47,941	47,941
Emergency services	-	-	-	5,125	5,125
Public works					
Highways	-	-	-	1,109,208	1,109,208
Culture and recreation	-	-	141	176,824	176,965
Community development	-	-	-	20,000	20,000
Debt service	-	-	68,724	-	68,724
Total expenditures	<u>-</u>	<u>-</u>	<u>68,865</u>	<u>1,440,318</u>	<u>1,509,183</u>
Excess (deficiency) of revenues over expenditures	<u>595,991</u>	<u>510,684</u>	<u>(68,145)</u>	<u>(1,241,900)</u>	<u>(203,370)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	68,725	1,119,900	1,188,625
Transfers out	-	(509,689)	-	(72,345)	(582,034)
Total other financing sources and uses	<u>-</u>	<u>(509,689)</u>	<u>68,725</u>	<u>1,047,555</u>	<u>606,591</u>
Net change in fund balances	595,991	995	580	(194,345)	403,221
Fund balances - beginning	<u>342</u>	<u>18,584</u>	<u>-</u>	<u>8,776,709</u>	<u>8,795,635</u>
Fund balances - ending	<u>\$ 596,333</u>	<u>\$ 19,579</u>	<u>\$ 580</u>	<u>\$ 8,582,364</u>	<u>\$ 9,198,856</u>

BOROUGH OF CHAMBERSBURG
Budgetary Comparison Schedule - Special Revenue Fund - Liquid Fuels
Year Ended December 31, 2017

	Original/Final Budget	Actual (Budgetary/ GAAP Basis)	Variance with Final Budget Positive (Negative)
REVENUES			
Interest earnings and unrealized investment gains	\$ 4,900	\$ 5,605	\$ 705
Intergovernmental	578,005	590,386	12,381
Total revenues	<u>582,905</u>	<u>595,991</u>	<u>13,086</u>
EXPENDITURES			
	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>582,905</u>	<u>595,991</u>	<u>13,086</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	<u>(582,905)</u>	<u>-</u>	<u>582,905</u>
Total other financing sources and uses	<u>(582,905)</u>	<u>-</u>	<u>582,905</u>
Net change in fund balance	<u>\$ -</u>	595,991	<u>\$ 595,991</u>
Fund balance - beginning		<u>342</u>	
Fund balance - ending		<u>\$ 596,333</u>	

BOROUGH OF CHAMBERSBURG
Budgetary Comparison Schedule – Special Revenue Fund –
Fire Tax Fund
Year Ended December 31, 2017

	Original/Final Budget	Actual (Budgetary/ GAAP Basis)	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes	\$ 486,000	\$ 507,738	\$ 21,738
Interest earnings and unrealized investment gains	<u>1,400</u>	<u>2,946</u>	<u>1,546</u>
Total revenues	<u>487,400</u>	<u>510,684</u>	<u>23,284</u>
EXPENDITURES			
	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>487,400</u>	<u>510,684</u>	<u>23,284</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	<u>(487,400)</u>	<u>(509,689)</u>	<u>(22,289)</u>
Total other financing sources and uses	<u>(487,400)</u>	<u>(509,689)</u>	<u>(22,289)</u>
Net change in fund balance	<u>\$ -</u>	995	<u>\$ 995</u>
Fund balance - beginning		<u>18,584</u>	
Fund balance - ending		<u>\$ 19,579</u>	

BOROUGH OF CHAMBERSBURG
Budgetary Comparison Schedule – Special Revenue Fund –
Recreation Tax Fund
Year Ended December 31, 2017

	Original/Final Budget	Actual (Budgetary/ GAAP Basis)	Variance with Final Budget Positive (Negative)
REVENUES			
Interest earnings and unrealized investment gains	\$ -	\$ 720	\$ 720
Total revenues	<u>-</u>	<u>720</u>	<u>720</u>
EXPENDITURES			
Culture and recreation	-	141	(141)
Debt service	<u>68,725</u>	<u>68,724</u>	<u>1</u>
Total expenditures	<u>68,725</u>	<u>68,865</u>	<u>(140)</u>
Excess (deficiency) of revenues over expenditures	<u>(68,725)</u>	<u>(68,145)</u>	<u>860</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	68,725	68,725	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources and uses	<u>68,725</u>	<u>68,725</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	580	<u>\$ 860</u>
Fund balance - beginning		<u>-</u>	
Fund balance - ending		<u>\$ 580</u>	

BOROUGH OF CHAMBERSBURG
Budgetary Comparison Schedule - Capital Reserve Fund
Year Ended December 31, 2017

	Original/Final Budget	Actual (Budgetary/ GAAP Basis)	Variance with Final Budget Positive (Negative)
REVENUES			
Interest earnings and unrealized investment gains	\$ 39,200	\$ 146,650	\$ 107,450
Intergovernmental	150,000	-	(150,000)
Miscellaneous	<u>59,650</u>	<u>51,768</u>	<u>(7,882)</u>
Total revenues	<u>248,850</u>	<u>198,418</u>	<u>(50,432)</u>
EXPENDITURES			
General government	10,000	81,220	(71,220)
Police department	-	47,941	(47,941)
Emergency services	-	5,125	(5,125)
Highways	1,640,600	1,109,208	531,392
Culture and recreation	595,100	176,824	418,276
Community development	<u>40,000</u>	<u>20,000</u>	<u>20,000</u>
Total expenditures	<u>2,285,700</u>	<u>1,440,318</u>	<u>845,382</u>
Excess (deficiency) of revenues over expenditures	<u>(2,036,850)</u>	<u>(1,241,900)</u>	<u>794,950</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	687,905	1,119,900	431,995
Transfers out	<u>(678,725)</u>	<u>(72,345)</u>	<u>606,380</u>
Total other financing sources and uses	<u>9,180</u>	<u>1,047,555</u>	<u>1,038,375</u>
Net change in fund balance	<u>\$ (2,027,670)</u>	<u>(194,345)</u>	<u>\$ 1,833,325</u>
Fund balance - beginning		<u>8,776,709</u>	
Fund balance - ending		<u>\$ 8,582,364</u>	

OTHER ENTERPRISE FUNDS

BOROUGH OF CHAMBERSBURG
Other Enterprise Funds

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

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

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

BOROUGH OF CHAMBERSBURG
Combining Statement of Net Position - Other Enterprise Funds
December 31, 2017

	Sanitation Fund	Parking, Traffic and Street Lights Fund	Storm Sewer Fund	Total Other Enterprise Funds
ASSETS				
Current assets				
Cash and equity in pooled cash and investments	\$ 1,261,275	\$ 2,069,782	\$ 247,163	\$ 3,578,220
Accounts receivable, net	227,546	20,718	28,183	276,447
Other receivables	4,065	6,674	813	11,552
Prepaid expenses	1,093	-	-	1,093
Total current assets	<u>1,493,979</u>	<u>2,097,174</u>	<u>276,159</u>	<u>3,867,312</u>
Noncurrent assets				
Capital assets not being depreciated:				
Land	413,127	531,219	-	944,346
Construction in progress	-	214,003	94,408	308,411
Capital assets being depreciated:				
Buildings and system	70,196	-	1,712,215	1,782,411
Improvements other than buildings	573,798	560,098	2,971,269	4,105,165
Machinery and equipment	848,280	3,389,619	-	4,237,899
Less accumulated depreciation	<u>(792,203)</u>	<u>(1,963,572)</u>	<u>(1,260,734)</u>	<u>(4,016,509)</u>
Total capital assets	<u>1,113,198</u>	<u>2,731,367</u>	<u>3,517,158</u>	<u>7,361,723</u>
Total noncurrent assets	<u>1,113,198</u>	<u>2,731,367</u>	<u>3,517,158</u>	<u>7,361,723</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pension liability	<u>53,934</u>	<u>27,241</u>	<u>35,572</u>	<u>116,747</u>
Total assets and deferred outflows of resources	<u>\$ 2,661,111</u>	<u>\$ 4,855,782</u>	<u>\$ 3,828,889</u>	<u>\$ 11,345,782</u>
LIABILITIES				
Current liabilities				
Accounts payable	\$ 92,261	\$ 40,349	\$ 34,155	\$ 166,765
Accrued wages payable	23,704	5,703	3,087	32,494
Unearned revenue	-	-	103,742	103,742
Compensated absences - current	22,633	12,249	3,882	38,764
Bonds, notes and loans payable - current	66,859	-	-	66,859
Total current liabilities	<u>205,457</u>	<u>58,301</u>	<u>144,866</u>	<u>408,624</u>
Noncurrent liabilities				
Compensated absences	7,657	12,545	162	20,364
Net pension obligation	278,992	107,010	48,409	434,411
Total OPEB obligation	73,659	28,251	12,781	114,691
Bonds, notes and loans payable	<u>855,561</u>	<u>-</u>	<u>-</u>	<u>855,561</u>
Total non-current liabilities	<u>1,215,869</u>	<u>147,806</u>	<u>61,352</u>	<u>1,425,027</u>
Total liabilities	<u>1,421,326</u>	<u>206,107</u>	<u>206,218</u>	<u>1,833,651</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension liability	<u>116,801</u>	<u>16,356</u>	<u>7,399</u>	<u>140,556</u>
NET POSITION				
Net investment in capital assets	190,778	2,731,332	3,488,719	6,410,829
Unrestricted	<u>932,206</u>	<u>1,901,987</u>	<u>126,553</u>	<u>2,960,746</u>
Total net position	<u>1,122,984</u>	<u>4,633,319</u>	<u>3,615,272</u>	<u>9,371,575</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 2,661,111</u>	<u>\$ 4,855,782</u>	<u>\$ 3,828,889</u>	<u>\$ 11,345,782</u>

BOROUGH OF CHAMBERSBURG
Combining Statement of Revenues, Expenses, and Changes in Net Position -
Other Enterprise Funds
Year Ended December 31, 2017

	Sanitation Fund	Parking, Traffic and Street Lights Fund	Storm Sewer Fund	Total Other Enterprise Funds
OPERATING REVENUES				
Charges for services	\$ 2,981,244	\$ 98,640	\$ 395,872	\$ 3,475,756
Miscellaneous	<u>71,812</u>	<u>43,527</u>	<u>1,867</u>	<u>117,206</u>
Total operating revenues	<u>3,053,056</u>	<u>142,167</u>	<u>397,739</u>	<u>3,592,962</u>
OPERATING EXPENSES				
Operation and maintenance	-	735,335	-	735,335
Collection and disposal	2,455,038	-	165,048	2,620,086
Customer accounting and administrative	306,531	155,073	143,946	605,550
Depreciation	<u>116,536</u>	<u>125,937</u>	<u>88,552</u>	<u>331,025</u>
Total operating expenses	<u>2,878,105</u>	<u>1,016,345</u>	<u>397,546</u>	<u>4,291,996</u>
Operating income (loss)	<u>174,951</u>	<u>(874,178)</u>	<u>193</u>	<u>(699,034)</u>
NONOPERATING REVENUES (EXPENSES)				
Interest earnings and unrealized investment gains (losses)	15,203	24,107	2,844	42,154
Gain (loss) on sale of assets	303	-	-	303
Intergovernmental revenues	71,581	9,865	2,725	84,171
Interest expense and debt issuance costs	<u>(30,846)</u>	<u>-</u>	<u>-</u>	<u>(30,846)</u>
Total nonoperating revenue (expenses)	<u>56,241</u>	<u>33,972</u>	<u>5,569</u>	<u>95,782</u>
Income (loss) before contributions and transfers	<u>231,192</u>	<u>(840,206)</u>	<u>5,762</u>	<u>(603,252)</u>
Capital contributions and grants	-	13,630	292,755	306,385
Transfers in	-	1,342,549	-	1,342,549
Transfers out	<u>(44,800)</u>	<u>(650)</u>	<u>-</u>	<u>(45,450)</u>
Change in net position	<u>186,392</u>	<u>515,323</u>	<u>298,517</u>	<u>1,000,232</u>
Total net position - beginning	<u>936,592</u>	<u>4,117,996</u>	<u>3,316,755</u>	<u>8,371,343</u>
Total net position - ending	<u>\$ 1,122,984</u>	<u>\$ 4,633,319</u>	<u>\$ 3,615,272</u>	<u>\$ 9,371,575</u>

BOROUGH OF CHAMBERSBURG
Combining Statement of Cash Flows - Other Enterprise Funds
Year Ended December 31, 2017

	Sanitation Fund	Parking, Traffic and Street Lights Fund	Storm Sewer Fund	Total Other Enterprise Funds
Cash flows from operating activities:				
Receipts from customers	\$ 3,029,947	\$ 141,757	\$ 390,255	\$ 3,561,959
Payments to suppliers	(1,761,291)	(643,283)	(183,015)	(2,587,589)
Payments to and on behalf of employees	(953,251)	(215,504)	(111,926)	(1,280,681)
Net cash provided (used) by operating activities	<u>315,405</u>	<u>(717,030)</u>	<u>95,314</u>	<u>(306,311)</u>
Cash flows from capital and related financing activities:				
Purchase of capital assets	(769)	(298,872)	(119,656)	(419,297)
Proceeds from sale of assets	4,522	-	-	4,522
Principal paid on capital debt	(70,945)	-	-	(70,945)
Interest and fiscal charges paid on capital debt	(30,846)	-	-	(30,846)
Net cash provided (used) by capital and related financing activities	<u>(98,038)</u>	<u>(298,872)</u>	<u>(119,656)</u>	<u>(516,566)</u>
Cash flows from non-capital financing activities:				
Transfers from other funds	-	1,342,549	-	1,342,549
Transfer to other funds	(44,800)	(650)	-	(45,450)
Grants received	71,581	9,865	106,467	187,913
Net cash provided (used) by non-capital financing activities	<u>26,781</u>	<u>1,351,764</u>	<u>106,467</u>	<u>1,485,012</u>
Cash flows from investing activities:				
Interest and dividends received	15,253	24,028	2,326	41,607
Net cash provided (used) by investing activities	<u>15,253</u>	<u>24,028</u>	<u>2,326</u>	<u>41,607</u>
Net increase (decrease) in cash and cash equivalents	259,401	359,890	84,451	703,742
Market appreciation (depreciation) (*)	(961)	(1,247)	218	(1,990)
Total increase (decrease) in cash and cash equivalents	<u>258,440</u>	<u>358,643</u>	<u>84,669</u>	<u>701,752</u>
Cash and cash equity in pooled cash and investments - beginning of the year	<u>1,002,835</u>	<u>1,711,139</u>	<u>162,494</u>	<u>2,876,468</u>
Cash and cash equity in pooled cash and investments - end of the year	<u>\$ 1,261,275</u>	<u>\$ 2,069,782</u>	<u>\$ 247,163</u>	<u>\$ 3,578,220</u>
Reconciliation of income (loss) from operations to net cash provided (used) by operating activities				
Operating income (loss)	\$ 174,951	\$ (874,178)	\$ 193	(\$ 699,034)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation and amortization expense	116,536	125,937	88,552	331,025
Miscellaneous nonoperating income	-	-	-	-
(Increase) decrease in:				
Accounts receivable	(23,109)	(410)	(7,484)	(31,003)
Prepaid expenses	(108)	-	-	(108)
Increase (decrease) in:				
Accounts payable and accrued expenses	51,814	24,666	5,093	81,573
Net pension liability and related deferred outflows and inflows	(4,679)	6,955	8,960	11,236
Net cash provided (used) by operating activities	<u>\$ 315,405</u>	<u>\$ (717,030)</u>	<u>\$ 95,314</u>	<u>\$ (306,311)</u>
Non-cash investing, capital and non-capital financing activities				
Donated assets from developers	\$ -	\$ 13,630	\$ 292,755	\$ 306,385
Market appreciation (depreciation) (*)	(961)	(1,247)	218	(1,990)

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

BOROUGH OF CHAMBERSBURG

Internal Service Funds

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

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

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

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

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

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

BOROUGH OF CHAMBERSBURG
Combining Statement of Net Position - Internal Service Funds
December 31, 2017

	Stores Fund	Motor Equipment Fund	Self Insurance Fund
ASSETS			
Current assets			
Cash and equity in pooled cash and investments	\$ 172,631	\$ 5,384,104	\$ 6,795,991
Accounts receivable, net	819	2,265	-
Other receivables	559	17,346	21,886
Inventories	1,208,830	97,251	-
Prepaid expenses	322	1,219	-
Total current assets	<u>1,383,161</u>	<u>5,502,185</u>	<u>6,817,877</u>
Noncurrent assets			
Capital assets not being depreciated:			
Land	-	13,984	-
Construction in progress	-	-	-
Capital assets being depreciated:			
Buildings and system	5,823	149,981	-
Machinery and equipment	3,993	11,204,370	-
Less accumulated depreciation	<u>(7,998)</u>	<u>(5,474,869)</u>	<u>-</u>
Total capital assets	<u>1,818</u>	<u>5,893,466</u>	<u>-</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension liability	<u>13,791</u>	<u>24,751</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 1,398,770</u>	<u>\$ 11,420,402</u>	<u>\$ 6,817,877</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 33,309	\$ 14,419	\$ 9,965
Accrued wages payable	15,781	10,835	1,858
Due to other funds	-	-	-
Compensated absences - current	3,389	20,021	2,072
Liability for self insured losses - current	-	-	42,666
Bonds, notes and loans payable - current	-	-	-
Total current liabilities	<u>52,479</u>	<u>45,275</u>	<u>56,561</u>
Noncurrent liabilities			
Compensated absences	2,869	22,162	86
Liability for self insured losses	-	-	122,446
Net pension obligation	71,340	128,030	-
Total OPEB obligation	18,834	33,802	-
Bonds, notes and loans payable	-	-	-
Total noncurrent liabilities	<u>93,043</u>	<u>183,994</u>	<u>122,532</u>
Total liabilities	<u>145,522</u>	<u>229,269</u>	<u>179,093</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension liability	<u>12,627</u>	<u>37,159</u>	<u>-</u>
NET POSITION			
Net investment in capital assets	1,818	5,893,466	-
Unrestricted	<u>1,238,803</u>	<u>5,260,508</u>	<u>6,638,784</u>
Total net position	<u>1,240,621</u>	<u>11,153,974</u>	<u>6,638,784</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 1,398,770</u>	<u>\$ 11,420,402</u>	<u>\$ 6,817,877</u>

Engineering Fund	Worker's Compensation Fund	Administrative Services Fund	Total Internal Service Funds
\$ 613,515	\$ 243,209	\$ -	\$ 13,209,450
30	-	-	3,114
1,982	779	-	42,552
-	-	-	1,306,081
-	-	-	1,541
<u>615,527</u>	<u>243,988</u>	<u>-</u>	<u>14,562,738</u>
-	-	-	13,984
-	-	4,390,368	4,390,368
-	-	-	155,804
46,979	-	65,751	11,321,093
(39,274)	-	(15,124)	(5,537,265)
<u>7,705</u>	<u>-</u>	<u>4,440,995</u>	<u>10,343,984</u>
<u>70,516</u>	<u>-</u>	<u>389,033</u>	<u>498,091</u>
<u>\$ 693,748</u>	<u>\$ 243,988</u>	<u>\$ 4,830,028</u>	<u>\$ 25,404,813</u>
\$ 1,528	\$ 6,115	\$ 845,064	\$ 910,400
11,237	-	88,332	128,043
-	-	6,037	6,037
28,231	-	184,688	238,401
-	97,320	-	139,986
-	-	154,587	154,587
<u>40,996</u>	<u>103,435</u>	<u>1,278,708</u>	<u>1,577,454</u>
27,430	-	160,595	213,142
-	279,296	-	401,742
280,902	-	1,782,234	2,262,506
74,162	-	470,538	597,336
-	-	2,720,035	2,720,035
<u>382,494</u>	<u>279,296</u>	<u>5,133,402</u>	<u>6,194,761</u>
<u>423,490</u>	<u>382,731</u>	<u>6,412,110</u>	<u>7,772,215</u>
<u>42,933</u>	<u>-</u>	<u>272,391</u>	<u>365,110</u>
7,705	-	789,176	6,692,165
<u>219,620</u>	<u>(138,743)</u>	<u>(2,643,649)</u>	<u>10,575,323</u>
<u>227,325</u>	<u>(138,743)</u>	<u>(1,854,473)</u>	<u>17,267,488</u>
<u>\$ 693,748</u>	<u>\$ 243,988</u>	<u>\$ 4,830,028</u>	<u>\$ 25,404,813</u>

BOROUGH OF CHAMBERSBURG
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position -
Internal Service Funds
Year Ended December 31, 2017

	Stores Fund	Motor Equipment Fund	Self Insurance Fund
OPERATING REVENUES			
Charges for services	\$ 151,687	\$ 2,265,109	\$ 256,334
Miscellaneous	-	-	-
Total operating revenues	<u>151,687</u>	<u>2,265,109</u>	<u>256,334</u>
OPERATING EXPENSES			
Operation and maintenance	387,347	1,015,802	-
General and administrative	150,308	443,322	46,386
Claim payments and special services	-	-	555,211
Increase (decrease) in expected unpaid losses	-	-	(18,876)
Depreciation and amortization	247	714,712	-
Total operating expenses	<u>537,902</u>	<u>2,173,836</u>	<u>582,721</u>
Operating income (loss)	<u>(386,215)</u>	<u>91,273</u>	<u>(326,387)</u>
NONOPERATING REVENUES (EXPENSES)			
Interest earnings and unrealized investment gains (losses)	5,476	67,776	78,111
Gain (loss) on sale of assets	(1,517)	17,010	-
Other nonoperating revenues	619	4,219	-
Reimbursement of prior year expense	-	-	502,020
Intergovernmental revenue	16,350	12,590	-
Interest expense and debt issuance costs	-	-	-
Total non-operating revenue (expenses)	<u>20,928</u>	<u>101,595</u>	<u>580,131</u>
Income (loss) before transfers	(365,287)	192,868	253,744
Transfers in	208,000	557,689	75,000
Transfers out	<u>(875)</u>	<u>(541,250)</u>	<u>-</u>
Change in net position	(158,162)	209,307	328,744
Total net position - beginning	<u>1,398,783</u>	<u>10,944,667</u>	<u>6,310,040</u>
Total net position - ending	<u>\$ 1,240,621</u>	<u>\$ 11,153,974</u>	<u>\$ 6,638,784</u>

Engineering Fund	Worker's Compensation Fund	Administrative Services Fund	Total Internal Service Funds
\$ 484,562	\$ -	\$ 5,578,301	\$ 8,735,993
<u>7,716</u>	<u>-</u>	<u>3,885</u>	<u>11,601</u>
<u>492,278</u>	<u>-</u>	<u>5,582,186</u>	<u>8,747,594</u>
42,918	-	4,908,124	6,354,191
266,228	112,448	-	1,018,692
-	114,019	-	669,230
-	(222,457)	-	(241,333)
<u>1,582</u>	<u>-</u>	<u>9,301</u>	<u>725,842</u>
<u>310,728</u>	<u>4,010</u>	<u>4,917,425</u>	<u>8,526,622</u>
<u>181,550</u>	<u>(4,010)</u>	<u>664,761</u>	<u>220,972</u>
6,923	4,030	-	162,316
-	-	-	15,493
-	-	212	5,050
-	-	-	502,020
15,533	-	111,318	155,791
<u>-</u>	<u>-</u>	<u>(123,076)</u>	<u>(123,076)</u>
<u>22,456</u>	<u>4,030</u>	<u>(11,546)</u>	<u>717,594</u>
204,006	20	653,215	938,566
-	302,275	-	1,142,964
<u>(106,400)</u>	<u>-</u>	<u>(81,925)</u>	<u>(730,450)</u>
97,606	302,295	571,290	1,351,080
<u>129,719</u>	<u>(441,038)</u>	<u>(2,425,763)</u>	<u>15,916,408</u>
<u>\$ 227,325</u>	<u>\$ (138,743)</u>	<u>\$ (1,854,473)</u>	<u>\$ 17,267,488</u>

BOROUGH OF CHAMBERSBURG
Statement of Cash Flows – Internal Service Funds
Year Ended December 31, 2017

	Stores Fund	Motor Equipment Fund	Self Insurance Fund
Cash flows from operating activities:			
Interfund services provided	\$ 151,487	\$ 2,267,382	\$ 256,334
Payments to suppliers	(76,156)	(1,042,486)	(591,632)
Payments to and on behalf of employees	(471,726)	(420,551)	192
Net cash provided (used) by operating activities	<u>(396,395)</u>	<u>804,345</u>	<u>(335,106)</u>
Cash flows from capital and related financing activities:			
Proceeds from capital debt	-	-	-
Purchase of capital assets	(1,618)	(1,653,374)	-
Proceeds from sale of capital assets	-	17,010	-
Interest and fiscal charges paid on capital debt	-	-	-
Net cash provided (used) by capital and related financing activities	<u>(1,618)</u>	<u>(1,636,364)</u>	<u>-</u>
Cash flows from non-capital financing activities:			
Transfer from other funds	208,000	557,689	75,000
Transfer to other funds	(875)	(541,250)	-
Refund received for health insurance	-	-	502,020
Grants received	16,350	12,590	-
Net cash provided (used) by non-capital financing activities	<u>223,475</u>	<u>29,029</u>	<u>577,020</u>
Cash flows from investing activities:			
Interest and dividends received	4,836	68,655	83,754
Net cash provided (used) by investing activities	<u>4,836</u>	<u>68,655</u>	<u>83,754</u>
Net increase (decrease) in cash and cash equivalents	(169,702)	(734,335)	325,668
Market appreciation (depreciation) (*)	1,154	896	(7,304)
Total increase (decrease) in cash and cash equivalents	<u>(168,548)</u>	<u>(733,439)</u>	<u>318,364</u>
Cash and equity in pooled cash and investments - beginning of the year	<u>341,179</u>	<u>6,117,543</u>	<u>6,477,627</u>
Cash and equity in pooled cash and investments - end of the year	<u>\$ 172,631</u>	<u>\$ 5,384,104</u>	<u>\$ 6,795,991</u>
Reconciliation of income from operations to net cash provided (used) by operating activities			
Operating income (loss)	\$ (386,215)	\$ 91,273	\$ (326,387)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation and amortization expense	247	714,712	-
Miscellaneous nonoperating income	619	4,219	-
(Increase) decrease in:			
Accounts receivable	(819)	(1,946)	-
Inventories	(51,643)	(18,226)	-
Prepaid expenses	(137)	(61)	-
Increase (decrease) in:			
Accounts payable and accrued expenses	38,440	12,413	(8,719)
Net pension liability and related deferred outflows and inflows	3,113	1,961	-
Due to other funds	-	-	-
Net cash provided (used) by operating activities	<u>\$ (396,395)</u>	<u>\$ 804,345</u>	<u>\$ (335,106)</u>
Non-cash investing, capital and non-capital financing activities			
Market appreciation (depreciation) (*)	\$ 1,154	\$ 896	\$ (7,304)

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

Engineering Fund	Worker's Compensation Fund	Administrative Services Fund	Total
\$ 492,248	\$ -	\$ 5,582,398	\$ 8,749,849
(82,181)	(221,430)	(1,232,727)	(3,246,612)
<u>(197,741)</u>	<u>(4,376)</u>	<u>(3,478,945)</u>	<u>(4,573,147)</u>
<u>212,326</u>	<u>(225,806)</u>	<u>870,726</u>	<u>930,090</u>
-	-	2,874,622	2,874,622
-	-	(3,624,548)	(5,279,540)
-	-	-	17,010
-	-	<u>(150,193)</u>	<u>(150,193)</u>
-	-	<u>(900,119)</u>	<u>(2,538,101)</u>
-	302,275	-	1,142,964
(106,400)	-	(81,925)	(730,450)
-	-	-	502,020
<u>15,533</u>	<u>-</u>	<u>111,318</u>	<u>155,791</u>
<u>(90,867)</u>	<u>302,275</u>	<u>29,393</u>	<u>1,070,325</u>
<u>6,720</u>	<u>3,587</u>	<u>-</u>	<u>167,552</u>
<u>6,720</u>	<u>3,587</u>	<u>-</u>	<u>167,552</u>
128,179	80,056	-	(370,134)
(258)	176	-	(5,336)
<u>127,921</u>	<u>80,232</u>	<u>-</u>	<u>(375,470)</u>
<u>485,594</u>	<u>162,977</u>	<u>-</u>	<u>13,584,920</u>
<u>\$ 613,515</u>	<u>\$ 243,209</u>	<u>\$ -</u>	<u>\$ 13,209,450</u>
\$ 181,550	\$ (4,010)	\$ 664,761	\$ 220,972
1,582	-	9,301	725,842
-	-	212	5,050
(30)	-	-	(2,795)
-	-	-	(69,869)
-	-	-	(198)
11,216	(221,796)	90,748	(77,698)
18,008	-	99,667	122,749
-	-	6,037	6,037
<u>\$ 212,326</u>	<u>\$ (225,806)</u>	<u>\$ 870,726</u>	<u>\$ 930,090</u>
\$ (258)	\$ 176	\$ -	\$ (5,336)

BOROUGH OF CHAMBERSBURG

Trust and Agency Funds

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

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

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

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

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

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

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

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

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

BOROUGH OF CHAMBERSBURG
Combining Statement of Fiduciary Net Position - Pension Trust Funds
December 31, 2017

	Firemen Pension Fund	Police Pension Fund	Bargaining and Administrative Employees Pension Fund	Total Pension Trust Funds
ASSETS				
Cash and cash equivalents	\$ 18,927	\$ 76,334	\$ 116,140	\$ 211,401
Mutual funds - U.S. Government and Agency securities	324,331	661,928	1,081,949	2,068,208
Mutual funds - Corporate bonds	1,846,907	3,770,124	6,158,882	11,775,913
Mutual funds - Stocks	4,090,850	8,354,673	13,650,283	26,095,806
Mutual funds - Real estate securities	191,302	390,607	638,379	1,220,288
Employee contribution receivable	2,055	-	-	2,055
Total assets	<u>\$ 6,474,372</u>	<u>\$ 13,253,666</u>	<u>\$ 21,645,633</u>	<u>\$ 41,373,671</u>
NET POSITION				
Net position restricted for pensions	<u>\$ 6,474,372</u>	<u>\$ 13,253,666</u>	<u>\$ 21,645,633</u>	<u>\$ 41,373,671</u>

BOROUGH OF CHAMBERSBURG
Combining Statement of Changes in Fiduciary Net Position - Pension Trust Funds
Year Ended December 31, 2017

	Firemen Pension Fund	Police Pension Fund	Bargaining and Administrative Employees Pension Fund	Total Pension Trust Funds
ADDITIONS				
Contributions				
Employer	\$ 289,652	\$ 505,579	\$ 641,491	\$ 1,436,722
Plan member	<u>86,683</u>	<u>94,940</u>	<u>490,416</u>	<u>672,039</u>
Total contributions	<u>376,335</u>	<u>600,519</u>	<u>1,131,907</u>	<u>2,108,761</u>
Investment income:				
Net appreciation in fair value of investments and gains on sale of investments	606,078	1,267,787	2,065,932	3,939,797
Interest, dividends and other	<u>131,093</u>	<u>274,185</u>	<u>447,057</u>	<u>852,335</u>
Total net investment earnings	<u>737,171</u>	<u>1,541,972</u>	<u>2,512,989</u>	<u>4,792,132</u>
Total additions	<u>1,113,506</u>	<u>2,142,491</u>	<u>3,644,896</u>	<u>6,900,893</u>
DEDUCTIONS				
Benefits	248,583	924,333	1,498,250	2,671,166
Administrative expenses	<u>20,294</u>	<u>23,275</u>	<u>34,245</u>	<u>77,814</u>
Total deductions	<u>268,877</u>	<u>947,608</u>	<u>1,532,495</u>	<u>2,748,980</u>
Change in net position	844,629	1,194,883	2,112,401	4,151,913
Net position - beginning	<u>5,629,743</u>	<u>12,058,783</u>	<u>19,533,232</u>	<u>37,221,758</u>
Net position - ending	<u>\$ 6,474,372</u>	<u>\$ 13,253,666</u>	<u>\$ 21,645,633</u>	<u>\$ 41,373,671</u>

BOROUGH OF CHAMBERSBURG
Combining Statement of Fiduciary Net Position - Private Purpose Trust Funds
December 31, 2017

	Citizen's Reward Fund	Sister City Fund	Project Heat Fund	Total Private Purpose Trust Funds
ASSETS				
Cash and equity in pooled cash and investments	\$ 10,594	\$ 26,604	\$ 31,453	\$ 68,651
Other receivables	<u>34</u>	<u>-</u>	<u>-</u>	<u>34</u>
Total assets	<u>\$ 10,628</u>	<u>\$ 26,604</u>	<u>\$ 31,453</u>	<u>\$ 68,685</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ 477	\$ 477
Total liabilities	<u>-</u>	<u>-</u>	<u>477</u>	<u>477</u>
NET POSITION				
Held in trust for other purposes	<u>10,628</u>	<u>26,604</u>	<u>30,976</u>	<u>68,208</u>
Total liabilities and net position	<u>\$ 10,628</u>	<u>\$ 26,604</u>	<u>\$ 31,453</u>	<u>\$ 68,685</u>

BOROUGH OF CHAMBERSBURG
Combining Statement of Changes in Fiduciary Net Position -
Private Purpose Trust Funds
Year Ended December 31, 2017

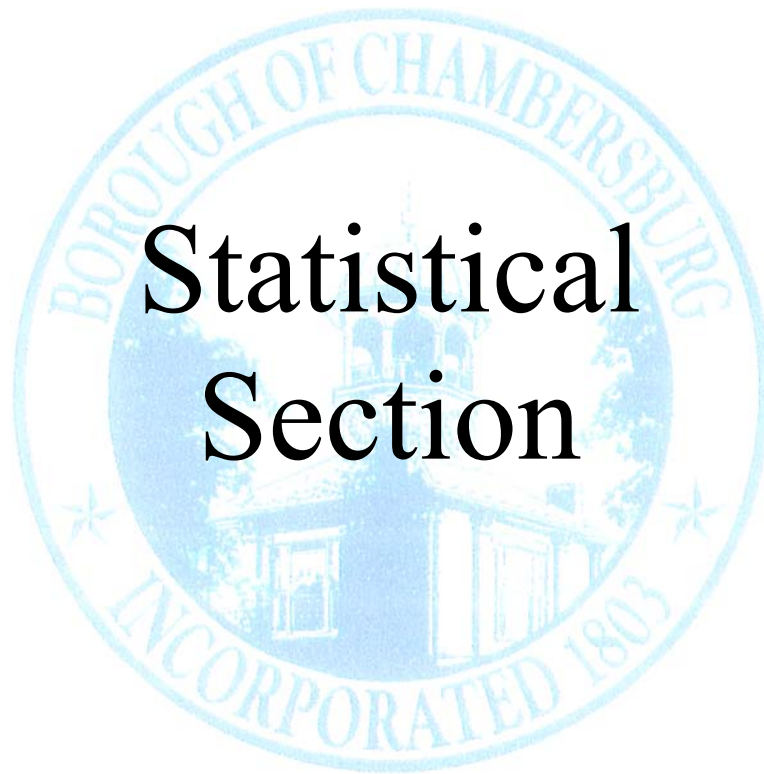
	Citizen's Reward Fund	Sister City Fund	Project Heat Fund	Total Private Purpose Trust Funds
ADDITIONS				
Contributions				
Public contributions and other revenue	\$ -	\$ -	\$ 5,006	\$ 5,006
Transfers in	-	-	20,000	20,000
Total contributions	-	-	25,006	25,006
Investment income:				
Interest earnings and unrealized investment gains (losses)	136	285	510	931
Total additions	136	285	25,516	25,937
DEDUCTIONS				
Administrative expense	-	-	3,128	3,128
Pledge payments to customers/other	-	-	54,870	54,870
Total deductions	-	-	57,998	57,998
Change in net position	136	285	(32,482)	(32,061)
Net position, beginning	10,492	26,319	63,458	100,269
Net position, ending	\$ 10,628	\$ 26,604	\$ 30,976	\$ 68,208

BOROUGH OF CHAMBERSBURG
Combining Statement of Changes in Assets and Liabilities - All Agency Funds
Year Ended December 31, 2017

	1/1/17	Additions	Deductions	12/31/17
PAYROLL CLEARING FUND				
Assets				
Cash and cash equivalents	\$ -	\$ 14,843,704	\$ 14,843,704	\$ -
Total assets	<u>\$ -</u>	<u>\$ 14,843,704</u>	<u>\$ 14,843,704</u>	<u>\$ -</u>
Liabilities				
Withholdings	\$ -	\$ 5,395,209	\$ 5,395,209	\$ -
Total liabilities	<u>\$ -</u>	<u>\$ 5,395,209</u>	<u>\$ 5,395,209</u>	<u>\$ -</u>
CONSUMER DEPOSIT FUND				
Assets				
Cash and cash equivalents	\$ 1,729,847	\$ 925,098	\$ 906,833	\$ 1,748,112
Due from other funds	-	31,163	-	31,163
Other receivables	5,333	25,385	25,094	5,624
Total assets	<u>\$ 1,735,180</u>	<u>\$ 981,646</u>	<u>\$ 931,927</u>	<u>\$ 1,784,899</u>
Liabilities				
Consumer deposits	\$ 1,735,180	\$ 1,312,831	\$ 1,263,112	\$ 1,784,899
Total liabilities	<u>\$ 1,735,180</u>	<u>\$ 1,312,831</u>	<u>\$ 1,263,112</u>	<u>\$ 1,784,899</u>
TOTAL - ALL AGENCY FUNDS				
Assets				
Cash and cash equivalents	\$ 1,729,847	\$ 15,768,802	\$ 15,750,537	\$ 1,748,112
Due from other funds	-	31,163	-	31,163
Other receivables	5,333	25,385	25,094	5,624
Total assets	<u>\$ 1,735,180</u>	<u>\$ 15,825,350</u>	<u>\$ 15,775,631</u>	<u>\$ 1,784,899</u>
Liabilities				
Withholdings	\$ -	\$ 5,395,209	\$ 5,395,209	\$ -
Consumer deposits	1,735,180	1,312,831	1,263,112	1,784,899
Total liabilities	<u>\$ 1,735,180</u>	<u>\$ 6,708,040</u>	<u>\$ 6,658,321</u>	<u>\$ 1,784,899</u>

BOROUGH OF CHAMBERSBURG
Schedule of Taxes Receivable
Year Ended December 31, 2017

	General Purpose	Fire Purpose
Assessed valuation of real property	\$ 201,414,090	\$ 201,414,090
Add: Additions	507,524	507,524
Less: Reductions and exonerations	<u>12,501</u>	<u>12,501</u>
Adjusted assessment	201,909,113	201,909,113
Tax rate	<u>23.0</u> mills	<u>2.5</u> mills
Total tax levied	4,643,910	504,773
Add: Penalties	33,646	3,657
Less: Discounts	(80,900)	(8,796)
Collections	<u>(4,326,101)</u>	<u>(470,225)</u>
2017 taxes receivable - December 31, 2017	270,555	29,409
Prior years' taxes	<u>149,982</u>	<u>17,219</u>
Total taxes receivable - December 31, 2017	<u>\$ 420,537</u>	<u>\$ 46,628</u>



Statistical Section

STATISTICAL SECTION UNAUDITED

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

Contents	Page(s)
Financial Trends These schedules contain trend information to help the reader understand how the municipality's financial performance and well-being have changed over time.	97 - 103
Revenue Capacity These schedules contain information to help the reader assess the municipality's most significant local revenue sources, the property tax, and the earned income tax.	104 - 109
Debt Capacity These schedules present information to help the reader assess the affordability of the municipality's current levels of outstanding debt and the municipality's ability to issue additional debt in the future.	110 - 114
Demographic and Economic Information These schedules offer economic and demographic indicators to help the reader understand the environment within which the municipality's financial activities take place.	115 - 116
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.	117 - 119

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

FINANCIAL TRENDS

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

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

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

	2017	2016	2015	2014	2013	2012 (a)	2011	2010	2009	2008
Governmental activities										
Net investment in capital assets	\$ 22,392,162	\$ 21,924,750	\$ 20,494,089	\$ 22,850,486	\$ 22,561,919	\$ 22,217,709	\$ 25,275,852	\$ 25,907,241	\$ 24,030,856	\$ 22,103,501
Restricted	6,915,510	6,540,937	5,972,633	5,431,916	3,975,045	3,852,332	3,769,761	1,193,916	1,452,889	1,168,346
Unrestricted	(2,150,736)	(1,256,732)	132,897	4,514,636	5,173,101	3,952,283	4,633,198	7,463,807	9,876,322	10,751,978
Total governmental activities net position	27,156,936	27,208,955	26,599,619	32,797,038	31,710,065	30,022,324	33,678,811	34,564,964	35,360,067	34,023,825
Business-type activities										
Net investment in capital assets	119,251,728	116,310,111	111,221,937	94,346,244	85,933,597	81,864,727	76,493,701	75,126,828	74,790,451	71,707,129
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	36,970,431	36,466,775	38,851,232	43,395,900	35,802,218	30,945,382	30,885,875	33,192,820	27,013,942	30,437,794
Total business-type activities net position	156,222,159	152,776,886	150,073,169	137,742,144	121,735,815	112,810,109	107,379,576	108,319,648	101,804,393	102,144,923
Primary government										
Net investment in capital assets	141,643,890	138,234,861	131,716,026	117,196,730	108,495,516	104,082,436	101,769,553	101,034,069	98,821,307	93,810,630
Restricted	6,915,510	6,540,937	5,972,633	5,431,916	3,975,045	3,852,332	3,769,761	1,193,916	1,452,889	1,168,346
Unrestricted	34,819,695	35,210,043	38,984,129	47,910,536	40,975,319	34,897,665	35,519,073	40,656,627	36,890,264	41,189,772
Total primary government net position	\$183,379,095	\$179,985,841	\$176,672,788	\$170,539,182	\$153,445,880	\$142,832,433	\$141,058,387	\$142,884,612	\$137,164,460	\$136,168,748

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

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Expenses										
Governmental activities										
General government	\$ 2,294,640	\$ 2,163,331	\$ 1,308,686	\$ 1,871,895	\$ 1,632,713	\$ 1,696,708	\$ 1,460,984	\$ 1,143,438	\$ 1,380,277	\$ 1,041,494
Public safety	9,477,333	8,993,278	8,722,730	8,044,957	7,882,241	7,697,570	8,274,656	8,186,805	7,372,746	7,335,996
Public works	1,673,405	1,658,783	1,483,408	1,728,115	1,814,913	1,655,579	2,315,450	2,113,662	1,963,186	1,117,850
Culture and recreation	1,413,812	1,690,579	1,561,445	1,383,781	1,378,850	1,353,831	1,442,428	1,931,419	1,453,670	1,469,475
Community development	286,185	962,778	309,197	498,846	655,614	539,858	776,979	313,210	475,765	661,485
Interest expense and debt issuance costs	92,027	56,212	-	-	-	-	-	-	-	-
Total governmental activities expenses	15,237,402	15,524,961	13,385,466	13,527,594	13,364,331	12,943,546	14,270,497	13,688,534	12,645,644	11,626,300
Business-type activities										
Electric	25,729,659	26,383,643	26,082,326	27,588,665	25,296,812	32,925,694	33,550,331	30,413,576	33,623,997	26,899,617
Gas	5,564,198	5,089,708	5,513,289	7,263,637	7,033,202	6,531,657	7,136,724	7,311,796	8,694,454	10,858,357
Water	3,462,915	7,047,612	3,394,584	3,296,954	3,123,219	2,950,841	2,898,515	2,617,711	2,831,476	2,674,069
Sewer	7,981,669	6,290,729	5,891,206	5,555,216	5,185,515	5,260,073	5,283,679	5,630,067	5,152,404	5,372,469
Swimming pool	-	163,013	-	-	-	-	-	-	-	-
Sanitation	2,857,397	2,984,839	2,493,738	2,465,248	2,322,274	2,205,691	2,274,672	2,070,085	2,092,023	2,045,442
Parking, traffic and street lights	998,553	987,489	968,851	857,249	761,190	760,007	173,881	166,447	164,223	145,482
Storm Sewer	389,564	370,805	264,641	-	-	-	-	-	-	-
Total business-type activities expenses	46,983,955	49,317,838	44,608,635	47,026,969	43,722,212	50,633,963	51,317,802	48,209,682	52,558,577	47,995,436
Total primary government expenses	\$ 62,221,357	\$ 64,842,799	\$ 57,994,101	\$ 60,554,563	\$ 57,086,543	\$ 63,577,509	\$ 65,588,299	\$ 61,898,216	\$ 65,204,221	\$ 59,621,736
Program revenues										
Governmental activities										
Charges for services										
General government	\$ 572,926	\$ 532,334	\$ 471,697	\$ 360,506	\$ 455,531	\$ 334,574	\$ 404,010	\$ 544,572	\$ 455,042	\$ 474,050
Public safety	1,941,723	1,874,555	1,883,333	1,997,494	1,717,115	1,692,575	1,394,915	1,414,129	1,274,477	1,234,849
Public works	3,770	2,650	2,695	1,784	1,845	806	2,391	2,880	3,366	4,314
Culture and recreation	216,967	417,064	365,388	355,229	402,534	438,791	412,401	413,090	418,973	398,106
Community development	-	-	-	-	-	-	-	-	-	-
Interest expense and debt issuance costs	-	-	-	-	-	-	-	-	-	-
Operating grants and contributions	1,781,090	2,614,177	1,688,126	2,431,255	2,746,623	2,089,208	2,189,108	1,874,440	1,414,482	1,775,741
Capital grants and contributions	42,044	346,069	253,796	964,645	1,325,376	171,505	511,286	1,118,987	2,901,458	2,026,960
Total governmental activities program revenues	4,558,520	5,786,849	4,665,035	6,110,913	6,649,024	4,727,459	4,914,111	5,368,098	6,467,798	5,914,020
Business-type activities										
Charges for services										
Electric	28,452,711	29,385,789	30,286,293	31,695,974	31,914,866	31,823,441	32,243,631	34,765,216	30,785,021	25,655,849
Gas	6,838,981	5,470,742	6,261,957	9,105,354	8,273,829	7,368,579	7,812,764	8,323,329	9,410,294	10,971,012
Water	3,638,154	3,356,786	3,142,529	3,150,530	3,101,815	3,460,555	3,075,317	3,196,140	3,375,869	3,469,626
Sewer	6,633,050	5,864,946	5,567,270	5,376,373	5,507,845	5,317,072	5,084,952	4,570,569	4,096,262	4,068,865
Swimming pool	2,987	-	-	-	-	-	-	-	-	-
Sanitation	3,057,311	2,966,732	2,440,813	2,475,937	2,452,154	1,997,409	2,032,789	2,039,950	2,045,885	2,067,715
Parking, traffic and street lights	141,881	153,300	197,041	206,656	179,281	168,168	182,707	134,397	134,927	137,939
Storm Sewer	397,739	296,377	295,362	-	-	-	-	-	-	-
Operating grants and contributions	328,881	385,322	239,650	284,758	264,847	139,192	518,395	706,484	168,207	173,335
Capital grants and contributions	2,179,904	7,141,427	11,740,114	11,506,390	2,484,348	3,643,331	1,195,252	1,320,441	3,400,102	2,619,182
Total business-type activities program revenues	51,671,599	55,021,421	60,171,029	63,801,972	54,178,985	53,917,747	52,145,807	55,056,526	53,416,567	49,163,523
Total primary government program revenues	\$ 56,230,119	\$ 60,808,270	\$ 64,836,064	\$ 69,912,885	\$ 60,828,009	\$ 58,645,206	\$ 57,059,918	\$ 60,424,624	\$ 59,884,365	\$ 55,077,543

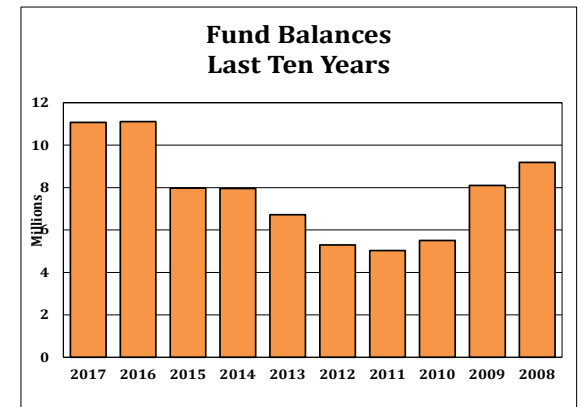
Schedule 2
Borough of Chambersburg, PA
Changes in Net Position (Continued)
Last Ten Years
(accrual basis of accounting)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Net (expense)/revenue										
Governmental activities	\$ (10,678,882)	\$ (9,738,112)	\$ (8,720,431)	\$ (7,416,681)	\$ (6,715,307)	\$ (8,216,087)	\$ (9,356,386)	\$ (8,320,436)	\$ (6,177,846)	\$ (5,712,280)
Business-type activities	4,687,644	5,703,583	15,562,394	16,775,003	10,456,773	3,283,784	828,005	6,846,844	857,990	1,168,087
Total primary government net expenses	<u>\$ (5,991,238)</u>	<u>\$ (4,034,529)</u>	<u>\$ 6,841,963</u>	<u>\$ 9,358,322</u>	<u>\$ 3,741,466</u>	<u>\$ (4,932,303)</u>	<u>\$ (8,528,381)</u>	<u>\$ (1,473,592)</u>	<u>\$ (5,319,856)</u>	<u>\$ (4,544,193)</u>
General revenues and other changes in net position										
Governmental activities										
Taxes										
Property taxes	\$ 4,647,594	\$ 4,651,001	\$ 4,142,267	\$ 4,079,972	\$ 3,871,122	\$ 3,860,019	\$ 3,797,204	\$ 3,732,778	\$ 3,710,125	\$ 3,627,868
Real estate transfer tax	467,067	649,324	779,004	317,334	261,049	296,618	265,172	240,954	272,005	540,465
Earned income tax	1,999,358	2,130,470	1,853,327	1,840,955	1,804,341	1,753,574	1,561,233	1,524,001	1,390,053	1,907,032
Local services tax	824,411	921,024	702,097	797,699	729,747	747,799	744,131	757,564	860,057	775,600
Fire tax	504,460	503,954	491,328	486,642	-	-	-	-	-	-
Other taxes	90,970	82,118	74,975	60,819	62,682	14,803	14,213	13,408	12,616	11,682
Gain on sale of assets	-	-	-	-	(13,184)	-	-	-	-	-
Unrestricted contributions and grants	-	-	-	-	-	-	-	-	-	22,816
Unrestricted investment earnings	149,219	2,108	35,331	20,707	11,165	19,745	40,144	60,048	181,223	404,894
Miscellaneous income	36,190	25,245	39,477	16,612	29,829	10,557	51,117	24,360	57,152	36,279
Transfer of capital assets	-	-	(3,076,765)	-	-	-	-	-	-	-
Transfers	1,907,594	1,632,974	2,323,202	882,914	1,646,297	(2,143,515)	1,997,019	1,172,220	1,705,586	1,562,682
Total governmental activities	<u>\$ 10,626,863</u>	<u>\$ 10,598,218</u>	<u>\$ 7,364,243</u>	<u>\$ 8,503,654</u>	<u>\$ 8,403,048</u>	<u>\$ 4,559,600</u>	<u>\$ 8,470,233</u>	<u>\$ 7,525,333</u>	<u>\$ 8,188,817</u>	<u>\$ 8,889,318</u>
Business-type activities										
Unrestricted investment earnings	\$ 604,900	\$ (1,158)	\$ 101,695	\$ 90,602	\$ 41,143	\$ 60,705	\$ 125,701	\$ 187,285	\$ 358,101	\$ 969,639
Miscellaneous income	60,323	50,670	30,679	23,638	74,087	42,013	103,241	124,596	148,965	190,867
Transfer of capital assets	-	-	3,076,765	-	-	-	-	-	-	-
Transfers	(1,907,594)	(1,632,974)	(2,323,202)	(882,914)	(1,646,297)	2,143,515	(1,997,019)	(1,172,220)	(1,705,586)	(1,562,682)
Total business-type activities	<u>\$ (1,242,371)</u>	<u>\$ (1,583,462)</u>	<u>\$ 885,937</u>	<u>\$ (768,674)</u>	<u>\$ (1,531,067)</u>	<u>\$ 2,246,233</u>	<u>\$ (1,768,077)</u>	<u>\$ (860,339)</u>	<u>\$ (1,198,520)</u>	<u>\$ (402,176)</u>
Total primary government	\$ 9,384,492	\$ 9,014,756	\$ 8,250,180	\$ 7,734,980	\$ 6,871,981	\$ 6,805,833	\$ 6,702,156	\$ 6,664,994	\$ 6,990,297	\$ 8,487,142
Change in net position										
Governmental activities	(52,019)	860,106	(1,356,188)	1,086,973	1,687,741	(3,656,487)	(886,153)	(795,103)	2,010,971	3,177,038
Business-type activities	3,445,273	4,120,121	16,448,331	16,006,329	8,925,706	5,530,017	(940,072)	5,986,505	(340,530)	765,911
Total primary government change in net position	<u>\$ 3,393,254</u>	<u>\$ 4,980,227</u>	<u>\$ 15,092,143</u>	<u>\$ 17,093,302</u>	<u>\$ 10,613,447</u>	<u>\$ 1,873,530</u>	<u>\$ (1,826,225)</u>	<u>\$ 5,191,402</u>	<u>\$ 1,670,441</u>	<u>\$ 3,942,949</u>

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General fund										
Unassigned	\$ 1,678,221	\$ 2,083,562	\$ 1,993,240	\$ 2,532,654	\$ 2,746,679	\$ 1,450,260	\$ 1,259,687	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-	-	-	1,375,034	2,139,230	3,022,011
Total general fund	<u>1,678,221</u>	<u>2,083,562</u>	<u>1,993,240</u>	<u>2,532,654</u>	<u>2,746,679</u>	<u>1,450,260</u>	<u>1,259,687</u>	<u>1,375,034</u>	<u>2,139,230</u>	<u>3,022,011</u>
All other governmental funds										
Reserved	-	-	-	-	-	-	-	583,627	506,093	439,688
Unreserved, reported in										
Special revenue fund	-	-	-	-	-	-	-	860,642	1,096,594	858,329
Capital reserve funds	-	-	-	-	-	-	-	2,688,148	4,359,108	4,871,296
Nonspendable for long term receivables	-	2,553,604	203,916	229,855	241,387	237,186	249,133	-	-	-
Restricted	9,395,181	6,468,551	5,768,717	5,202,061	3,733,658	3,615,146	3,520,628	-	-	-
Total all other governmental funds	<u>9,395,181</u>	<u>9,022,155</u>	<u>5,972,633</u>	<u>5,431,916</u>	<u>3,975,045</u>	<u>3,852,332</u>	<u>3,769,761</u>	<u>4,132,417</u>	<u>5,961,795</u>	<u>6,169,313</u>
Total governmental funds	<u>\$ 11,073,402</u>	<u>\$ 11,105,717</u>	<u>\$ 7,965,873</u>	<u>\$ 7,964,570</u>	<u>\$ 6,721,724</u>	<u>\$ 5,302,592</u>	<u>\$ 5,029,448</u>	<u>\$ 5,507,451</u>	<u>\$ 8,101,025</u>	<u>\$ 9,191,324</u>

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



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

	2017	2016	2015	2014
REVENUES				
Real estate taxes	\$ 5,236,759	\$ 5,203,376	\$ 4,640,063	\$ 4,698,871
Local enabling taxes	3,309,731	3,523,969	3,500,815	2,970,211
Licenses and permits	501,057	450,972	380,070	332,478
Fines and forfeits	152,342	162,220	174,703	182,691
Investment earnings and unrealized investment gains (losses)	107,624	4,723	27,537	13,914
Intergovernmental	1,753,564	2,949,843	1,939,468	3,357,515
Charges for services	1,881,459	2,078,112	2,016,983	2,062,651
Miscellaneous	304,994	200,400	212,589	187,075
Contributions and donations	-	-	71,190	4,636
Total revenues	13,247,530	14,573,615	12,963,418	13,810,042
EXPENDITURES				
Current:				
General government	1,585,185	1,872,101	1,512,044	1,321,670
Public safety				
Police department	4,915,151	4,502,431	4,480,390	4,175,714
Emergency services	3,852,942	3,948,697	3,741,239	3,581,379
Planning and zoning	580,913	556,019	527,330	432,463
General health and ambulance service	-	-	-	-
Public works				
Highways	2,348,063	2,943,465	2,405,159	2,591,445
Parking, traffic control, and transit system	-	-	-	-
Culture and recreation	1,368,958	1,509,699	1,486,241	1,508,108
Community development	90,258	664,353	258,376	237,696
Debt service				
Bond issue costs	68,724	45,239	-	-
Total expenditures	14,810,194	16,042,004	14,410,779	13,848,475
Excess (deficiency) of revenues over expenditures	<u>(1,562,664)</u>	<u>(1,468,389)</u>	<u>(1,447,361)</u>	<u>(38,433)</u>
OTHER FINANCING SOURCES (USES)				
Issuance of long term financing	-	2,500,000	-	-
Bond premium	-	26,457	-	-
Transfers in (out)	1,530,349	2,332,546	1,880,728	1,281,279
Total other financing sources and uses	1,530,349	4,859,003	1,880,728	1,281,279
Net change in fund balances	\$ (32,315)	\$ 3,390,614	\$ 433,367	\$ 1,242,846
Debt service as a percentage of non-capital expenditures	0.52%	0.33%	0.00%	0.00%
Debt service as a percentage of total expenditures	0.46%	0.28%	0.00%	0.00%

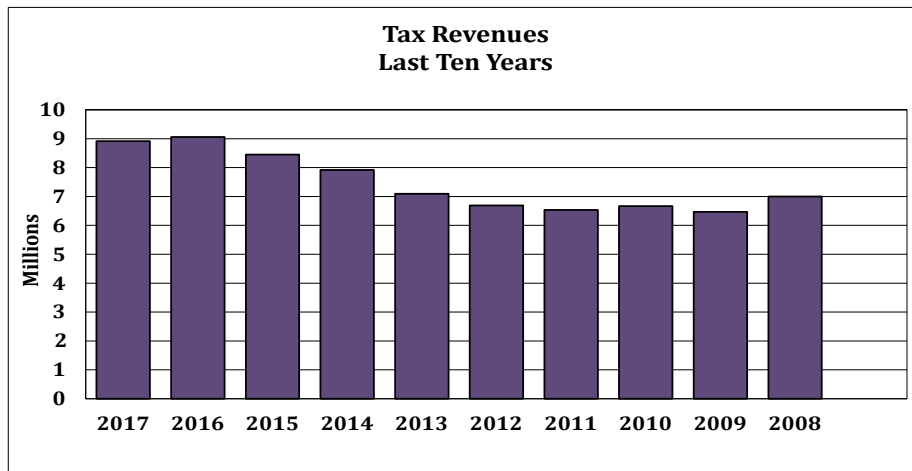
	2013	2012	2011	2010	2009	2008
\$	3,991,164	\$ 3,783,960	\$ 3,754,875	\$ 3,732,778	\$ 3,710,125	\$ 3,579,097
	2,780,009	2,588,481	2,602,256	2,620,238	2,438,571	3,115,435
	381,972	349,126	320,776	357,550	329,480	314,841
	169,126	147,438	122,283	130,940	127,416	147,943
	7,363	12,817	22,777	37,461	130,960	304,813
	3,674,830	2,055,872	2,418,840	2,045,106	1,854,862	2,203,624
	1,844,936	1,840,196	1,638,809	1,792,542	1,551,711	1,533,643
	257,232	220,524	297,500	212,953	217,277	225,042
	349,025	124,660	134,832	79,094	392,826	767,176
	<u>13,455,657</u>	<u>11,123,074</u>	<u>11,312,948</u>	<u>11,008,662</u>	<u>10,753,228</u>	<u>12,191,614</u>
	1,287,815	1,098,876	1,106,857	1,265,367	1,039,126	995,568
	3,980,135	4,065,329	4,230,668	4,597,965	4,105,028	4,007,937
	3,396,910	3,210,618	2,412,176	2,056,357	1,790,115	1,768,874
	474,599	329,461	537,731	455,054	371,105	424,173
	-	-	1,053,206	1,184,088	1,086,075	995,078
	2,396,425	1,442,803	1,447,497	2,107,854	2,168,345	1,330,447
	-	-	476,187	990,662	684,238	448,458
	1,220,489	1,164,260	1,555,752	1,803,470	1,394,860	1,493,780
	681,306	521,509	568,877	487,577	559,625	1,198,910
	-	-	-	-	-	-
	<u>13,437,679</u>	<u>11,832,856</u>	<u>13,388,951</u>	<u>14,948,394</u>	<u>13,198,517</u>	<u>12,663,225</u>
	<u>17,978</u>	<u>(709,782)</u>	<u>(2,076,003)</u>	<u>(3,939,732)</u>	<u>(2,445,289)</u>	<u>(471,611)</u>
	-	-	-	-	-	-
	-	-	-	-	-	-
	<u>1,401,154</u>	<u>982,926</u>	<u>1,598,000</u>	<u>1,346,158</u>	<u>1,330,307</u>	<u>1,283,000</u>
	<u>1,401,154</u>	<u>982,926</u>	<u>1,598,000</u>	<u>1,346,158</u>	<u>1,330,307</u>	<u>1,283,000</u>
\$	<u>1,419,132</u>	<u>\$ 273,144</u>	<u>\$ (478,003)</u>	<u>\$ (2,593,574)</u>	<u>\$ (1,114,982)</u>	<u>\$ 811,389</u>
	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Function/Program										
Governmental activities										
General government	\$ 611,628	\$ 571,757	\$ 509,291	\$ 394,215	\$ 488,079	\$ 366,191	\$ 1,297,380	\$ 2,029,383	\$ 635,089	\$ 2,513,514
Public safety	2,739,885	3,255,179	2,641,513	3,274,261	3,204,865	2,639,445	2,095,069	2,190,353	1,937,743	2,016,269
Public works	667,308	951,794	777,088	1,442,069	1,763,380	564,311	4,860	261,626	2,870,251	532,278
Culture and recreation	307,425	546,375	510,254	444,977	501,333	550,572	675,646	413,090	425,909	539,959
Community development	232,274	461,744	226,889	555,391	691,367	606,940	841,156	473,646	598,806	312,000
Subtotal governmental activities	<u>4,558,520</u>	<u>5,786,849</u>	<u>4,665,035</u>	<u>6,110,913</u>	<u>6,649,024</u>	<u>4,727,459</u>	<u>4,914,111</u>	<u>5,368,098</u>	<u>6,467,798</u>	<u>5,914,020</u>
Business-type activities										
Electric	28,520,022	29,439,209	30,362,435	31,747,722	31,982,784	32,759,537	32,517,943	35,088,796	32,316,324	26,568,799
Gas	6,903,776	5,522,223	6,301,368	9,182,534	8,388,751	7,530,410	7,913,084	8,405,864	9,488,238	11,149,104
Water	3,688,443	3,633,235	3,285,875	3,176,857	3,222,033	3,481,859	3,174,372	4,022,392	4,420,697	4,273,076
Sewer	8,568,501	12,701,697	17,022,054	16,925,664	7,925,879	7,933,656	6,235,990	5,243,703	4,958,834	4,919,105
Swimming pool	3,084	-	-	-	-	-	-	-	-	-
Sanitation	3,128,892	3,007,119	2,682,626	2,545,943	2,476,723	2,034,451	2,112,945	2,153,694	2,095,168	2,112,950
Parking, traffic and street lights	165,662	344,294	221,309	223,252	182,815	177,834	191,473	142,077	137,306	140,489
Storm sewer	693,219	373,644	295,362	-	-	-	-	-	-	-
Subtotal business type activities	<u>51,671,599</u>	<u>55,021,421</u>	<u>60,171,029</u>	<u>63,801,972</u>	<u>54,178,985</u>	<u>53,917,747</u>	<u>52,145,807</u>	<u>55,056,526</u>	<u>53,416,567</u>	<u>49,163,523</u>
Total primary government	<u>\$56,230,119</u>	<u>\$60,808,270</u>	<u>\$64,836,064</u>	<u>\$69,912,885</u>	<u>\$60,828,009</u>	<u>\$58,645,206</u>	<u>\$57,059,918</u>	<u>\$60,424,624</u>	<u>\$59,884,365</u>	<u>\$55,077,543</u>

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

Fiscal Year	Real Estate	Fire Tax	Real Estate Transfer	Earned Income	Local Services Tax	Cable TV Franchise Fees	Payments in Lieu of Taxes	Total
2017	\$ 4,642,262	\$ 503,527	\$ 467,067	\$ 2,007,026	\$ 835,638	\$ 370,183	\$ 90,970	\$ 8,916,673
2016	4,618,625	502,633	649,324	2,047,354	827,291	328,660	82,118	9,056,005
2015	4,079,891	485,197	779,004	1,933,081	788,730	306,487	74,975	8,447,365
2014 (1)	4,170,114	467,938	317,334	1,879,124	773,753	246,599	60,819	7,915,681
2013	3,928,482	-	261,049	1,771,072	747,888	324,337	62,682	7,095,510
2012	3,769,157	-	296,618	1,571,261	720,602	315,504	14,803	6,687,945
2011	3,740,662	-	265,172	1,499,019	702,064	313,867	14,213	6,534,997
2010	3,702,670	-	240,954	1,638,419	757,564	315,038	13,408	6,668,053
2009	3,690,751	-	272,005	1,313,267	860,057	319,990	12,616	6,468,686
2008	3,579,097	-	540,465	1,787,688	775,600	302,892	11,682	6,997,424



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

Source: Borough of Chambersburg Finance Department.

REVENUE CAPACITY

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

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

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

<-----Direct Rate----->				<-----Overlapping Debt----->		
Tax Year	General Real Estate Tax	Fire Tax	Total Direct	Chambersburg Area Sch Dist	Franklin County	Franklin County Library
2017	23.00	2.50	25.50	105.94	27.60	1.05
2016	23.00	2.50	25.50	101.38	27.60	1.05
2015	21.00	2.50	23.50	98.43	25.65	1.05
2014	(1) 21.00	2.50	23.50	96.12	25.65	1.05
2013	20.00	0.00	20.00	93.69	25.65	1.05
2012	20.00	0.00	20.00	92.76	25.15	0.8
2011	20.00	0.00	20.00	92.76	25.15	0.8
2010	20.00	0.00	20.00	89.62	25.15	0.8
2009	20.00	0.00	20.00	84.98	24.65	0.8
2008	20.00	0.00	20.00	80.98	21.95	0.8

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

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

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

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
2017	\$ 260,750	\$ 101,871,080	\$ 87,433,470	\$ 9,154,210	\$ 2,694,580	\$ 63,321,240	\$ 264,735,330	\$ 201,414,090	25.50
2016	260,750	101,261,800	85,226,210	9,157,860	2,516,020	62,793,580	261,216,220	198,422,640	25.50
2015	261,890	100,769,600	84,626,080	9,781,880	2,354,460	51,816,300	249,610,210	197,793,910	23.50
2014	261,890	99,169,650	84,175,730	9,647,700	2,609,820	51,635,840	247,500,630	195,864,790	23.50
2013	261,890	98,871,380	83,431,360	9,021,630	2,654,140	51,986,140	246,226,540	194,240,400	20.00
2012	267,630	98,678,800	82,147,740	9,006,850	2,784,410	51,973,840	244,859,270	192,885,430	20.00
2011	267,630	98,098,920	80,602,420	9,296,000	2,802,080	51,726,140	242,793,190	191,067,050	20.00
2010	267,630	96,846,110	78,000,260	9,383,290	2,888,840	51,559,840	238,945,970	187,386,130	20.00
2009	267,630	95,560,690	78,327,490	9,709,350	2,782,180	51,027,070	237,674,410	186,647,340	20.00
2008	267,630	92,976,990	74,950,820	10,007,730	2,911,350	50,946,250	232,060,770	181,114,520	20.00

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

Schedule 9
Borough of Chambersburg, PA
Principal Taxpayers
12/31/2017 and 12/31/2008

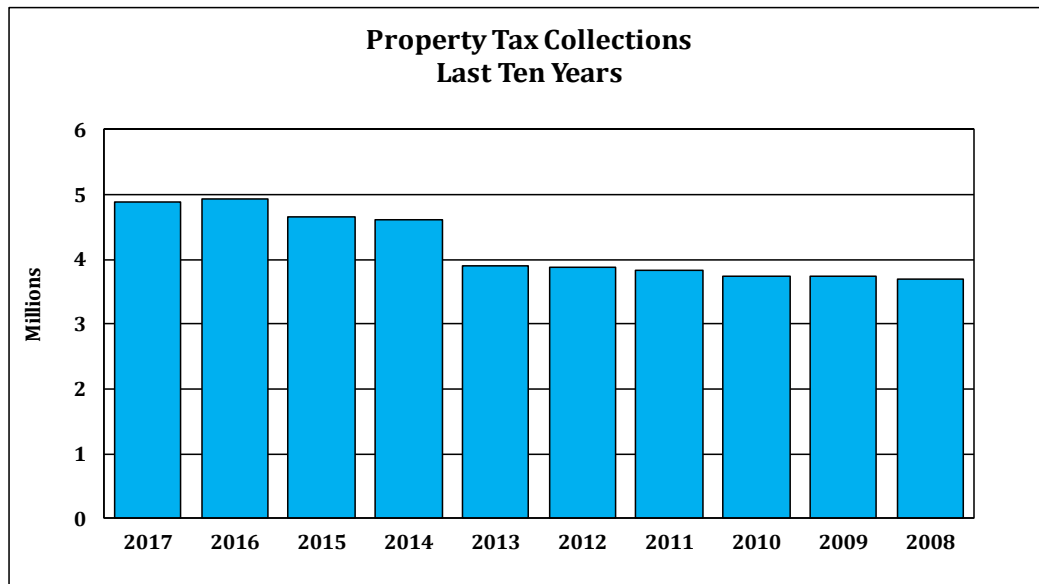
December 31, 2017			
Taxpayer	Estimated Actual Values of Real Property (1)	Rank	Percentage of Assessed Valuation
Chbg Health Srv/Chbg Hospital	\$ 18,714,090	1	9.29%
Menno-Haven, Inc	5,526,830	2	2.74%
Chambersburg MZL LLC	4,946,620	3	2.46%
Icon Chambersburg	3,626,640	4	1.80%
Wilsey/Holsum-Ventura Food LLC	2,849,540	5	1.41%
ProLogis	1,770,950	6	0.88%
Wayne Avenue Plaza	1,628,060	7	0.81%
Cabot III	1,558,460	8	0.77%
Chambersburg Cold Storage	1,491,010	9	0.75%
Tanya K. Nitterhouse	1,490,760	10	0.74%
	<u>\$ 43,602,960</u>		<u>21.65%</u>
Total Taxable Assessed Valuation	<u>\$ 201,414,090</u>		

December 31, 2008			
Taxpayer	Estimated Actual Values of Real Property (1)	Rank	Percentage of Assessed Valuation
Chbg Health Srv/Chbg Hospital	\$ 5,739,410	1	3.17%
Menno-Haven, Inc	5,510,570	2	3.04%
American Real Estate	2,340,650	3	1.29%
Wilsey/Holsum-Ventura Food LLC	2,219,730	4	1.23%
ProLogis	1,780,100	5	0.98%
Chambersburg Cold Storage	1,731,050	6	0.96%
Wayne Avenue LLC	1,613,350	7	0.89%
Tanya K. Nitterhouse	1,493,100	8	0.82%
Chbg Area Development Corp	1,342,910	9	0.74%
Chambersburg Business Park LP	1,147,500	10	0.64%
	<u>\$ 24,918,370</u>		<u>13.76%</u>
Total Taxable Assessed Valuation	<u>\$ 181,114,520</u>		

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

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

Fiscal Year Ended Dec 31,	Taxes Levied for the Fiscal Year	Collections within the Fiscal Year of the Levy		Collections In Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2017	\$ 5,148,320	\$ 4,874,759	94.69%	\$ -	\$ 4,874,759	94.69%
2016 (1)	5,078,752	4,819,617	94.90%	118,479	4,938,096	97.23%
2015	4,663,215	4,377,257	93.87%	267,859	4,645,116	99.61%
2014 (2)(3)	4,617,616	4,387,275	95.01%	226,006	4,613,281	99.91%
2013	3,897,692	3,650,686	93.66%	243,966	3,894,652	99.92%
2012	3,872,274	3,593,392	92.80%	276,969	3,870,361	99.95%
2011	3,821,341	3,523,898	92.22%	295,657	3,819,555	99.95%
2010	3,747,723	3,527,832	94.13%	218,342	3,746,174	99.96%
2009	3,732,947	3,521,879	94.35%	211,068	3,732,947	100.00%
2008	3,691,170	3,449,448	93.45%	241,722	3,691,170	100.00%



(1) The Borough's property tax mill rate increased from 21.0 to 23.0, an increase of 9.52%.

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

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

Source: Borough of Chambersburg Finance Department

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

Fiscal Year	Tax Rate	Total Earned Income Tax Collected	Refunds	Net Earned Income Tax Collected
2017	1.00%	\$ 2,027,449	\$ 75,103	\$ 1,952,345
2016	1.00%	2,076,926	84,475	1,992,451
2015	1.00%	1,900,774	57,461	1,843,314
2014	1.00%	1,900,071	60,254	1,839,818
2013	1.00%	1,763,576	50,104	1,713,472
2012	1.00%	1,726,825	41,883	1,684,942
2011	1.00%	1,545,659	36,156	1,509,503
2010	1.00%	1,506,994	40,290	1,466,704
2009	1.00%	1,532,436	38,505	1,493,931
2008	1.00%	1,768,256	34,413	1,733,843

Source: Franklin County Area Tax Bureau

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

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

(1) Information for year ended 12/31/2017 not yet available
Source: Franklin County Area Tax Bureau

DEBT CAPACITY

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

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

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

Governmental Activities (1)			Business Type Activities (1)										Total Primary Government	Percentage of Personal Income	Per Capita
Fiscal Year	General Obligation Bonds	Administrative Services General Obligation Notes	Electric Department General Obligation Bonds	Electric Department General Obligation Notes	Gas Department General Obligation Notes	Sewer Treatment Plant General Obligation Bonds	Sewer Treatment Plant General Obligation Notes	Water Plant Revenue Notes Payable (2)	Sanitation Department General Obligation Notes	Swimming Pool General Obligation Bonds	Administrative Services General Obligation Notes				
2017	\$ 2,524,117	\$ 736,651	\$ 7,290,599	\$1,282,103	\$ -	\$ -	\$ 5,517,897	\$ -	\$ 922,420	\$7,319,938	\$ 2,137,971	\$27,731,696	5.962%	1,328	
2016	2,526,457	-	8,996,973	1,342,437	-	185,081	5,777,562	-	993,365	7,326,725	-	\$27,148,600	6.296%	1,312	
2015	-	-	10,361,612	1,402,771	-	358,388	6,037,228	-	1,487,213	-	-	\$19,647,212	4.529%	950	
2014	-	-	11,188,200	1,463,106	-	766,800	6,296,894	-	614,202	-	-	\$20,329,202	4.732%	987	
2013	-	-	12,220,000	1,508,357	38,417	1,315,000	58,667	2,463,360	-	-	-	\$17,603,801	4.220%	858	
2012	-	-	13,217,900	27,467	38,417	1,847,100	58,667	2,649,126	-	-	-	\$17,838,677	4.209%	873	
2011	-	-	14,095,208	-	-	2,364,792	-	2,640,542	-	-	-	\$19,100,542	4.542%	942	
2010	-	-	15,033,600	-	-	2,866,400	-	2,845,376	-	-	-	\$20,745,376	4.933%	1,024	
2009	-	-	15,941,300	-	-	3,353,700	-	2,370,233	-	-	-	\$21,665,233	6.292%	1,213	
2008	-	-	16,355,000	-	-	3,955,000	-	2,338,177	-	-	-	\$22,648,177	6.577%	1,268	

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

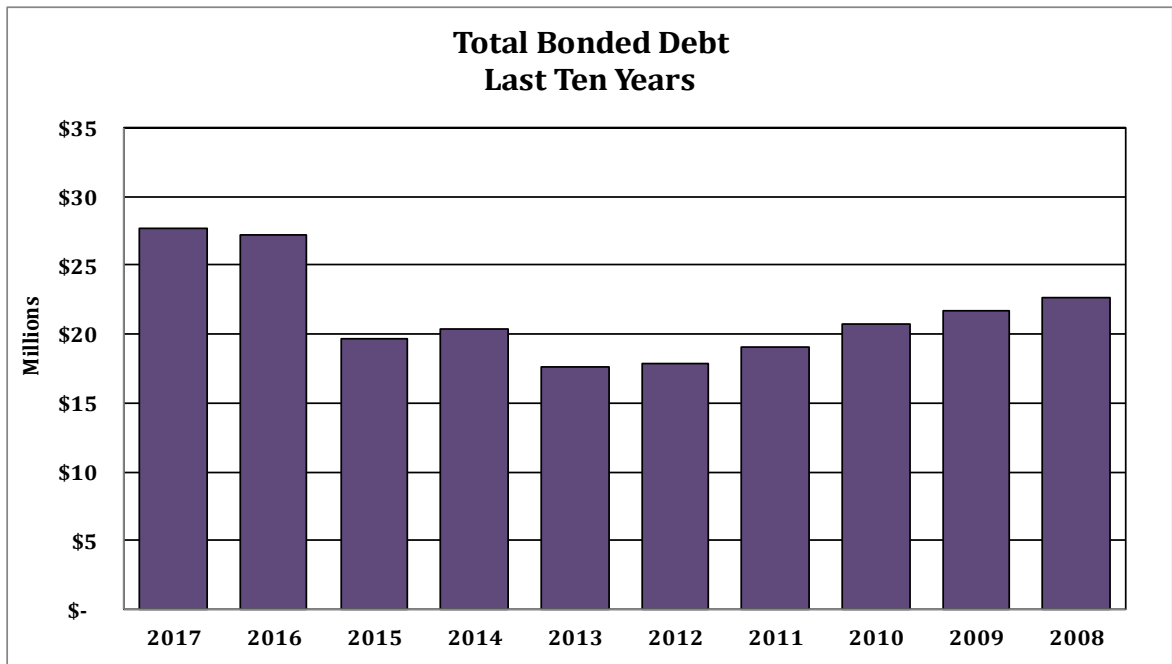
(2) Various water projects financed via the Commonwealth of Pennsylvania's Pennvest loan program.

Source: Borough of Chambersburg Finance Department

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

General Bonded Debt Outstanding

	Net Non-electoral debt	Lease rental debt	Total Primary Government	% of Assessed Valuation	Debt per Capita
2017	\$ 27,731,696	\$ -	\$ 27,731,696	13.77%	\$ 1,328
2016	27,148,600	-	27,148,600	13.68%	1,312
2015	19,647,212	-	19,647,212	9.93%	950
2014	20,329,202	-	20,329,202	10.38%	987
2013	17,603,801	-	17,603,801	9.06%	858
2012	17,838,677	-	17,838,677	9.25%	873
2011	19,100,542	-	19,100,542	10.00%	942
2010	20,745,376	-	20,745,376	11.07%	1,024
2009	21,665,233	-	21,665,233	11.61%	1,213
2008	22,648,177	-	22,648,177	12.50%	1,268



Source: Borough of Chambersburg Finance Department.

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

General Bonded Debt Outstanding

Fiscal Year	Three year average revenue borrowing base	Legal debt limit	Total Debt Applicable to limit	Legal Debt margin (1)	Legal Debt margin %
2017	\$ 62,572,053	\$ 156,430,133	\$ 27,731,696	\$ 128,698,437	82.27%
2016	62,459,273	156,148,183	27,148,600	128,999,583	82.61%
2015	60,905,538	152,263,844	19,647,212	132,616,632	87.10%
2014	59,486,469	148,716,173	20,329,202	128,386,971	86.33%
2013	58,000,270	145,000,675	17,603,801	127,396,874	87.86%
2012	58,064,147	145,160,368	17,838,677	127,321,691	87.71%
2011	57,836,427	144,591,068	19,100,542	125,490,526	86.79%
2010	56,923,585	142,308,963	20,745,376	121,563,587	85.42%
2009	54,295,910	135,739,774	21,665,233	114,074,541	84.04%
2008	53,780,759	134,451,898	22,648,177	111,803,721	83.16%

(1) Legal Debt Margin: (12/31/2017)

a	Average revenues past 3 yrs	62,572,053	(\$188,410,287 / 3)
b	Legal debt limit (2.5 time average rev)	156,430,133	
c	Debt outstanding @ 12/31/2017	(27,731,696)	
	Legal Debt Margin (b-c)	\$ 128,698,437	

Source: Borough of Chambersburg Finance Department

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

Schedule 16
Borough of Chambersburg, PA
Computation of Direct and Overlapping Debt
December 31, 2017

Jurisdiction	Total Debt Outstanding	Estimated Percentage Applicable (a)	Amount Applicable To Borough of Chbg
Direct			
Borough of Chambersburg (Governmental Activities)	\$ 3,260,768		\$ 3,260,768
Overlapping			
Chambersburg School Dist	148,245,000	28.6632%	42,491,819
County of Franklin	26,626,000	13.7515%	3,661,486
Total overlapping debt	174,871,000		46,153,305
Total	\$ 178,131,768		\$ 49,414,073

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

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

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

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

Water Revenue Loan Payable (1)

Fiscal Year		Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
					Principal	Interest	
2014	(2)	\$ 3,131,530	\$ 3,364,685	\$ (233,155)	\$ 2,463,360	\$ (3,618)	-0.09
2013		3,080,915	3,109,390	(28,475)	185,766	84,924	-0.11
2012		3,440,721	2,833,995	606,726	211,416	85,112	2.05
2011		3,054,195	2,800,078	254,117	204,834	91,121	0.86
2010		3,169,299	2,580,434	588,865	213,664	84,117	1.98
2009		3,375,869	2,831,476	544,393	223,025	60,540	1.92
2008		3,469,626	2,674,069	795,557	218,753	61,061	2.84

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

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

Source: Borough of Chambersburg Finance Department

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

DEMOGRAPHIC AND ECONOMIC INFORMATION

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

Demographic and Economic Statistics Schedule 18

Principal Employers Schedule 19

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

Fiscal Year	Population (1)	Per Capita Personal Income (1)	Per Capita Household Income (1)	Median Household Income (1)	Median Age (1)	Educational Attainment Bachelor's Degree or Higher (1)	School Enrollment (1)	Unemployment Rate (1)	Median Value of Residential Property (1)	Total Assessed Property Value (2)	Total Personal Income (3)
2017	20,878	\$ 22,278	\$ 52,895	\$ 42,432	35.9	21.10%	4,644	8.30%	\$ 156,700	\$201,414,090	(4)
2016	20,691	20,839	51,243	41,751	35.6	22.30%	4,722	8.00%	157,300	198,422,640	336,932,927
2015	20,691	20,967	50,937	40,936	36.3	21.50%	4,548	7.70%	158,200	197,793,910	282,437,017
2014	20,602	20,851	49,388	39,960	36.2	21.30%	4,532	9.40%	159,200	195,864,790	319,408,262
2013	20,508	20,342	48,383	39,491	36.1	19.90%	4,738	8.50%	156,500	194,240,400	306,751,179
2012	20,425	20,750	48,325	36,586	36.5	19.80%	4,469	7.50%	157,700	192,885,430	310,489,463
2011	20,268	20,750	48,348	38,246	37.1	21.00%	4,713	8.60%	161,000	191,067,050	296,903,258
2010	20,268	20,750	48,348	38,246	37.1	21.00%	4,713	8.60%	161,000	187,386,130	286,781,775
2009	17,862	19,278	41,641	32,336	40	17.90%	3,635	3.90%	86,500	186,647,340	273,204,270
2008	17,862	19,278	41,641	32,336	40	17.90%	3,635	3.90%	86,500	181,114,520	270,954,117

(1) American Fact Finder (5-year estimate) based on latest information available

(2) Franklin County Assessor's Office

(3) Franklin County Area Tax Bureau

(4) Information for year ended 12/31/2017 not yet available

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

Employer	2017			2008		
	Employees	Rank	Percentage of Total Borough Employment	Employees	Rank	Percentage of Total Borough Employment
Summit Health Services	3,600	1	13.64%	3,097	1	12.88%
Chambersburg School District	1,125	2	4.26%	1,178	2	4.90%
Menno Haven, Inc	705	3	2.67%	581	4	2.42%
County of Franklin	690	4	2.61%	949	3	3.95%
Ventura Foods	630	5	2.39%	405	6	1.68%
Staples Direct	350	6	1.33%	325	8	1.35%
Knouse Foods	276	7	1.05%	213	10	0.89%
Farmers & Merchants Trust Co.	265	8	1.00%	285	9	1.19%
T.B. Woods, Inc	230	9	0.87%	440	5	1.83%
Borough of Chambersburg	219	10	0.82%	202		0.83%
K-Mart Regional Specialty Center	----		----	355	7	1.47%
Total	<u>8,090</u>		<u>30.64%</u>	<u>8,030</u>		<u>33.39%</u>
Total employees	<u>26,400</u> (1)			<u>24,050</u>		

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

OPERATING INFORMATION

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

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

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

Function/Program	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General government:										
Administration	2	2	2	2	2	2	2	2	3	2
Clerical	13	14	14	12	11	10	11	11	11	11
Code enforcement	1	1	1	1	2	2	2	4	4	4
Community development	1	1	1	1	1	1	1	1	1	1
Engineering	5	5	4	4	4	4	4	4	4	4
Finance	23	22	22	19	19	20	20	22	20	20
Information technology	5	5	5	5	5	5	5	5	5	5
Personnel	4	3	3	2	2	2	2	2	2	2
Planning/zoning	1	1	1	1	1	1	1	1	1	1
Public information	0	0	0	0	0	0	0	0	0	0
Public works:										
Administration	3	3	4	3	3	2	2	2	2	2
Central garage	4	4	3	3	3	3	4	4	4	4
Labor/maintenance	6	6	6	6	5	6	6	6	6	6
Sanitation	10	10	12	12	11	11	11	11	11	11
Recreation:										
Administration	2	2	2	2	2	2	2	2	2	2
Labor/maintenance	3	3	3	3	3	3	3	4	4	4
Pool	0	0	0	0	0	0	0	0	0	0
Seasonal	0	0	0	0	0	0	0	0	0	0
Tennis	0	0	0	0	0	0	0	0	0	0
Public safety:										
Fire administration	2	2	2	2	2	2	2	2	2	2
Fire personnel	24	21	21	21	21	21	21	21	21	22
Police administration	1	1	1	1	1	1	1	1	1	1
Police personnel	35	35	34	32	33	31	31	33	33	33
911	0	0	0	0	0	0	0	0	0	0
Utilities:										
Administration	6	6	6	6	6	6	6	6	6	6
Electric distribution	9	9	9	9	9	9	9	9	9	9
Electric generation	12	12	11	11	11	11	9	9	9	8
Electric system maintenance	1	1	1	1	1	1	1	0	0	0
Gas distribution	8	8	8	8	8	8	8	8	8	8
Stores/warehouse/call center	6	6	6	6	6	6	6	6	6	6
Water distribution	2	2	2	2	3	3	3	4	3	3
Water treatment plant	7	7	7	7	6	6	7	7	8	8
Sewer collection/conveyance	7	6	5	5	5	4	4	4	4	4
Sewer treatment plant	13	11	11	11	10	10	10	10	10	13
Traffic signal/street lights	2	2	1	1	1	0	0	0	0	0
Storm sewer	1	1	1	0	0	0	0	0	0	0
Totals	219	212	209	199	197	193	194	201	200	202

Source: Borough of Chambersburg Human Resources Department

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

Function/Program	2017	2016	2015	2014
General government:				
Lien letter & tax certification requests	227	244	185	65
Community development:				
Building permits issued	533	556	516	444
Estimated value of construction	\$ 10,996,813	\$ 52,165,922	\$ 17,519,123	\$ 8,397,058
Occupancy permits issued	130	156	98	53
Number of planning commission Agenda items	22	29	24	15
Public works:				
Roads resurfaced (linear feet)	7,630	3,795	3,611	2,671
Roads reconstructed (linear feet)	7,115	16,495	9,490	1,932
Tons of snow melting salt used	347	223	919	1,322
Recreation:				
Pool attendance	0	26,000	24,900	17,300
Number of utilization events (1)	1,681	1,720	1,750	1,702
Number of consumers served	105,337	90,800	95,200	87,600
Number of seasonal programs	229	278	309	232
Police:				
Calls for service	20,784	19,784	21,392	14,650
Total arrests	1,139	1,214	1,264	1,478
Part I offenses reported (major offenses)	906	1,002	1,047	1,089
Part I offenses cleared (percentage)	41.0%	42.0%	41.0%	44.0%
Part II offenses reported (major offenses)	1,753	1,906	2,045	1,866
Part II offenses cleared (percentage)	39.0%	36.0%	33.0%	37.0%
DUI arrests	128	157	155	141
Fire:				
Total number of responses	926	1,044	978	869
Responses involving loss	5	5	7	6
Structure fires	30	37	49	39
Volunteer hours	73,093	72,989	79,484	83,503
False alarms/false calls	118	115	130	101
Total calls for assistance	4,260	4,167	4,113	3,992
Utilities:				
Electric department				
Units billed (kwh)	300,587,452	312,197,885	319,635,858	319,544,389
Billed revenue	\$ 27,648,682	\$ 28,589,395	\$ 29,135,014	\$ 29,951,885
Gas department				
Units billed (100 cu. ft.)	10,152,671	9,905,831	11,130,033	11,519,811
Billed revenue	\$ 6,525,268	\$ 5,263,898	\$ 6,600,376	\$ 9,315,187
Water department				
Units billed (10 cu. ft.)	13,428,778	13,869,496	14,230,754	13,660,004
Billed revenue	\$ 2,877,281	\$ 2,891,533	\$ 2,870,909	\$ 2,827,392
Sewer treatment plant department				
Units billed (10 cu. ft.)	24,569,839	23,805,582	23,047,321	24,803,706
Billed revenue	\$ 6,212,330	\$ 5,604,837	\$ 5,457,716	\$ 5,276,763
Storm sewer department				
Fees billed	8,254	8,226	8,170	0
Billed revenue	\$ 395,872	\$ 295,134	\$ 293,302	\$ -
Sanitation department				
Units billed (cu. yds.)	144,863	142,116	140,519	141,880
Billed revenue	\$ 1,296,451	\$ 1,268,049	\$ 1,139,021	\$ 2,377,421

	2013	2012	2011	2010	2009	2008
	70	90	91	87	73	55
	444	384	351	342	337	398
\$	6,108,000	\$ 40,002,841	\$ 14,890,487	\$ 75,907,998	\$ 19,856,490	\$ 3,798,670
	59	73	54	70	91	133
	8	11	14	15	34	33
	5,053	1,402	9,605	2,725	4,500	11,904
	149	5,237	0	6,700	2,550	0
	775	482	595	675	336	420
	21,500	32,035	34,111	28,783	30,700	32,714
	1,791	1,773	1,977	2,199	1,714	1,859
	104,100	97,131	75,265	76,426	69,813	74,431
	231	240	151	153	91	82
	14,639	13,743	13,847	13,235	13,439	14,584
	1,520	1,520	1,567	1,614	1,587	780
	1,171	1,176	1,102	1,158	1,260	1,356
	39.0%	38.0%	35.0%	39.0%	40.0%	35.0%
	1,904	1,829	2,079	1,898	1,826	2,053
	40.0%	40.0%	35.0%	36.0%	36.0%	23.0%
	145	153	141	136	112	145
	626	861	925	892	947	1,068
	6	0	5	3	7	5
	46	20	32	29	30	20
	83,731	81,597	85,009	86,180	87,190	88,195
	99	132	118	147	148	171
	3,772	3,503	3,529	3,680	3,626	4,461
	310,888,474	295,123,824	299,890,758	297,488,630	283,303,708	301,419,493
\$	30,869,982	\$ 31,174,432	\$ 31,751,606	\$ 34,534,887	\$ 29,658,637	\$ 25,122,123
	10,144,132	8,995,037	9,933,703	9,490,142	9,331,406	9,548,283
\$	7,996,195	\$ 7,260,743	\$ 8,034,808	\$ 8,355,397	\$ 9,546,728	\$ 10,804,867
	13,680,994	13,796,641	13,706,080	14,755,234	14,573,232	14,601,233
\$	2,850,251	\$ 2,862,527	\$ 2,842,906	\$ 2,903,732	\$ 2,855,138	\$ 2,856,052
	25,504,521	25,712,303	24,620,125	23,970,170	23,577,112	24,492,922
\$	5,392,759	\$ 4,968,169	\$ 4,917,654	\$ 4,386,674	\$ 3,805,662	\$ 3,699,207
	0	0	0	0	0	0
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
	142,169	141,130	146,364	149,709	150,805	157,123
\$	2,378,282	\$ 1,946,578	\$ 1,975,707	\$ 1,989,396	\$ 1,994,205	\$ 2,015,815

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

Function/Program	2017	2016	2015	2014
General government:				
Square footage occupied	45,912	45,912	45,912	45,912
Inspection vehicles	4	2	1	1
Other departmental vehicles	8	8	8	7
Public works:				
Number of traffic signals	48	48	47	47
Street lights	2,021	1,971	1,917	1,862
Vehicles	12	12	12	12
Recreation:				
Number of parks	16	16	16	16
Acreage of park lands	88	88	88	88
Recreation centers	1	1	1	1
Recreation center square footage	19,975	19,975	19,975	19,975
Tennis courts	5	5	5	5
Ball fields	3	3	3	3
Skate parks	2	2	2	2
Vehicles	4	3	3	3
Public safety:				
Square footage of emergency services dept	24,817	24,817	18,947	18,947
Square footage of police department	15,048	15,048	15,048	15,048
Fire vehicles/ambulances	13	13	13	13
Police vehicles	14	14	14	14
Utilities:				
Electric department				
Value of plant in service	\$ 76,740,625	\$ 76,184,145	\$ 76,197,067	\$ 74,814,439
Vehicles	13	12	11	12
Gas department				
Value of plant in service	\$ 15,257,796	\$ 14,778,760	\$ 15,273,846	\$ 14,762,161
Vehicles	10	9	9	9
Water department				
Value of plant in service	\$ 20,725,371	\$ 20,641,646	\$ 32,739,259	\$ 32,414,692
Vehicles	8	8	7	8
Sewer treatment plant department				
Value of plant in service	\$ 87,225,919	\$ 44,262,120	\$ 44,269,756	\$ 44,061,410
Vehicles	7	7	6	6
Storm sewer department				
Value of plant in service	4,683,484	4,238,363	4,158,828	-
Vehicles	1	1	1	-
Sanitation department				
Value of plant in service	\$ 1,905,403	\$ 1,912,132	\$ 1,913,367	\$ 634,126
Vehicles	11	11	11	11

2013	2012	2011	2010	2009	2008
45,912	45,912	45,912	45,912	16,571	16,571
1	1	1	2	2	2
6	6	5	5	5	5
45	45	45	45	45	40
2,166	2,166	2,163	2,162	2,161	1,500
12	12	12	11	11	11
16	16	16	16	16	16
88	88	88	88	88	81
1	1	1	1	1	1
19,975	19,975	19,975	19,975	20,154	20,154
5	5	5	5	5	9
4	4	4	4	4	4
2	2	2	2	2	2
3	3	3	3	3	3
18,947	18,947	18,947	18,947	9,526	9,526
15,048	15,048	15,048	15,048	10,726	10,726
12	11	12	11	9	9
14	14	15	15	13	12
\$ 73,507,952	\$ 69,699,796	\$ 69,529,818	\$ 68,795,448	\$ 60,896,827	\$ 63,374,252
11	11	9	9	9	8
\$ 13,627,925	\$ 12,489,239	\$ 12,395,373	\$ 12,039,244	\$ 10,825,895	\$ 11,053,344
9	9	9	10	10	9
\$ 32,266,422	\$ 28,401,148	\$ 28,410,834	\$ 28,341,731	\$ 25,690,405	\$ 26,612,637
7	7	7	7	7	7
\$ 43,816,263	\$ 42,412,493	\$ 42,407,403	\$ 42,040,874	\$ 38,313,773	\$ 39,038,610
6	6	6	6	6	6
-	-	-	-	-	-
-	-	-	-	-	-
\$ 572,435	\$ 528,551	\$ 528,449	\$ 520,425	\$ 555,737	\$ 502,148
11	11	10	8	8	8

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