

**BOROUGH OF CHALFONT
BUCKS COUNTY, PENNSYLVANIA
Financial Report
December 31, 2023**

BOROUGH OF CHALFONT
BUCKS COUNTY, PENNSYLVANIA
December 31, 2023

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**BOROUGH OF CHALFONT
BUCKS COUNTY, PENNSYLVANIA
December 31, 2023**

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Independent Auditors' Report

To the Borough Council
Borough of Chalfont
Chalfont, Pennsylvania

Report on Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Borough of Chalfont, Bucks County, Pennsylvania (the Borough), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Borough of Chalfont, Bucks County, Pennsylvania, as of December 31, 2023, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report.

We are required to be independent of the Borough and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The Borough's 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Borough's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Borough's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Borough's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required information on pages 4 through 13 and 51 through 52 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 evidence sufficient to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough's basic financial statements. The combining and individual nonmajor fund financial statements 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 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 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

DunlapSLK, PC

Chalfont, Pennsylvania
March 13, 2024

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2023

Our discussion and analysis of Chalfont Borough's financial performance provides an overview of the Borough's financial activities for the year ended December 31, 2023. Please read it in conjunction with the Borough's financial statements, which begin on page 14.

FINANCIAL HIGHLIGHTS

- Chalfont Borough's net position increased \$193,157, as a result of this year's operations.
- The total cost of all Chalfont Borough's programs for the year ended December 31, 2023, was \$3,313,615 compared to \$3,202,368 for 2022.

USING THIS REPORT

This report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities on pages 14-15 provide information about the activities of Chalfont Borough (the Borough) as a whole and present a longer-term view of the Borough's finances. Fund financial statements start on page 16. For governmental activities, these statements tell how the Borough's services were financed in the short-term as well as what remains for future spending. Fund financial statements also report Chalfont Borough's operations in more detail than the government-wide statements by providing information about the Borough's major funds. The remaining statements provide financial information about activities for which the Borough acts solely as a trustee or agent for the benefit of those outside the government.

Reporting on Chalfont Borough as a Whole

The Statement of Net Position and Statement of Activities report information about the Borough as a whole and about its activities in a way that helps answer the question of whether or not the Borough is better or worse off as a result of the year's activities. These statements include all assets and deferred outflows, and liabilities and deferred inflows using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These statements report the Borough's net position and changes in them. The Borough's net position (the difference between assets and deferred outflows, and liabilities and deferred inflows) provide a measurement of the Borough's financial health, or financial position. Over time, increases or decreases in net position are an indicator of whether the Borough's financial health is improving or deteriorating.

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2023

USING THIS REPORT (continued)

Reporting Significant Funds

The fund financial statements begin on page 16 and provide detailed information about the most significant funds, not Chalfont Borough as a whole. Some funds are required to be established by State law. However, the Borough Council established many other funds to help it control or manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grant, and other money.

Chalfont Borough's basic services are reported in governmental funds, which focus on how money flows in and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can be converted to cash. The governmental fund statements provide a detailed short-term view of the Borough's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Borough programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are described in a reconciliation at the end of the fund financial statements.

The Borough as a Trustee

Chalfont Borough is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for escrow deposits received from developers, businesses, and individuals for legal and engineering fees. All of the Borough's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 22 and 23. These activities are excluded from the Borough's other financial statements because the Borough cannot use these assets to finance its operations. Chalfont Borough is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE BOROUGH AS A WHOLE

The Statement of Net Position provides an overview of Chalfont Borough's assets, deferred outflows, liabilities, deferred inflows, and net position. Over time, this statement will provide a good indicator of the Borough's fiscal health.

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2023

THE BOROUGH AS A WHOLE (continued)

Table 1
Net Position

	2023	2022	\$ Change	% Change
Capital Assets	\$ 7,964,322	\$ 7,019,744	\$ 944,578	13.46%
Equity Interest in Joint Venture	1,697,633	1,697,633	-	0.00%
Other Assets and Fair Value of Interest Rate Swap	5,523,684	6,887,518	(1,363,834)	(19.80)%
Total Assets	15,185,639	15,604,895	(419,256)	(2.69)%
Long-Term Liabilities	2,409,898	2,479,202	(69,304)	(2.80)%
Other Liabilities	269,591	470,952	(201,361)	(42.76)%
Total Liabilities	2,679,489	2,950,154	(270,665)	(9.17)%
Net Deferred Inflows	516,508	858,256	(341,748)	(39.82)%
Net Position				
Invested in Capital Assets, Net of Related Debt	5,667,322	4,599,744	1,067,578	23.21%
Restricted	3,479,004	4,265,135	(786,131)	(18.43)%
Unrestricted	2,843,316	2,931,606	(88,290)	(3.01)%
Total Net Position	\$ 11,989,642	\$ 11,796,485	\$ 193,157	1.64%

The total net position of the Borough shown above is approximately \$12.0 million. Net position increased by 1.64% in 2023.

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2023

THE BOROUGH AS A WHOLE (continued)

Table 2
Changes in Net Position

	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>	<u>% Change</u>
Program Revenues				
General Government	\$ 127,520	\$ 314,699	\$ (187,179)	(59.48)%
Police	7,640	12,018	(4,378)	(36.43)%
Fire	34,426	39,314	(4,888)	(12.43)%
Code Enforcement	70,694	192,260	(121,566)	(63.23)%
Highway Maintenance	647,152	464,464	182,688	39.33%
Traffic Signals and Street Lighting	3,738	1,221	2,517	206.14%
Parks and Recreation	25,586	27,642	(2,056)	(7.44)%
General Revenues				
Real Estate Taxes	968,702	974,823	(6,121)	(0.63)%
Transfer Taxes	190,542	165,710	24,832	14.99%
Earned Income Taxes	1,133,985	1,120,495	13,490	1.20%
Local Services Tax	55,378	57,629	(2,251)	(3.91)%
Interest and Rents	219,946	(749,199)	969,145	(129.36)%
Miscellaneous	21,463	7,902	13,561	171.61%
Total Revenues (forwarded)	<u>\$ 3,506,772</u>	<u>\$ 2,628,978</u>	<u>\$ 877,794</u>	33.39%

(Table 2 continues on the next page.)

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2023

THE BOROUGH AS A WHOLE (continued)

Table 2
Changes in Net Position

	<u>2023</u>	<u>2022</u>	<u>\$ Change</u>	<u>% Change</u>
Total Revenues (forwarded)	<u>\$ 3,506,772</u>	<u>\$ 2,628,978</u>	<u>\$ 877,794</u>	33.39%
Program Expenses				
Legislative	6,797	5,000	1,797	35.94%
Executive	409,666	385,602	24,064	6.24%
Finance and Tax Collection	161,497	162,061	(564)	(0.35)%
Professional Services	85,818	62,418	23,400	37.49%
General Government	463,091	418,793	44,298	10.58%
Police	1,352,263	1,298,687	53,576	4.13%
Fire	164,088	163,346	742	0.45%
Code Enforcement	68,281	60,555	7,726	12.76%
Highway Maintenance	418,255	434,735	(16,480)	(3.79)%
Snow and Ice Removal	1,330	29,158	(27,828)	(95.44)%
Traffic Signals and Street Lighting	15,341	17,538	(2,197)	(12.53)%
Parks and Recreation	162,188	159,475	2,713	1.70%
Community Development	5,000	5,000	-	0.00%
Total Expenses	<u>3,313,615</u>	<u>3,202,368</u>	<u>111,247</u>	3.47%
Change in Net Position	<u>\$ 193,157</u>	<u>\$ (573,390)</u>	<u>\$ 766,547</u>	133.69%

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2023

THE BOROUGH AS A WHOLE (continued)

Revenue Overview

In 2023, millage remained the same as the previous year at 18.25 mills. Millage was allocated as follows: 13.25 mills for the general fund, 3.25 mills for the debt service, 1.25 mills for fire protection, and 0.50 mills for ambulance services. Total revenues increased 33.39% or \$877,794 from the prior year. This increase in revenue is due to the fact that the Borough had higher investment gains.

Figure 1

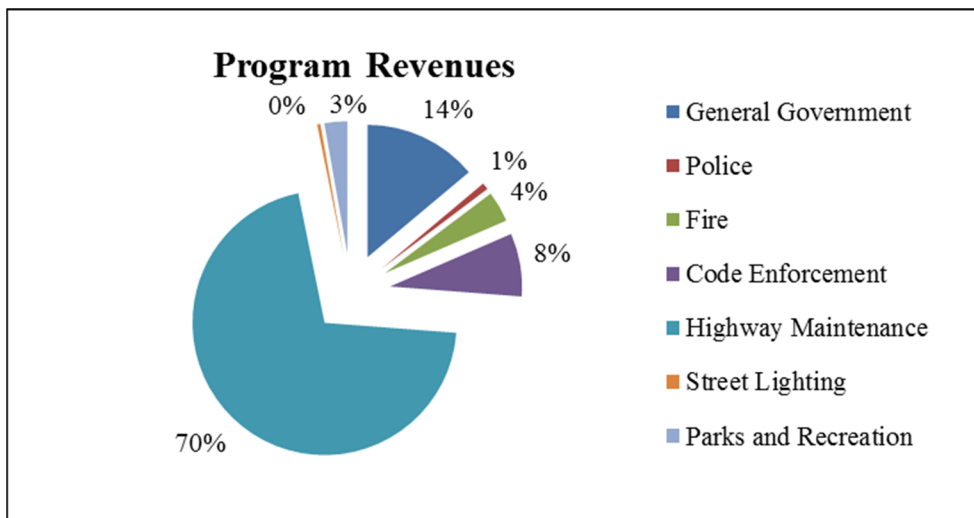
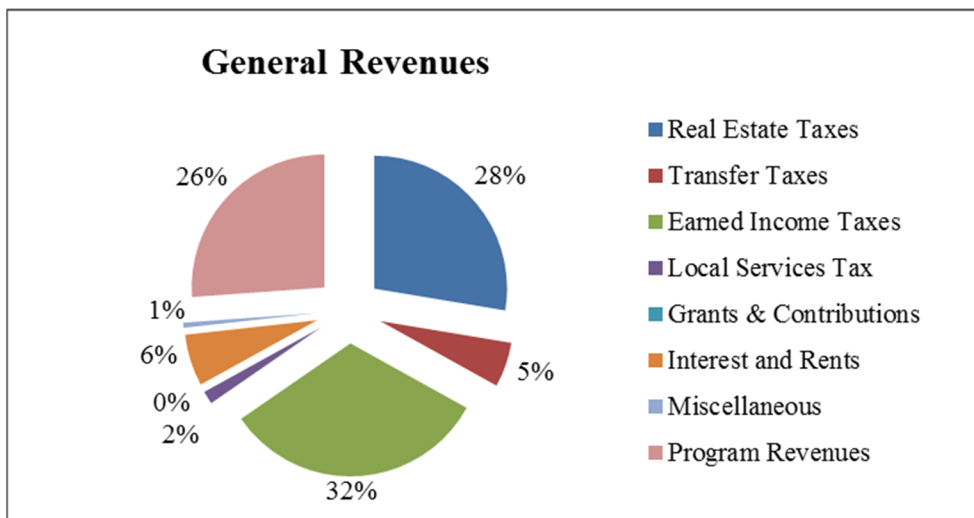


Figure 2



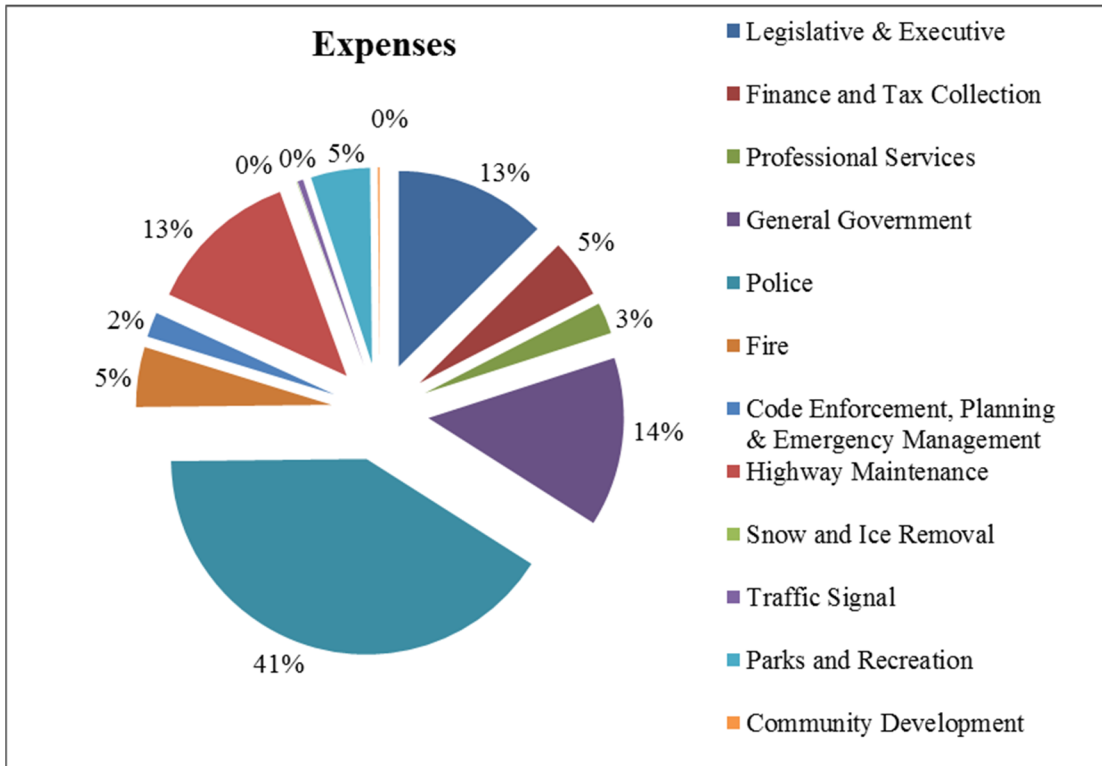
**BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2023**

THE BOROUGH AS A WHOLE (continued)

Expense Overview

Total expenses in all categories were \$3,313,615. The largest areas of expense were Police, General Government and Highway Maintenance. Expenses increased \$111,247 or 3.47% from the prior year. Police line expenses were higher by approximately \$54,000 compared to 2022.

Figure 3



BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2023

ITEMS OF GENERAL INTEREST

Water

Residents and businesses of the Borough are served by Aqua Pennsylvania.

Waste Water

Residents and businesses of the Borough are principally served by the Chalfont New Britain Township Joint Sewer Authority (CNBTJSA) and on-lot sewage disposal systems. The Council appoints three members of the six-member Board of the CNBTJSA. The CNBTJSA operates as a separate business entity. The Borough has no financial or management control of the sewer authorities other than that noted above.

Sanitation

In March 2023, the Borough contracted with Republic Services to provide for trash and recycling pickup for Chalfont Borough residents. The contract has a June 1st renewal date and Republic Services bills and collects for this service. The contract has a 3-year renewal with options for two more years. The June 1, 2023, standard contract rate was \$390.00 per household per year. Household trash is picked up once a week on Tuesday. Residents may dispose of six bags of trash and yard waste per pick up, plus one bulk item per week. The recycling pickup day is the same day, plus there are one spring and three fall leaf collection days.

Fire and Ambulance

Residents and businesses of the Borough are served by the Chalfont Fire Company, Dublin Fire Company, Warrington Fire Company, Doylestown Fire Company, and Hilltown Fire Company in designated districts. There are mutual aid agreements and central dispatching throughout the area. The Chalfont Ambulance separated from the Chalfont Fire Company several years ago and is now called Chalfont Emergency Medical Services (EMS). The EMS provides ambulance services, as do Central Bucks Ambulance, Warrington Ambulance, VMSC, and Hilltown QRS. Chalfont Fire Company receives 1.25 mills Fire Protection Tax, and Chalfont EMS receives 0.50 mills for protection services. Additionally, Council approved distributing 25% of Local Services Tax receipts to the EMS and 25% to the Chalfont Fire Company. The Borough had no other financial or management control of the fire companies or ambulance services.

Public Facilities

The Borough owns eight neighborhood parks along with scattered open space parcels. The Borough municipal building is located at 40 North Main Street. The original building was built in 1925, with an addition built in 1997, and is generally in good condition. The public works department is located at 500 North Main Street and has several serviceable garages and storage buildings. The Borough also owns 101 N. Main Street, which was purchased in 2014 and redeveloped in 2019 to construct a parking lot and commercial space. In 2022, the Borough also purchased 20 Kerns Avenue to be developed into a future parking area for downtown businesses.

Police Services

Effective March 28, 2016, the Borough joined with two neighboring municipalities to form the Central Bucks Regional Police Department (CBRPD). The CBRPD provides local police services to all participating municipalities and is located at 229 North Broad Street, Doylestown, PA 18901. The costs to operate the CBRPD are funded by contributions from each municipality. The percentage share from each is based on total population, average number of calls and crimes, and total road miles. The Borough contributed \$1,352,263 for 2023 for operating expenses and pension contributions.

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2023

ANALYSIS OF INDIVIDUAL FUNDS

Capital Reserve Fund

This fund was set up a number of years ago to account for funds set aside for capital projects. In 2001, the Borough sold its water department to Philadelphia Suburban Water, now called Aqua Pennsylvania. The proceeds of approximately \$4.2 million were put into this fund to be used for capital improvements. Currently the Borough is using the interest from this money to help balance the budget.

Other Funds

This category includes Fire Tax, Liquid Fuels and Capital Fund. Each of these funds had routine and unremarkable results during 2023.

Pension Plans

Fulltime Non-Uniform Borough employees participate in Non-Uniformed Defined Contribution Pension Plan. The Borough's pension investments advisor is CBIZ InR. The Borough also furnishes an IRS Section 457 deferred compensation retirement plan to its employees. Seven current employees participate in the plan.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The Borough has \$5,667,322 invested in Capital Assets, Net of Related Debt. Infrastructure assets acquired prior to January 1, 2004, and the related accumulated depreciation and depreciation expense are not included in this report.

Discussion of Future Plans

The Borough plans and conducts a reconstruction streets program every other year. The current scheduled project is the storm water pipe replacement and paving of Jasen Drive, Jana Circle and Renee Circle during 2022 and 2023. Also during 2023 working with Aqua during Aqua's water main replacement projects Chestnut Street, Church Street, Maple Avenue, Wisler Avenue and Valley View Road will be repaved.

Additionally, the Borough has received a grant from the Commonwealth Financing Authority (CFA) to construct a trail that runs along the Northern Neshaminy Stream from the Lindenfield Parkway Bridge to Patriot Drive and connects Chestnut Street Park to the new trail. The trail is currently under construction with a spring 2024 completion target.

Two storm water reimbursement DCED grants were awarded on December 19, 2023. First, the Borough was awarded a Covid-19 ARPA Pennsylvania Small Water & Sewer Grant, with an 85% award of \$423,805 and a 15% match of \$74,789, for Castlewood Drive storm pipe and pavement replacement. Next, a Covid-19 ARPA H2O PA Water Supply, Sanitary Sewer and Storm Water Projects Grant with a 50% award of \$454,510 and a 50% match of \$227,255 for Woodview Drive storm pipe and pavement replacement.

On March 8, 2024 the Borough purchased a \$35,000 budget approved 2024 Ford Maverick pickup truck for the Public Works Department as part of the Borough Capital Plan.

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2023

CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)

Discussion of Future Plans (continued)

The Borough is a member of the CBRPD. CBRPD has moved into the new police headquarters. The cost for this project was split between member municipalities. The costs incurred by the Borough through December 31, 2023, total \$1,697,633, and are reflected as an equity interest in a joint venture on the statement of net position.

While specific sites have to be finalized, it is expected that additional open space land will be acquired or controlled under the land preservation programs and development agreements. In certain cases, donors of conservation easements or land can receive personal income tax credits for the value of their donation. The Borough will pursue such donations in the coming years, in addition to its other preservation efforts.

CONTACTING THE BOROUGH'S FINANCIAL MANAGEMENT TEAM

This Management Discussion and Analysis is intended to provide our citizens, taxpayers, customers, investors and creditors with a general, plain English overview of important financial matters. For questions on the Discussion and Analysis, please contact Borough Manager/Borough Treasurer, Shawn Curran at 215-822-7295, extension 201.

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Statement of Net Position
December 31, 2023

Assets

Current Assets	
Cash	\$ 1,267,668
Investments	3,182,590
Grants and Other Receivables	29,472
Current Portion of Leases Receivable	133,043
Taxes Receivable	451,684
Total Current Assets	<u>5,064,457</u>
Noncurrent Assets	
Net Capital Assets	7,964,322
Equity Interest in Joint Venture	1,697,633
Leases Receivable	207,014
Right of Use Asset - Subscriptions	55,460
Fair Value of Interest Rate Swap	196,753
Total Noncurrent Assets	<u>10,121,182</u>
Total Assets	<u><u>15,185,639</u></u>

Liabilities

Current Liabilities	
Current Portion of General Obligation Notes Payable	125,000
Current Portion of Subscription Liabilities	5,239
Accounts Payable and Accrued Expenses	136,339
Due to Fiduciary Funds	3,013
Total Current Liabilities	<u>269,591</u>
Noncurrent Liabilities	
General Obligation Notes Payable	2,172,000
Subscription Liabilities	52,379
Permit Deposit	172,180
Accrued Compensated Absences	13,339
Total Noncurrent Liabilities	<u>2,409,898</u>
Total Liabilities	<u><u>2,679,489</u></u>

Deferred Inflows of Resources

Deferred Rental Receipts	319,755
Accumulated Increase in Fair Value of of Interest Rate Swap	196,753
Total Deferred Inflows of Resources	<u>516,508</u>

Net Position

Invested in Capital Assets, Net of Related Debt	5,667,322
Restricted for	
Capital Projects	3,312,223
Other Purposes	166,781
Unrestricted	<u>2,843,316</u>
Total Net Position	<u><u>\$ 11,989,642</u></u>

See notes to financial statements.

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Statement of Activities
Year Ended December 31, 2023

Functions/Programs	Expenses	Program Revenue			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental Activities					
General Government					
Legislative	\$ 6,797	\$ -	\$ -	\$ -	\$ (6,797)
Executive	409,666	-	-	-	(409,666)
Finance and Tax Collection	161,497	25,435	-	-	(136,062)
Professional Services	85,818	-	-	-	(85,818)
General Government	463,091	73,517	28,568	-	(361,006)
Public Safety					
Police	1,352,263	7,640	-	-	(1,344,623)
Fire	164,088	740	33,686	-	(129,662)
Code, Planning and Zoning	68,281	70,694	-	-	2,413
Highways					
Highway Maintenance	418,255	-	221,028	426,124	228,897
Snow and Ice Removal	1,330	-	-	-	(1,330)
Traffic Signals and Street Lighting	15,341	3,738	-	-	(11,603)
Parks and Recreation					
Parks and Recreation	162,188	25,586	-	-	(136,602)
Community Development					
Community Development	5,000	-	-	-	(5,000)
Total Governmental Activities	<u>\$ 3,313,615</u>	<u>\$ 207,350</u>	<u>\$ 283,282</u>	<u>\$ 426,124</u>	<u>(2,396,859)</u>
General Revenues					
					968,702
					190,542
					1,133,985
					55,378
					219,946
					21,463
					<u>2,590,016</u>
					193,157
					<u>11,796,485</u>
					<u>\$ 11,989,642</u>

See notes to financial statements.

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Balance Sheet
Governmental Funds
December 31, 2023

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Capital Fund</u>
Assets			
Cash	\$ 851,830	\$ -	\$ 251,242
Investments	-	3,182,590	-
Grants Receivable and Other Assets	29,472	-	-
Taxes Receivable	450,289	-	-
Leases Receivable	340,057	-	-
Due from Other Funds	59,021	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u><u>\$ 1,730,669</u></u>	<u><u>\$ 3,182,590</u></u>	<u><u>\$ 251,242</u></u>
 Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$ 57,112	\$ -	\$ 62,588
Accrued Wages and Payroll Withholdings	10,030	-	-
Due to Other Governments	6,183	-	-
Due to Other Funds	4,229	-	59,021
Total Liabilities	<u>77,554</u>	<u>-</u>	<u>121,609</u>
Deferred Inflows of Resources			
Deferred Rental Receipts	319,755	-	-
Deferred Tax Receipts	254,143	-	-
Total Deferred Inflows of Resources	<u>573,898</u>	<u>-</u>	<u>-</u>
Fund Balances			
Restricted	-	-	-
Committed	-	3,182,590	129,633
Unassigned	1,079,217	-	-
Total Fund Balances	<u>1,079,217</u>	<u>3,182,590</u>	<u>129,633</u>
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	<u><u>\$ 1,730,669</u></u>	<u><u>\$ 3,182,590</u></u>	<u><u>\$ 251,242</u></u>

See notes to financial statements.

<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 164,596	\$ 1,267,668
-	3,182,590
-	29,472
1,395	451,684
-	340,057
1,216	60,237
\$ 167,207	\$ 5,331,708

\$ 426	\$ 120,126
-	10,030
-	6,183
-	63,250
426	199,589

-	319,755
1,395	255,538
1,395	575,293

165,386	165,386
-	3,312,223
-	1,079,217
165,386	4,556,826
\$ 167,207	\$ 5,331,708

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2023

Total Governmental Fund Balances	\$ 4,556,826
Amounts Reported for Governmental Activities in the Statement of Net Assets Are Different Because	
Capital Assets Used in Governmental Activities Are Not Financial Resources, and Therefore Not Reported in Funds, Net of Accumulated Depreciation of \$5,667,540.	7,964,322
Equity Interest in Joint Venture are Not Financial Resources, and Therefore Not Reported in Funds.	1,697,633
Right of Use Asset - Software is Not a Financial Resource, and Therefore Not Reported in Funds.	55,460
Other Long-Term Assets Are Not Available to Pay Current Period Expenditures, and Therefore Are Deferred in the Funds.	
Taxes Receivable	255,538
Fair Value of Interest Rate Swap	196,753
Deferred Inflows of Resources Are Not Available in the Current Period	
Accumulated Increase in the Fair Value of Interest Rate Swap	(196,753)
Long-Term Liabilities Are Not Due and Payable in the Current Period, and Therefore Are Not Reported in the Funds.	
General Obligation Notes Payable	(2,297,000)
Subscription Liability	(57,618)
Accrued Compensated Absences	(13,339)
Permit Deposit	(172,180)
Net Position of Governmental Activities	<u><u>\$ 11,989,642</u></u>

See notes to financial statements.

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2023

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Capital Fund</u>
Revenues			
Taxes	\$2,068,221	\$ -	\$ -
Intergovernmental	83,527	-	499,690
Fines, Licenses and Permits	81,157	-	-
Charges for Services	126,193	-	-
Investment Income (Loss) and Rents	154,481	52,433	8,436
Miscellaneous	21,463	-	-
Total Revenues	<u>2,535,042</u>	<u>52,433</u>	<u>508,126</u>
Expenditures			
General Government	749,025	-	-
Public Safety	1,463,247	-	10,135
Public Works	359,079	-	-
Parks and Recreation	40,290	-	-
Community Development	5,000	-	-
Debt Service - Principal	4,004	-	-
Debt Service - Interest	970	-	-
Capital Expenditures	87,100	-	1,141,296
Miscellaneous Governmental	34,722	-	-
Total Expenditures	<u>2,743,437</u>	<u>-</u>	<u>1,151,431</u>
Excess (Deficiency) of Revenues Over Expenditures			
Before Other Financing Sources (Uses)	<u>(208,395)</u>	<u>52,433</u>	<u>(643,305)</u>
Other Financing Sources (Uses)			
Software Subscriptions	61,622	-	-
Transfers In (Out)	48,800	(68,800)	20,000
Total Other Financing Sources (Uses)	<u>110,422</u>	<u>(68,800)</u>	<u>20,000</u>
Net Change in Fund Balances	(97,973)	(16,367)	(623,305)
Fund Balances			
Beginning of Year	<u>1,177,190</u>	<u>3,198,957</u>	<u>752,938</u>
End of Year	<u>\$1,079,217</u>	<u>\$3,182,590</u>	<u>\$ 129,633</u>

<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 268,669	\$ 2,336,890
126,189	709,406
-	81,157
-	126,193
4,596	219,946
-	21,463
<u>399,454</u>	<u>3,495,055</u>
-	749,025
94,200	1,567,582
3,529	362,608
-	40,290
-	5,000
123,000	127,004
51,743	52,713
270,000	1,498,396
-	34,722
<u>542,472</u>	<u>4,437,340</u>
<u>(143,018)</u>	<u>(942,285)</u>
-	61,622
<u>-</u>	<u>-</u>
<u>-</u>	<u>61,622</u>
<u>(143,018)</u>	<u>(880,663)</u>
<u>308,404</u>	<u>5,437,489</u>
<u>\$ 165,386</u>	<u>\$ 4,556,826</u>

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Reconciliation of the Net Changes in Fund Balances of
Governmental Funds to the Statement of Activities
Year Ended December 31, 2023

Net Change in Fund Balances - Total Governmental Funds \$ (880,663)

Amounts Reported for Governmental Activities in the Statement of Activities Are Different Because

Governmental Funds Report Capital Outlays As Expenditures. However, in the Statement of Activities, the Cost of Those Assets Is Allocated Over Their Estimated Useful Lives as Depreciation Expense. This Is the Amount By Which Capital Outlays of \$1,436,774, Exceeded Depreciation Expense of \$492,196. 944,578

Governmental Funds Report Capital Outlays for Subscription Assets As Expenditures. However, in the Statement of Activities, the Cost of Those Assets Is Allocated Over Their Estimated Useful Lives as Amortization Expense. (6,162)

Revenues in the Funds That Provide Current Financial Resources Are Not Reported As Revenues in the Statement of Activities
Taxes Receivable 11,717

Repayments of Notes Payable and Software Liability Principal Are Expenditures in the Governmental Funds, but the Repayments Reduce Liabilities in the Statement of Net Assets. 127,004

Some Expenses Reported in the Statement of Activities Do Not Require the Use of Current Financial Resources, and Therefore Are Not Reported As Expenditures in Governmental Funds
Accrued Compensated Absences (3,317)

Change in Net Position of Governmental Activities \$ 193,157

See notes to financial statements.

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Statement of Fiduciary Net Position
Pension Trust and Custodial Funds
December 31, 2023

	<u>Pension Trust Fund</u>	<u>Custodial Funds</u>
Assets		
Cash	\$ -	\$ 34,615
Investments	1,122,959	-
Due from General Fund	-	3,013
	<u>-</u>	<u>3,013</u>
Total Assets	<u>1,122,959</u>	<u>37,628</u>
Liabilities		
	<u>-</u>	<u>-</u>
Net Position		
Restricted for		
Pension Benefits	1,122,959	-
Individuals, Organizations and Others	-	37,628
	<u>-</u>	<u>37,628</u>
Total Net Position	<u><u>\$ 1,122,959</u></u>	<u><u>\$ 37,628</u></u>

See notes to financial statements.

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Statement of Changes in Fiduciary Net Position
Pension Trust and Custodial Funds
Year Ended December 31, 2023

	<u>Pension Trust Fund</u>	<u>Custodial Funds</u>
Additions		
Contributions - Employer (Borough)	\$ 39,434	\$ -
Escrow Deposits	-	59,119
Property Taxes Collected for Other Governments	-	1,347,250
Investment Income		
Interest Income	-	20
Net Appreciation in Fair Value of Investments	<u>185,097</u>	<u>-</u>
Total Additions	<u>224,531</u>	<u>1,406,389</u>
Deductions		
Benefits	11,369	-
Professional Fees	-	68,925
Escrow Releases	-	23,064
Property Taxes Disbursed to Other Governments	-	1,347,250
Administrative Expense	<u>15</u>	<u>-</u>
Total Deductions	<u>11,384</u>	<u>1,439,239</u>
Increase (Decrease) in Net Position	213,147	(32,850)
Net Position		
Beginning of Year	<u>909,812</u>	<u>70,478</u>
End of Year	<u><u>\$ 1,122,959</u></u>	<u><u>\$ 37,628</u></u>

See notes to financial statements.

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Borough of Chalfont (the Borough) was incorporated in 1901 in Bucks County, Pennsylvania. In 1976, the Borough elected to be governed under provisions of a Home Rule Charter. The Borough operates under a council form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, culture - recreation, public improvements, planning and zoning, and general and administrative services. For financial reporting purposes, in accordance with Government Accounting Standards Board (GASB) Statement 14, the Borough includes all funds that are part of the financial reporting entity.

The Borough's statements are prepared in compliance with GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Significant aspects of the Statement include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Borough's overall financial position and changes in financial position.
- Financial statements prepared using full accrual accounting for all of the Borough's activities, including infrastructure (roads, bridges, etc.).
- A focus on major funds in the fund financial statements.

A. Reporting Entity

Sewage Treatment Services - The Borough of Chalfont and the Township of New Britain (the Township) have joined to form the Chalfont-New Britain Joint Sewer Authority (the Authority). The Authority is governed by a six-member board. Members of the board are appointed equally by the governing boards of the Borough and the Township, with three members from each municipality.

The Authority's governing board is solely responsible for all decisions made in the operation of the Authority. Additionally, the Authority is responsible for all its financial transactions and neither the Borough nor the Township has authorization to approve any such transactions.

Police Services – Effective March 28, 2016, the Borough joined with two neighboring municipalities to form the Central Bucks Regional Police Department (CBRPD). The CBRPD provides local police services to all participating municipalities. The costs to operate the CBRPD are funded by contributions from each municipality. The percentage share from each is based on total population, average number of calls and crimes, and total road miles. The Borough contributed \$1,322,414 for 2023, of which \$116,969 is earmarked for the CBRPD's pension contribution.

The CBRPD is governed by a six-member board. Members of the board are appointed equally by the governing boards of the three municipalities, with two members from each municipality. The CBRPD's governing board is solely responsible for all decisions made in the operation of the department.

Based upon the above factors, it has been concluded that the Borough has no oversight responsibility for the Authority or CBRPD. Accordingly, their financial statements have been excluded from the reporting entity.

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Reporting Entity (continued)

Fire and Ambulance Services – The Borough provides some financial support to the Chalfont Chemical Fire Engine Company No. 1, and Chalfont Emergency Medical Services Inc. Since there is no fiscal dependency, financial benefit or burden relationship, these organizations have been excluded from the reporting entity. The Borough levies and collects real estate taxes designated for allocation among the fire and ambulance companies. Annual appropriations totaled \$94,200 for the year ended December 31, 2023.

B. Basis of Presentation

The accounts of the Borough are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures/expenses. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into three generic fund types and two broad fund categories as described in Note 1C.

C. Basis of Accounting

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which primarily rely on fees and charges for support. Fiduciary funds are also excluded from the government-wide financial statements.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting (continued)

GOVERNMENT-WIDE FINANCIAL STATEMENTS (continued)

The government-wide Statement of Activities presents a comparison between expenses, both direct and indirect, and program revenues for each governmental program. Direct expenses are those that are specifically associated with a service, program, or department and are, therefore, clearly identifiable to a particular function. Indirect expenses for centralized services and administrative overhead are allocated among the programs, functions, and segments using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the Borough.

Net position should be reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other purposes result from special revenue funds and the restrictions on their net position use.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

FUND FINANCIAL STATEMENTS

Fund financial statements report detailed information about the Borough. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

GOVERNMENTAL FUNDS

Governmental funds utilize the modified accrual basis of accounting. Under this method, revenues are recognized in the accounting period in which they become both available and measurable. General property and other taxes, and investment earnings are recorded as earned (when they are measurable and available). The Borough considers property and earned income taxes as available if they are collected 60 days after year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except expenditures for debt service and other long-term obligations which are recognized when paid.

**BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2023**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting (continued)

GOVERNMENTAL FUNDS (continued)

General Fund - The General Fund is the general operating fund of the Borough and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The reporting entity includes the following special revenue funds:

<u>Fund</u>	<u>Description</u>	<u>Major Fund?</u>
Liquid Fuels	Accounts for revenues and expenditures of state liquid fuels grant funds	No
Fire Tax	Accounts for revenues and expenditures of fire protection tax funds	No

Capital Projects Funds - Capital projects funds are used to account for financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

<u>Fund</u>	<u>Description</u>	<u>Major Fund?</u>
Capital Reserve	Accounts for financial resources to be used for the acquisition and construction of capital assets and facilities	Yes
Capital	Accounts for funds received for the purchase and construction of capital assets	Yes

Debt Service Fund – The Debt Service Fund is used to account for resources earmarked for the retirement of debt.

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting (continued)

FIDUCIARY FUNDS

Pension Trust Funds and Custodial Funds –Pension Trust Funds (the Non-Uniform defined contribution plan) and Custodial Funds (which includes Developers Escrow and County Tax Collection Funds) are used to account for assets held by a third party in the Borough’s name in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. The Pension Trust Fund is presented as required by accounting standards in the Borough’s Fiduciary Fund statements. The accrual basis of accounting is used to recognize receivables and payables.

D. Cash Equivalents

For reporting purposes, the Borough considers all money market funds and certificates of deposit with maturities of three months or less to be cash equivalents.

E. Investments

Investments in debt and equity securities with readily determinable fair market values are recorded at fair value, as required by Government Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. Realized and unrealized gains and losses are recorded in the statement of activities, statement of revenues, expenditures, and changes in fund balances as revenue (governmental activities), and on the statement of changes in fiduciary net position (fiduciary funds).

F. Leases Receivable

The Borough’s leases receivable are measured at the present value of lease payments expected to be received during the lease term. Additionally, a deferred inflow of resources is recorded for the leases. The deferred inflow is recorded at the initiation of the leases in an amount equal to the initial recording of the leases receivable. The deferred inflow is amortized on a straight-line basis over the term of the lease.

G. Interfund Transactions

As a result of its operations, the Borough has a variety of transactions between funds. Accordingly, to the extent that certain interfund transactions have not been paid or received as of December 31, 2023, appropriate interfund receivables or payables have been established.

H. Allowance for Uncollectible Accounts

No allowance for uncollectible accounts has been provided since management considers all accounts to be collectible. The Borough is permitted to lien a resident’s property if the resident does not remit payment.

**BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2023**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. Infrastructure costs incurred prior to January 1, 2003, have not been and are not required to be capitalized.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is shown below.

Classifications	Years
Land and Park Improvements	20
Buildings and Improvements	10 - 40
Vehicles	5 - 10
Machinery and Equipment	3 - 10
Furniture	10
Infrastructure	20 - 40

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital expenditures of the governmental fund upon acquisition.

J. Compensated Absences

The Borough's vacation policy for employees encourages the use of all vacation days during the calendar year. Employees can earn up to four weeks' vacation each year depending on their length of continuous service, and vacation time can be taken to the next year, but must be used within 120 days. Upon retirement or termination, accumulated vacation leave is paid at 100% of the respective employee's pay rate.

Full time employees are entitled to up to 72 hours of sick leave per year. Part-time employees receive sick leave on a pro-rated basis. Sick time can be carried forward and accumulated from year to year; however, no payment for sick time is made upon termination.

The Borough is liable to employees in the amount of \$13,339 for vested vacation pay at December 31, 2023.

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Equity Classifications

Government-Wide Statements

Equity is classified as net position and displayed in three components:

1. **Invested in capital assets, net of related debt** - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. **Restricted net position** - Consists of net assets with constraints placed on the use either by a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or b) law through constitutional provisions or enabling legislation.
3. **Unrestricted net position** - All other net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as follows:

Nonspendable – includes amounts that cannot be spent because they are not in spendable form or they are legally or contractually required to be kept intact. The Borough did not have any nonspendable fund balances at December 31, 2023.

Restricted – includes amounts that are restricted for specific purposes by constitutional provisions, enabling legislation, or externally imposed constraints.

Committed – includes amounts that can only be used for specific purposes with constraints that are established by a formal action of the Borough Council (the Council). The constraint can only be changed or removed by another formal action of the Council. The Borough's fund balance policy requires passage of a Resolution or an Ordinance by the Council in order to set aside funds as Committed.

Assigned – includes amounts that are constrained by the Borough's intent to be used for specific purposes, but are neither restricted nor committed. Assigned balances include all remaining government fund amounts, other than the General Fund, that are not classified as nonspendable, restricted or committed, and are intended for a specific purpose. The intent is expressed by the Council, or an individual to whom the Council has designated authority. The Borough's fund balance policy grants this authority to the Borough Manager and Finance Director, as well as the Borough Council. The Borough did not have any assigned fund balances at December 31, 2023.

Unassigned – this amount is the residual classification for the General Fund, and any negative fund balances in other governmental funds. Other governmental funds cannot report any positive unassigned amounts.

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Equity Classifications (continued)

Fund Statements (continued)

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, restricted fund balance is considered to have been spent first. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, committed amounts should be reduced first, followed by assigned amounts, then unassigned amounts.

The Borough does not currently have a formal minimum fund balance policy.

L. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflow of resources*, represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Borough has no deferred outflows of resources as of December 31, 2023.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflow of resources*, represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until then. The Borough has three types of this item that qualifies for reporting in this category. Accordingly, these items, *unavailable revenue*, are reported in the governmental funds balance sheet. The governmental funds report unavailable revenue from these sources: property taxes, earned income taxes, local services taxes, lease income, and grant revenues. The government wide statement does not report unavailable revenues.

M. Stewardship, Compliance, and Accountability

Budgetary Data

The following procedures are used by the Borough in establishing budgetary data, which is reflected in the financial statements.

1. The Borough prepares and advertises a proposed budget at least ten days before the budget is adopted.
2. Public hearings are conducted to obtain comments from taxpayers regarding the proposed budget.
3. The budget is formally adopted by the Council members prior to December 31.
4. Amendments may be approved by the Council during the year.

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Stewardship, Compliance, and Accountability (continued)

Excess of Expenditures Over Appropriations

The Borough has presented budget to actual comparisons for the General Fund. For the year ended December 31, 2023, expenditures exceeded appropriations in several expenditure categories of the general fund by \$30,452. This over expenditure was funded by greater than anticipated revenues. Additionally, the general fund as a whole was \$461,502 better than budget.

N. Estimates

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

O. ADOPTION OF NEW ACCOUNTING STANDARD

Effective January 1, 2023, the Borough adopted GASB Statement No. 96 - *Subscription-Based Information Technology Arrangements (SBITA)*. The Borough pays subscription fees for several software programs that are used in its operations. These subscriptions are renewable on a year to year basis, but the Borough intends to renew them for at least the next ten years before re-evaluating whether another program should be used. In accordance with GASB 96, the Borough accounted for its existing SBITA under the new guidance. As a result of the adoption of the new SBITA accounting guidance, the Borough recognized on January 1, 2023 subscription liabilities at the present value of the remaining payments on December 31, 2022, of \$61,622 and a right of use asset - subscriptions of \$61,622.

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2023

2. CASH AND INVESTMENTS

Cash and investments as of December 31, 2023, are classified in the financial statements as follows:

Statement of Net Position	
Cash	\$ 1,267,668
Investments	3,182,590
Statement of Fiduciary Net Position	
Cash	34,615
Investments	<u>1,122,959</u>
Total Cash and Investments	<u><u>\$ 5,607,832</u></u>

Cash and investments as of December 31, 2023, consist of the following:

Cash on Hand	\$ 100
Deposits with Financial Institutions	1,302,183
Investments	<u>4,305,549</u>
Total Cash and Investments	<u><u>\$ 5,607,832</u></u>

A. Cash Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Borough's deposits may not be returned. The Borough does not have a deposit policy for custodial credit risk; however, all Borough deposits are entirely insured or collateralized under a pooled asset program to secure public deposits, in accordance with Act 72 of the Commonwealth of Pennsylvania. As of December 31, 2023, \$1,053,471 of the Borough's bank balance of \$1,303,471 was uninsured, but collateralized by securities held by the bank or by its trust department or agent but not in the Borough's name.

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2023

2. CASH AND INVESTMENTS (continued)

B. Investments

At December 31, 2023, the Borough’s investments consisted of the following:

Governmental Funds	
Asset-Backed Securities	
Federal Home Loan Mortgage Association	\$ 1,369,311
Federal National Mortgage Association	562,660
Government National Mortgage Association	1,177,177
Money Market Funds	73,442
	3,182,590
 Fiduciary Funds	
Fixed Income Mutual Funds	124,520
Equity Mutual Funds	998,439
	1,122,959
 Total Investments	\$ 4,305,549

Investments Authorized by the Borough’s Home Rule Charter

The Borough’s Home Rule Charter authorizes the Borough to invest governmental funds in the following:

1. Direct obligations of the United States government, including United States treasury bills.
2. Obligations of the United States government agencies or instrumentalities backed by the full faith and credit of the United States.
3. Direct obligations of the Commonwealth of Pennsylvania.
4. Obligations of any agency or instrumentalities of the Commonwealth of Pennsylvania backed by the full faith and credit of the Commonwealth.
5. Obligations of any political subdivision of the Commonwealth of Pennsylvania or any of its agencies or instrumentalities backed by the full faith and credit of the political subdivision.
6. Deposits in savings accounts, or time deposits, other than certificates of deposit, or share accounts of institutions insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation or the National Credit Union Share Insurance Fund or the Pennsylvania Deposit Insurance Corporation or the Pennsylvania Savings Association Insurance Corporation to the extent that such accounts are so insured, and, for any amounts above the insured maximum, provided that approval collateral as provided by law therefore shall be pledged by the depository.

**BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2023**

2. CASH AND INVESTMENTS (continued)

B. Investments (continued)

Investments Authorized by the Borough's Home Rule Charter (continued)

7. Certificates of deposit purchased from institutions insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation or the National Credit Union Share Insurance Fund or the Pennsylvania Deposit Insurance Corporation or the Pennsylvania Savings Association Insurance Corporation to the extent that such accounts are so insured. However, for any amounts above the insured maximum, such certificates of deposit shall be collateralized by a pledge or assignment of assets of the institution, and such collateral may include loans (including interest in pools of loans) secured by first mortgage liens on real property. Certificates of deposit purchased from commercial banks shall be limited to an amount equal to twenty percent (20%) of a bank's total capital and surplus. Certificates of deposit purchased from savings and loan associations or savings banks shall be limited to an amount equal to twenty percent (20%) of an institution's assets minus liabilities.
8. Money market funds insured by any of the Federal or State sponsored insurance agencies mentioned in #6 or #7, or a private insurance Borough offering comparable coverage.
9. Shares of an investment company registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, provided that the only investments of that Borough are in the authorized investments for Borough funds listed in #1 through #6.
10. Any investment authorized by 20 Pa.C.S. Ch. 73 (relating to fiduciaries investments) shall be an authorized investment for any pension or retirement fund.
11. In certain commercial paper under the terms and conditions set forth in Act No. 53 of 1973 of the General Assembly of the Commonwealth of Pennsylvania, as amended. (53 P.S. S. 5410 *et seq.*)
12. Not more than twenty percent (20%) of the above-mentioned instruments may mature or become payable in any one calendar year.

In addition to the investments authorized for governmental funds, fiduciary fund investments may also be made in corporate stocks and bonds, real estate, and other investments consistent with sound business practices and state statutes.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Borough will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Borough's investments, which consist of asset-backed securities (governmental funds) and open-end mutual funds (fiduciary funds), are not subject to custodial credit risk because they do not involve a transferable financial instrument. The Borough's money market funds and certificates of deposit are SIPC and FDIC insured, respectively.

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2023

2. CASH AND INVESTMENTS (continued)

B. Investments (continued)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The credit risk of a debt instrument is measured by nationally recognized statistical rating organizations such as Moody's Investor Services (Moody's) and Standard & Poor's (S&P). The Borough does not currently have a policy with regard to credit risk. As of December 31, 2023, the Borough's investments were rated as follows.

	Fair Value	Rating
Governmental Funds		
Federal Home Loan Mortgage Association	\$ 1,369,311	AAA
Federal National Mortgage Association	562,660	AAA
Total Exposed to Credit Risk	\$ 1,931,971	
U.S. Government Guaranteed*		
Government National Mortgage Association	\$ 1,177,177	
Not Rated**	\$ 73,442	
Fiduciary Funds		
Not Rated**	\$ 1,122,959	

* Composed of U.S. government and agency obligations explicitly guaranteed by the U.S. government that are not considered to have credit risk.

** Not rated securities consist of mutual funds, and money market funds.

Concentration of Credit Risk

The investment policy of the Borough contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than securities explicitly guaranteed by the U.S. government, mutual funds, and external investment pools) that represent 5% or more of total entity investment are as follows:

Federal Home Loan Mortgage Association	\$1,369,311
Federal National Mortgage Association	\$562,660
Government National Mortgage Association	\$1,177,176

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2023

2. CASH AND INVESTMENTS (continued)

B. Investments (continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in interest rates. The Borough does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

All of the Borough's asset backed securities have remaining maturity dates of greater than one year. The maturities range from the year 2033 to 2055 and are highly sensitive to interest rate risk. The remainder of the Borough's investments have maturity dates, if any, of one year or less.

Fair Value of Investments

Accounting principles generally accepted in the United States of America establish a fair value hierarchy that is based on the valuation inputs used in the fair value measurements. Measurements using quoted prices in active markets for identical assets and liabilities fall within Level 1 of the hierarchy; measurements using significant other observable inputs fall within Level 2; and measurements using significant unobservable inputs fall within Level 3.

Information related to the Borough's investments measured at fair value on a recurring basis at December 31, 2023, is as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Governmental Funds Investments				
Federal Home Loan Mortgage Association	\$ 1,369,311	\$ -	\$ 1,369,311	\$ -
Federal National Mortgage Association	562,660	-	562,660	-
Governmental National Mortgage Association	1,177,177	-	1,177,177	-
Money Market Funds	73,442	73,442	-	-
Total Governmental Funds Investments	<u>\$ 3,182,590</u>	<u>\$ 73,442</u>	<u>\$ 3,109,148</u>	<u>\$ -</u>
Fiduciary Funds Investments				
Fixed Income Mutual Funds	\$ 124,520	\$ 124,520	\$ -	\$ -
Equity Mutual Funds	998,439	998,439	-	-
Total Fiduciary Fund Investments	<u>\$ 1,122,959</u>	<u>\$ 1,122,959</u>	<u>\$ -</u>	<u>\$ -</u>

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2023

3. PROPERTY TAXES

Real estate taxes are levied on March 1, based on assessed values established by the Bucks County Board of Assessments. Real property in the Borough was originally assessed at \$54,276,210 for 2023. Property taxes attach as an enforceable lien on property as of January 15 of the following year. The Borough receives all tax collections through its tax collector.

The Borough is permitted to levy up to 30 mills of assessed property valuation for general government purposes and 3 mills for fire protection purposes. In 2023, the Borough's tax rate was 13.25 mills for general governmental purposes, 3.25 mills for debt service, 1.25 mills for fire protection purposes, and 0.5 mills for ambulance services.

The Borough bills and collects its own property taxes, as well as property taxes for Bucks County attributable to Borough residents.

4. LEASES RECEIVABLE

Railroad Station

The Borough leases certain land and building known as the Chalfont Railroad Station from the Southeastern Pennsylvania Transportation Authority (SEPTA). Under the terms of the lease agreement, which began in August 1990, the Borough is liable for minimum lease payments of \$1 annually. The lease extends until cancelled, with notice, by either party. Leasehold improvements totaling \$91,614 have been made to the station to date, of which \$66,084 was funded by the Community Development Block Grants received in prior years. This lease is not considered material and it not included in the lease receivable calculations.

101 North Main Street

In 2017, the Borough entered into an agreement to lease space in the old firehouse to a local creamery. The Borough redeveloped this property in 2018 using state grant funds. The lease term began in January 2019 and goes through December 2028, and has a renewal option. Additionally, the Borough agreed to the lessee's request for rent abatements for the months of January through March for the first six years of the term. The lease receivable is measured at the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 2.98%, which is the interest rate on the general obligation note issued for the purchase of this property. In 2023, the Borough recognized \$24,178 of lease revenue and \$4,604 of interest revenue under the lease.

Cell Tower Leases

The Borough has entered into several leases for the rental of space for cell tower antennae. Each agreement has multiple renewal options for five year periods, and call for 2-4% percent increases each year. Currently, three of the agreement expire in 2025, and one in 2024. These leases receivable are measured at the present value of the future minimum rent payments expected to be received during the lease term at a discount rate of 0.80%, which is the rate on the Borough's variable rate general obligation note as of December 31, 2022. In 2023, the Borough recognized \$111,249 of lease revenue and \$2,540 of interest revenue under these leases.

**BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2023**

4. LEASES RECEIVABLE (continued)

The Borough's future minimum lease payments are as follows:

Year	Principal	Interest	Total Lease Payments
2024	\$ 133,043	\$ 5,707	\$ 138,750
2025	115,332	4,236	119,568
2026	29,668	2,732	32,400
2027	30,552	1,848	32,400
2028	31,462	938	32,400
	\$ 340,057	\$ 15,461	\$ 355,518

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2023

5. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2023, was as follows:

	Balance 1/1/23	Additions	Disposals	Balance 12/31/23
Assets Not Being Depreciated				
Land	\$ 1,137,319	\$ -	\$ -	\$ 1,137,319
Conservation Easements	173,000	-	-	173,000
Depreciable Assets				
Land and Park Improvements	2,480,164	228,068	-	2,708,232
Buildings and Improvements	2,998,296	-	-	2,998,296
Vehicles	716,056	-	-	716,056
Machinery and Equipment	418,367	8,978	-	427,345
Furniture	5,961	-	-	5,961
Infrastructure	4,265,925	1,199,728	-	5,465,653
Total at Historical Cost	12,195,088	1,436,774	-	13,631,862
Less Accumulated Depreciation				
Land and Park Improvements	1,152,566	115,139	-	1,267,705
Buildings and Improvements	1,183,075	118,922	-	1,301,997
Vehicles	714,909	1,148	-	716,057
Machinery and Equipment	208,326	32,815	-	241,141
Furniture	5,960	-	-	5,960
Infrastructure	1,910,508	224,172	-	2,134,680
Total Accumulated Depreciation	5,175,344	492,196	-	5,667,540
Total Net Capital Assets	\$ 7,019,744	\$ 944,578	\$ -	\$ 7,964,322

Depreciation expense was charged to governmental activities as follows:

General Government	\$ 324,716
Highway Maintenance	121,898
Parks and Recreation	45,582
Total Depreciation Expense	\$ 492,196

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2023

6. EQUITY INTEREST IN JOINT VENTURE

As part of the intermunicipal agreement for police services (see Note 1), the Borough and the two other municipalities agreed to authorize and facilitate the construction of new police headquarters. As of December 31, 2023, the Borough had paid \$1,697,633 toward this construction and has recorded an asset, equity interest in joint venture. The Borough borrowed \$1,200,000 to finance most of the cost. The building was completed in 2022. In the event of a dissolution of the agreement, the Borough would receive its share of the property value.

7. LONG-TERM OBLIGATIONS

The Borough's General Long-Term Obligations changed during the year as follows:

	Balance at 1/1/23	Additions	Reductions	Balance at 12/31/23	Due within One Year
General Obligation Notes					
2014 General Obligation Note	\$ 202,000	\$ -	\$ 14,000	\$ 188,000	\$ 15,000
2018 General Obligation Note	214,000	-	13,000	201,000	13,000
2019 General Obligation Note	1,045,000	-	53,000	992,000	54,000
2021 General Obligation Note	959,000	-	43,000	916,000	43,000
Subscription Liabilities	61,622	-	4,004	57,618	5,239
Subtotal	2,481,622	-	127,004	2,354,618	130,239
Compensated Absences	10,022	3,317	-	13,339	-
Total	<u>\$ 2,491,644</u>	<u>\$ 3,317</u>	<u>\$ 127,004</u>	<u>\$ 2,367,957</u>	<u>\$ 130,239</u>

2014 General Obligation Note

On July 25, 2014, the Borough issued a General Obligation Note in the amount of \$300,000 through the Delaware Valley Regional Finance Authority. Additionally, the Borough executed a fixed rate swap agreement, which fixed its interest rate at 2.98% (see Note 14). Principal payments are due on July 25 of each year as shown below. The note was issued for the purpose of acquiring property, and making renovations to Borough buildings and parking lots and was issued as non-electoral debt. The Borough has pledged its full faith, credit, and taxing power, and is required to include in its budget for each year the amount of debt service on the note which will be payable in such fiscal year.

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2023

7. LONG-TERM OBLIGATIONS (continued)

2014 General Obligation Note (continued)

The debt service requirements are as follows:

Year	Principal	Interest	Total Debt Service
2024	\$ 15,000	\$ 5,603	\$ 20,603
2025	15,000	5,155	20,155
2026	15,000	4,708	19,708
2027	16,000	4,262	20,262
2028	16,000	3,785	19,785
2029 - 2033	91,000	11,264	102,264
2034	20,000	596	20,596
	<u>\$ 188,000</u>	<u>\$ 35,373</u>	<u>\$ 223,373</u>

Interest expense was \$5,846 for the year.

2018 General Obligation Note

On April 27, 2018, the Borough issued a General Obligation Note in the amount of \$1,260,000 through the Delaware Valley Regional Finance Authority, but only drew down \$900,000. The note was issued for the purpose of making renovations to Borough buildings and parking lots and was issued as non-electoral debt. The Borough has pledged its full faith, credit, and taxing power, and is required to include in its budget for each year the amount of debt service on the note which will be payable in such fiscal year. Principal payments are due on October 25 of each year as shown below. In 2019, the Borough paid an additional \$640,000 of principal after grant funds were received for the building renovations. Additionally, in 2019, the Borough executed a fixed rate swap agreement on the remaining \$250,000 balance on this note, which fixed its interest rate at 1.809% (see Note 14). The debt service requirements are as follows:

Year	Principal	Interest	Total Debt Service
2024	\$ 13,000	\$ 3,636	\$ 16,636
2025	13,000	3,401	16,401
2026	13,000	3,166	16,166
2027	13,000	2,931	15,931
2028	14,000	2,695	16,695
2029 - 2033	72,000	9,660	81,660
2034 - 2037	63,000	2,876	65,876
	<u>\$ 201,000</u>	<u>\$ 28,365</u>	<u>\$ 229,365</u>

Interest expense was \$3,832 for the year.

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2023

7. LONG-TERM OBLIGATIONS (continued)

2019 General Obligation Note

On November 13, 2019, the Borough issued a General Obligation Note in the amount of \$1,200,000 through the Delaware Valley Regional Finance Authority. Principal payments are due on October 25 of each year as shown below. Additionally, the Borough executed a fixed rate swap agreement on this note, which fixed its interest rate at 1.809% (see Note 14). The note was issued for the purpose of contributing its share of the costs of the Central Bucks Regional Police Headquarters, and was issued as non-electoral debt. The Borough has pledged its full faith, credit, and taxing power, and is required to include in its budget for each year the amount of debt service on the note which will be payable in such fiscal year. The debt service requirements, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2024	\$ 54,000	\$ 17,945	\$ 71,945
2025	55,000	16,969	71,969
2026	56,000	15,973	71,973
2027	57,000	14,960	71,960
2028	58,000	13,929	71,929
2029 - 2033	305,000	53,547	358,547
2034 - 2038	335,000	24,874	359,874
2039	72,000	1,303	73,303
	<u>\$ 992,000</u>	<u>\$ 159,500</u>	<u>\$ 1,151,500</u>

Interest expense was \$18,744 for the year.

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2023

7. LONG-TERM OBLIGATIONS (continued)

2021 General Obligation Note

On December 15, 2021, the Borough issued a General Obligation Note in the amount of \$975,000 through the Delaware Valley Regional Finance Authority. Principal payments are due on December 25 of each year as shown below. Additionally, the Borough executed a fixed rate swap agreement on \$675,000 of this note, which fixed its interest rate at 1.714% (see Note 14). A variable interest rate is charged on the remaining \$300,000 proceeds using the lender's Loan Weekly Rate. At December 21, 2021, this rate was 0.8042%. The note was issued for the purpose of contributing its share of the costs of the Central Bucks Regional Police Headquarters, and for other capital projects of the Borough, and was issued as non-electoral debt. The Borough has pledged its full faith, credit, and taxing power, and is required to include in its budget for each year the amount of debt service on the note which will be payable in such fiscal year. The debt service requirements, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2024	\$ 43,000	\$ 23,234	\$ 66,234
2025	44,000	21,196	65,196
2026	45,000	20,117	65,117
2027	46,000	19,022	65,022
2028	47,000	17,909	64,909
2029 - 2033	246,000	72,124	318,124
2034 - 2038	270,000	41,147	311,147
2039 - 2041	<u>175,000</u>	<u>8,552</u>	<u>183,552</u>
	<u>\$ 916,000</u>	<u>\$ 223,301</u>	<u>\$ 1,139,301</u>

Interest expense was \$23,321 for the year.

**BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2023**

8. SUBSCRIPTION LIABILITIES

The Borough has entered into several subscriptions of software programs. Each agreement is renewable annually with small percentage increases each year anticipated. The Borough anticipates renewing these subscriptions for at least the next ten years, at which point they will be re-evaluated. The subscription liabilities are measured at the present value of the future minimum payments expected to be made at a discount rate of 1.57%, which is the rate on the Borough’s variable rate general obligation note as of December 31, 2022. In 2023, the Borough recognized \$4,004 of subscription expense and \$970 of interest expense under these leases.

The Borough’s future subscription payments are as follows:

Year	Principal	Interest	Total Payments
2024	\$ 5,239	\$ 907	\$ 6,146
2025	5,506	824	6,330
2026	5,783	738	6,521
2027	6,069	647	6,716
2028	6,366	551	6,917
2029-2032	28,655	1,154	29,809
	\$ 57,618	\$ 4,821	\$ 62,439

9. PERMIT DEPOSIT

In October 2014, the Borough purchased a property from the North Wales Authority. The purchase price was \$465,000, and was paid in the form of \$250,000 cash and \$215,000 in credits to the Authority. For 15 years from the date of the sale, the Borough will waive any permit fees incurred by the Authority, up to \$215,000. This deposit is classified as a long-term liability on the statement of net position. During the year ended December 31, 2023, the Authority incurred no permit fees, leaving the balance at \$172,180.

**BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2023**

10. FUND BALANCE CLASSIFICATIONS

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Capital Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Restricted for:					
Debt Service	\$ -	\$ -	\$ -	\$ 50,619	\$ 50,619
Highway Improvements	-	-	-	114,767	114,767
	-	-	-	165,386	165,386
Committed for:					
Capital Expenditures	-	3,182,590	129,633	-	3,312,223
Unassigned	1,079,217	-	-	-	1,079,217
Total Fund Balances	<u>\$1,079,217</u>	<u>\$3,182,590</u>	<u>\$ 129,633</u>	<u>\$ 165,386</u>	<u>\$4,556,826</u>

11. INTERFUND TRANSACTIONS

Interfund transactions are as follows:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Due to/from			
Capital Costs Advanced	General	Capital	\$ 59,021
Funds Advanced	Nonmajor Funds	General	\$ 1,216
Escrow Funds	Custodial	General	\$ 3,013
Operating Transfers			
Capital Purchases	Capital	General	\$ 20,000
Capital Projects	General	Capital Reserve	\$ 68,800

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2023

12. FIDUCIARY FUNDS - DEFERRED COMPENSATION FUND

The Borough has a deferred compensation plan, which is available to its employees. The Plan, which is designed under the provisions of Section 457 of the Internal Revenue Code, permits employees to make voluntary salary reduction contributions, which are excluded from federal taxable income.

Prior to 1998, all amounts of compensation deferred under the Plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights were (until paid or made available to the employee or other beneficiary) solely the property and rights of the Borough (without being restricted to the provisions of benefits under the Plan), subject to the claims of the Borough's general creditors. Participants' rights under the Plan were equal to those of general creditors of the Borough in an amount equal to the fair market value of the deferred account for each participant.

During 1998, the Borough amended the Plan in accordance with recent IRS amendments of IRC Section 457(g). As a result of the amendment, assets of the Plan are now placed in trust for the exclusive benefit of participants and their beneficiaries. IRC Section 457(g) states that the Borough no longer owns the amounts deferred by employees, including the related earnings thereon. Accordingly, the assets and the corresponding liability for the compensation deferred by Plan participants, including earnings, are no longer reported in the financial statements of the Borough.

13. BOROUGH OF CHALFONT NON-UNIFORM PENSION PLAN

A. Plan Description

The Borough of Chalfont Non-Uniform Pension Plan (the Plan) was established by the Borough to provide pension benefits for its full-time, non-uniformed employees. The Plan is a single-employer plan. Assets are held separately and may only be used for the payment of benefits to members of the Plan. The Plan's assets are managed by CBIZ InR Advisory Services.

The Plan is part of the Borough's reporting entity and is included in the Borough's financial report as a pension trust fund.

The Plan is a defined contribution plan. In a defined contribution plan, the benefits to be received by an employee depend solely on the amount contributed to the participant's account and related returns on investments of those contributions. Participants direct the investment of all contributions into the investment options offered by the Plan.

Each year the Borough will contribute into the Plan for each eligible participant, an amount equal to 8% of their total compensation, using State Aid received from the Commonwealth of Pennsylvania. These contributions are made on a quarterly basis. To the extent that these fundings are not adequate to cover the Borough's obligation to the Plan, the Borough would then be required to contribute.

In addition to the Borough contribution made to the participant's account, their account will be credited with the investment earnings or losses on their investments. Participants who terminate for reasons other than death, disability, or retirement would not share in the allocations of contributions, earnings, or losses for the Plan year in which they terminate.

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2023

13. BOROUGH OF CHALFONT NON-UNIFORM PENSION PLAN (continued)

A. Plan Description (continued)

Retirement age is 65 years old with 10 years of service under the Plan. Employees are fully vested after five years of service. Amounts forfeited by employees who leave prior to five years of service are allocated to the remaining Plan participants.

The Borough made contributions of \$39,434 to the plan during the year ended December 31, 2023.

B. Significant Accounting Policies and Plan Asset Matters

The Borough's financial statements of the Plan's activity are included in the Borough's financial report as a pension trust fund. The Plan's financial statements are presented on the accrual basis of accounting.

Investments at December 31, 2023, in the amount of \$1,122,959 consisted entirely of mutual funds, which fall in Level 1 of the fair value hierarchy.

Individual investments comprising greater than 5% of the Plan's net assets at December 31, 2023, consisted of the following:

	<u>Fair Value</u>
Aggressive Growth Model Portfolio	\$ 518,371
Vanguard Total Bond Market Index	\$ 124,520
Vanguard Total Stock Market Index	\$ 86,537
Vanguard Small Cap Growth Index	\$ 66,140
Vanguard Mid Cap Index	\$ 60,418

14. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

As described in Note 7, the Borough entered into three fixed rate swap agreements. The purpose of these agreements is to hedge the risk of change in the interest rates and to assist the Borough in stabilizing the cash flow requirements needed to service the \$300,000 2014 General Obligation Note, the \$250,000 2018 General Obligation Note, the \$1,200,000 2019 General Obligation Note, and \$675,000 2021 General Obligation Note (also defined as the "notional amounts"). The interest rate swap agreements end on the date concurrent with the final payment of the loans.

Under the interest rate swap agreements, the Borough is required to make monthly interest payments at the fixed interest rates over the remaining term of the loans. The counterparty involved in this swap agreement has received an A+ credit rating from Standard and Poor's.

**BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2023**

14. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES (continued)

With the execution of the fixed rate swap agreements and in accordance with GASB 53, “Accounting and Reporting for Derivative Instruments”, the Borough accounts for the interest rate swaps as a hedging derivative. The swap agreements have been determined to be effectively hedged under both the consistent critical terms and quantitative methods standards of GASB 53. As such, the changes in fair value of the swap agreements have been reflected as a deferred outflow of resources in the statement of net position. The change in the market value of the interest rate swaps in favor of the Borough as of December 31, 2023, were as follows:

	<u>2014 GON</u>	<u>2018 GON</u>	<u>2019 GON</u>	<u>2021 GON</u>	<u>Total</u>
Fair Market Value at December 31, 2022	\$ 7,462	\$ 25,600	\$139,660	\$104,292	\$277,014
Decrease in Market Value	<u>(5,865)</u>	<u>(7,792)</u>	<u>(39,696)</u>	<u>(26,908)</u>	<u>(80,261)</u>
Fair Market Value at December 31, 2023	<u>\$ 1,597</u>	<u>\$ 17,808</u>	<u>\$ 99,964</u>	<u>\$ 77,384</u>	<u>\$196,753</u>

15. RISK MANAGEMENT

The Borough is exposed to various kinds of loss related to limited torts; theft of, and damage to and destruction of assets; errors and omissions; and natural disasters for which the Borough carries commercial insurance.

a. Health Care Coverage

The Borough participates in the Delaware Valley Health Trust (DVHT). DVHT is a regional risk sharing pool providing health insurance benefits to employees and dependents of participating municipalities.

b. Workers’ Compensation Coverage

The Borough participates in the Delaware Valley Workers’ Compensation Trust to provide workers’ compensation benefits to its employees.

c. Insurance Coverage

The Borough participates in the Delaware Valley Property Liability Trust to provide commercial, liability and bonding coverage for the Borough.

Management believes the above coverages are sufficient to preclude any significant uninsured losses to the Borough. There have been no significant reductions in coverage from the prior year.

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2023

16. CONTINGENCIES

The Borough is party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accruals or provisions for loss contingencies that may result from these proceedings. While the outcome of the above-noted proceedings cannot be predicted due to the insurance coverage maintained by the Borough, management feels that any settlement of judgment not covered by insurance would not materially affect the financial condition of the Borough.

17. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 13, 2024, the date which the financial statements were available to be issued.

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
General Fund
Year Ended December 31, 2023

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 1,973,580	\$ 2,068,221	\$ 94,641
Intergovernmental	69,350	83,527	14,177
Fines, Licenses and Permits	90,500	81,157	(9,343)
Charges for Services	145,768	126,193	(19,575)
Investment Income and Rents	134,300	154,481	20,181
Miscellaneous	5,000	21,463	16,463
Total Revenues	<u>2,418,498</u>	<u>2,535,042</u>	<u>116,544</u>
Expenditures			
General Government	792,078	749,025	43,053
Public Safety	1,465,775	1,463,247	2,528
Public Works	390,120	359,079	31,041
Parks and Recreation	42,000	40,290	1,710
Community Development	5,000	5,000	-
Debt Service - Principal	-	4,004	(4,004)
Debt Service - Interest	-	970	(970)
Capital Expenditures	-	87,100	(87,100)
Miscellaneous Governmental	47,500	34,722	12,778
Total Expenditures	<u>2,742,473</u>	<u>2,743,437</u>	<u>(964)</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(323,975)</u>	<u>(208,395)</u>	<u>115,580</u>
Other Financing Sources (Uses)			
Software Subscriptions	-	61,622	61,622
Transfers In (Out)	(235,500)	48,800	284,300
Total Other Financing Sources (Uses)	<u>(235,500)</u>	<u>110,422</u>	<u>345,922</u>
Net Change in Fund Balances	(559,475)	(97,973)	461,502
Fund Balances			
Beginning of Year	<u>1,141,351</u>	<u>1,177,190</u>	<u>35,839</u>
End of Year	<u>\$ 581,876</u>	<u>\$ 1,079,217</u>	<u>\$ 497,341</u>

See notes to schedule of budget to actual comparisons.

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Notes to Schedule of Budget to Actual Comparisons
December 31, 2023

1. BASIS OF PRESENTATION

The Borough has prepared the Schedule of Budget to Actual Comparisons using the same format as the Statement of Revenues, Expenditures, and Changes in Fund Balances.

The Borough did not amend its original 2023 budget as originally adopted and, therefore, is presenting the original and final budget in one column on page 51.

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2023

	<u>Fire Tax Fund</u>	<u>Liquid Fuels Fund</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental</u>
Assets				
Cash	\$ -	\$ 114,767	\$ 49,829	\$ 164,596
Taxes Receivable	563	-	832	1,395
Due from Other Funds	426	-	790	1,216
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u><u>\$ 989</u></u>	<u><u>\$ 114,767</u></u>	<u><u>\$ 51,451</u></u>	<u><u>\$ 167,207</u></u>
 Liabilities and Fund Balances				
Liabilities				
Accounts Payable	<u>\$ 426</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 426</u>
Deferred Inflows of Resources				
Deferred Tax Receipts	<u>563</u>	<u>-</u>	<u>832</u>	<u>1,395</u>
Fund Balances				
Restricted	<u>-</u>	<u>114,767</u>	<u>50,619</u>	<u>165,386</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	<u><u>\$ 989</u></u>	<u><u>\$ 114,767</u></u>	<u><u>\$ 51,451</u></u>	<u><u>\$ 167,207</u></u>

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended December 31, 2023

	<u>Fire Tax Fund</u>	<u>Liquid Fuels Fund</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental</u>
Revenues				
Taxes	\$ 94,200	\$ -	\$ 174,469	\$ 268,669
Intergovernmental	-	126,189	-	126,189
Investment Income and Rents	-	3,003	1,593	4,596
Total Revenues	<u>94,200</u>	<u>129,192</u>	<u>176,062</u>	<u>399,454</u>
Expenditures				
Public Safety	94,200	-	-	94,200
Public Works	-	3,529	-	3,529
Debt Service - Principal	-	-	123,000	123,000
Debt Service - Interest	-	-	51,743	51,743
Capital Expenditures	-	270,000	-	270,000
Total Expenditures	<u>94,200</u>	<u>273,529</u>	<u>174,743</u>	<u>542,472</u>
Net Change in Fund Balances	-	(144,337)	1,319	(143,018)
Net Assets				
Beginning of Year	<u>-</u>	<u>259,104</u>	<u>49,300</u>	<u>308,404</u>
End of Year	<u>\$ -</u>	<u>\$ 114,767</u>	<u>\$ 50,619</u>	<u>\$ 165,386</u>