BOROUGH OF CHALFONT
BUCKS COUNTY, PENNSYLVANIA

Financial Report

December 31, 2008

BOROUGH OF CHALFONT
BUCKS COUNTY, PENNSYLVANIA

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BOROUGH OF CHALFONT
BUCKS COUNTY, PA

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Independent Auditor's Report

Honorable Borough Council
Borough of Chalfont
Chalfont, Pennsylvania

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, as of and for the year ended December 31, 2008, which collectively comprise the Borough's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Borough's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the 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, 2008, 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.

Management's Discussion and Analysis and the required supplementary information, listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management and the pension plan administrator and actuary regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

We performed our audit to form an opinion on the financial statements that collectively comprise the Borough of Chalfont, Bucks County, Pennsylvania, basic financial statements. The accompanying supplementary information listed in the table of contents is presented for additional analysis and is not a required part of the basic financial statements. We subjected this information to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects, in relation to the basic financial statements taken as a whole.

Dunlap & Associates, P.C.

DUNLAP & ASSOCIATES, P.C.

Chalfont, Pa.
May 18, 2009

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2008

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, 2008. Please read it in conjunction with the Borough's financial statements, which begin on page 12.

FINANCIAL HIGHLIGHTS

- Chalfont Borough's net assets increased $308,679 or 3.88%, as a result of this year's operations.
- The total cost of all Chalfont Borough's programs for the year ended December 31, 2008, was $1,910,607 compared to $1,840,397 for 2007.
- In 2004 Chalfont Borough entered into a seven-year capital lease for a street sweeper in the amount of $142,825. The year 2008 is the fourth year of that lease.

USING THIS REPORT

This report consists of a series of financial statements. The statement of Net Assets and the Statement of Activities (on pages 12-14) provide information about the activities of Chalfont Borough as a whole and present a longer-term view of the Borough's finances. Fund financial statements start on page 15. 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 Assets 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 liabilities 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 assets and changes in them. The Borough's net assets (the difference between assets and liabilities) provide a measurement of the Borough's financial health, or financial position. Over time, increases or decreases in net assets are an indicator of whether the Borough's financial health is improving or deteriorating.

USING THIS REPORT (Continued)

Reporting Significant Funds

The fund financial statements begin on page 15 and provide detailed information about the most significant fund, 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 Assets and the Statement of Activities) and governmental funds are described in a reconciliation at the end of 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 Assets and Changes in Fiduciary Net Assets on pages 19 and 20. 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 Assets provides an overview of Chalfont Borough's assets, liabilities, and net assets. Over time this statement will provide a good indicator of the Borough's fiscal health.

Table 1
Net Assets

Account	2008	2007	$ Change	% Change
Capital Assets	$ 3,443,598	$ 3,261,130	$ 182,468	5.60
Current and Other Assets	5,286,789	4,940,753	346,036	7.00
Total Assets	8,730,387	8,201,883	528,504	6.44
Long-Term Liabilities	234,422	94,655	139,767	147.66
Other Liabilities	221,831	141,773	80,058	56.47
Total Liabilities	456,253	236,428	219,825	92.98
Net Assets				
Invested in Capital Assets, Net of Related Debt	3,199,713	3,157,188	42,525	1.35
Restricted	4,345,901	4,208,239	137,662	3.27
Unrestricted	728,520	600,028	128,492	21.41
Total Net Assets	$ 8,274,134	$ 7,965,455	$ 308,679	3.88

The total net assets of the Borough shown above are approximately $8.3 million. Net assets increased by 3.88% in 2008.

Table 2
Change in Net Assets

Account	2008	2007	$ Change	% Change
Program Revenues				
General Government	$ 90,828	$ 87,310	$ 3,518	4.03
Police	71,446	73,273	(1,827)	(2.49)
Fire	35,741	35,106	635	1.81
Code Enforcement	50,261	35,076	15,185	43.29
Planning and Zoning	14,258	12,424	1,834	14.76
Highway Maintenance	146,700	90,747	55,953	61.66
Traffic Signals	2,074	0	2,074	100.00
Street Lighting	1,150	3,480	(2,330)	(66.95)
Parks and Recreation	39,850	389,570	(349,720)	(89.77)
General Revenues				
Real Estate Taxes	552,813	447,632	105,181	23.50
Transfer Taxes	104,658	130,775	(26,117)	(19.97)
Earned Income Taxes	600,879	604,937	(4,058)	(0.67)
Local Services Tax	38,141	48,930	(10,789)	(22.05)
Grants & Contributions	28,075	0	28,075	100.00
Interest and Rents	435,834	220,139	215,695	97.98
Sale of Capital Assets	(304)	(1,262)	958	75.91
Miscellaneous	6,884	22,098	(15,214)	(68.85)
Total Revenues (Forwarded)	$ 2,219,288	$ 2,200,235	$ 19,053	0.87

(Table 2 continues on the next page.)

Table 2
Change in Net Assets

Account	2008	2007	$ Change	% Change
Total Revenues (Forwarded)	$ 2,219,288	$ 2,200,235	$ 19,053	0.87
Program Expenses				
Legislative	11,614	21,672	(10,058)	(46.41)
Executive	279,062	240,310	38,752	16.13
Finance and Tax Collection	12,390	12,360	30	0.24
Professional Services	112,733	80,483	32,250	40.07
General Government	205,761	272,848	(67,087)	(24.59)
Police	740,304	676,165	64,139	9.49
Fire	118,647	117,930	717	0.61
Code Enforcement	74,974	57,044	17,930	31.43
Planning and Zoning	4,332	1,558	2,774	178.05
Highway Maintenance	270,819	240,835	29,984	12.45
Snow and Ice Removal	20,691	3,154	17,537	556.02
Traffic Signals	35,539	33,185	2,354	7.09
Street Lighting	5,568	2,863	2,705	94.48
Parks and Recreation	18,173	79,990	(61,817)	(77.28)
Total Expenses	1,910,607	1,840,397	70,210	3.81
Changes in Net Assets	$ 308,681	$ 359,838	$ (51,157)	(14.22)

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2008

Revenue Overview
In 2008 the general millage was raised by 2 mills to 9.75 mills, the fire tax millage at 1.25 mills was unchanged, and the ambulance at .50 was unchanged. Total revenues increased .87% or $19,053 over the prior year.

Figure 1

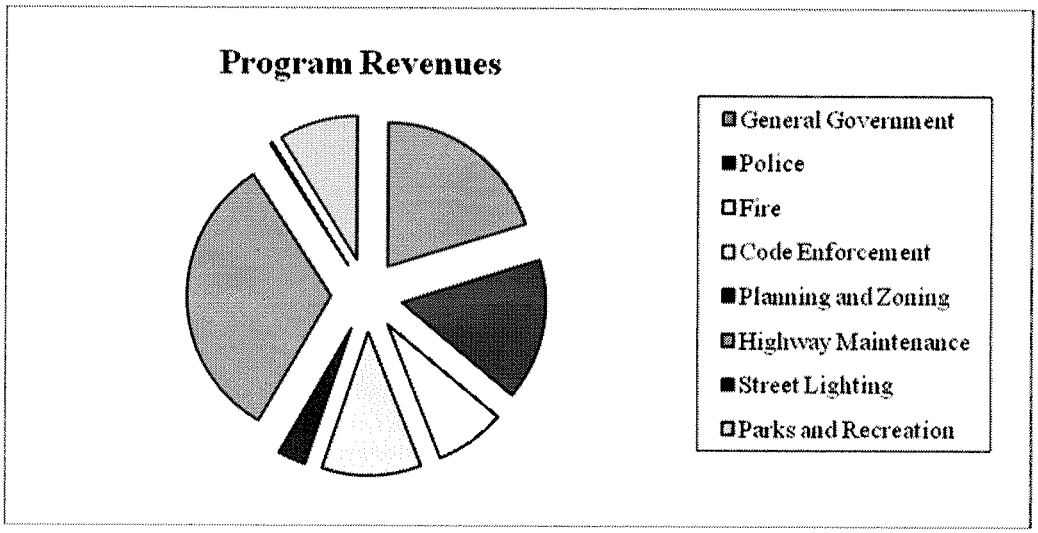
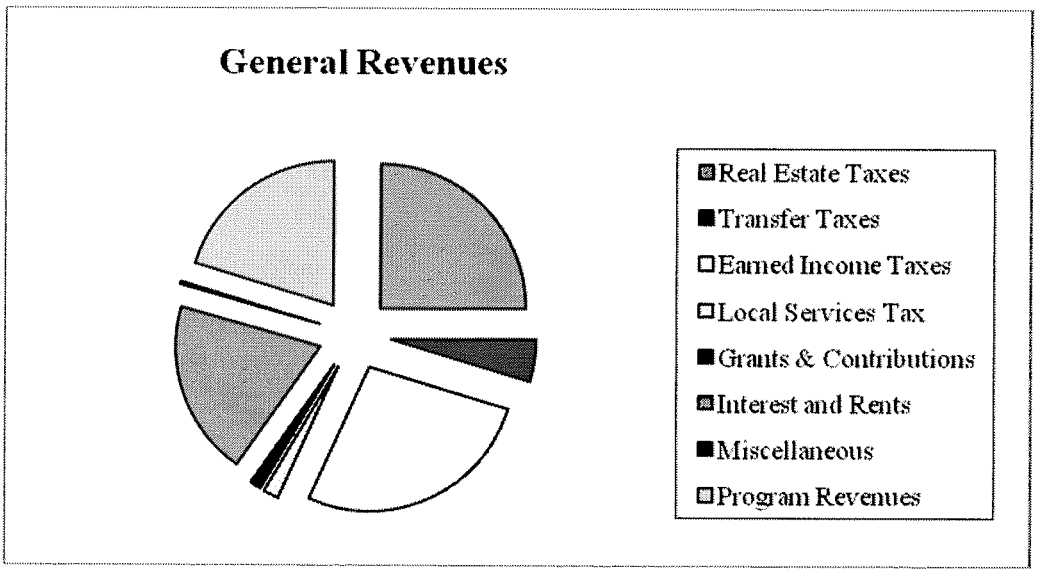


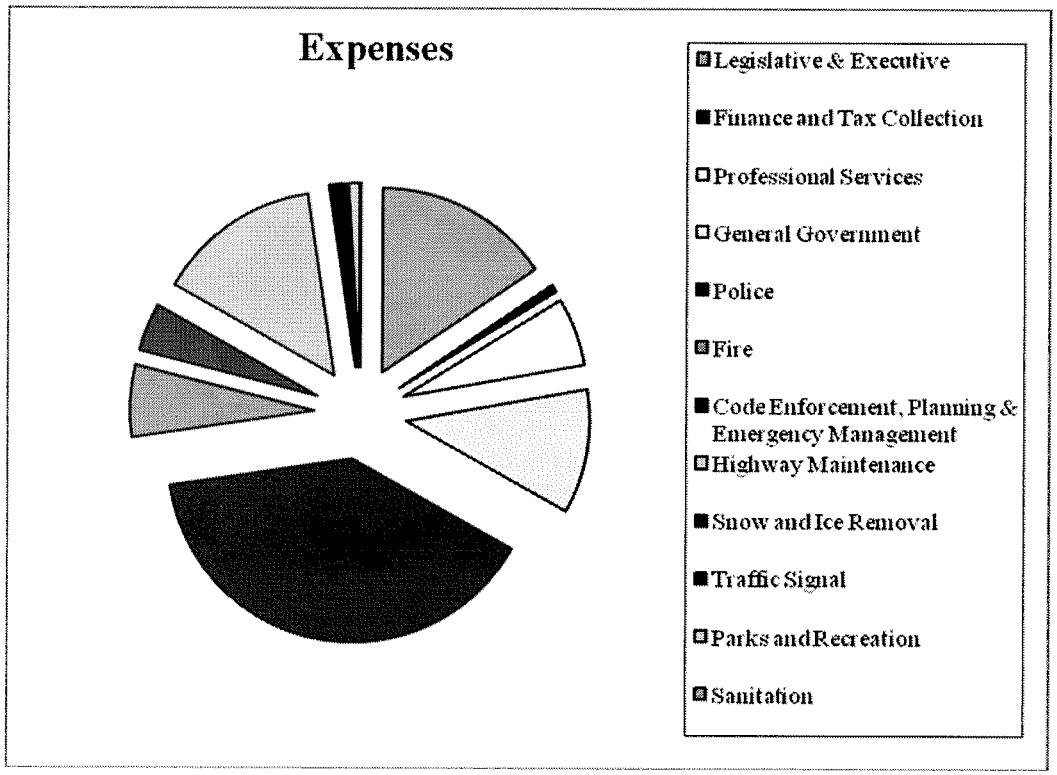
Figure 2



Expense Overview

Total expenses in all categories were $1,910,607. The largest areas of expense were Police and General Government. Expenses increased $70,210 or 3.81% from the prior year due to rising costs.

Figure 3



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
The Borough has contracted with Allied Waste to provide for trash pickup for Chalfont Borough residents. Allied Waste bills and collects for this service. In 2008 the contract cost was $357.84 per household per year with a 4.8% increase in year five, and an expiration date of June 1, 2009. Household trash is unlimited and picked up two times per week. Residents may dispose of six bags of yard waste per pick up, plus one bulk item per week. The recycling pickup day is every Friday, plus spring and 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 has separated from the Chalfont Fire Company 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 .75 mills for protection services. 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 on Main Street and houses both administration and police operations. 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.

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 PA. 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 balance the budget.

ANALYSIS OF INDIVIDUAL FUNDS (Continued)

Other Funds

This category includes Fire Protection and State Highway Aid Funds. Each of these funds had routine and unremarkable results during 2008.

Pension Plans

Fulltime Borough employees are also members of the Police or Non-Uniformed pension plan. The Borough's pension investments advisor is Trollinger Consulting Group. The Police Pension plan is 93% underfunded actuarially. The Borough is eligible for Act 205 assistance in the form of state aid.

The Borough also furnishes an IRS Section 457 deferred compensation retirement plan to its employees. Seven employees participate in the plan.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The Borough has $3,199,713 invested in Capital Assets, Net of Related Debt. Infrastructure assets acquired prior to January 1, 2003, and the related accumulated depreciation and depreciation expense are not included in this report.

Discussion of Future Plans

The Borough plans a reconstruction streets program every other year. The next scheduled project would be in 2010.

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, Melissa Shafer at 215-822-7295.

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Statement of Net Assets
December 31, 2008

Assets	
Current Assets	
Cash	$ 758,450
Investments	4,249,700
Accounts Receivable	1,985
Taxes Receivable	271,553
Prepaid Expenses	5,101
Total Current Assets	5,286,789
Noncurrent Assets	
Net Capital Assets	3,443,598
Total Assets	8,730,387
Liabilities	
Current Liabilities	
Current Portion of General Obligation Note Payable	15,000
Current Portion of Obligations Under Capital Lease	28,213
Accounts Payable and Accrued Expenses	141,083
Due to Other Governments	13,012
Escrow Deposits	24,523
Total Current Liabilities	221,831
Noncurrent Liabilities	
General Obligation Note Payable	155,000
Obligations Under Capital Lease	45,672
Compensated Absences	33,750
Total Noncurrent Liabilities	234,422
Total Liabilities	456,253
Net Assets	
Invested in Capital Assets, Net of Related Debt	3,199,713
Restricted for:	
Capital Projects	4,274,096
Other Purposes	71,805
Unrestricted	728,520
Total Net Assets	$ 8,274,134

See Notes to Financial Statements.

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Statement of Activities
Year Ended December 31, 2008

Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions
Governmental Activities			
General Government			
Legislative	$ 11,614	$ 0	$ 0
Executive	279,062	0	0
Finance and Tax Collection	12,390	18,755	0
Professional Services	112,733	0	0
General Government	205,761	59,379	6,634
Public Safety			
Police	740,304	30,507	40,939
Fire	118,647	0	35,741
Code Enforcement	74,974	50,167	94
Planning and Zoning	4,332	14,258	0
Highways			
Highway Maintenance	270,819	823	145,877
Snow and Ice Removal	20,691	0	0
Traffic Signals	35,539	2,074	0
Street Lighting	5,568	0	0
Parks and Recreation	18,173	0	22,706
Total Governmental Activities	$ 1,910,607	$ 175,963	$ 251,991
		General Revenues	
		Taxes	
		Real Estate Taxes	
		Real Estate Transfer Taxes	
		Earned Income Taxes	
		Local Services Taxes	
		Grants and Contributions	
		Investment Income and Rents	
		Miscellaneous	
		Loss on Disposal of Assets	
		Total General Revenues	
		Change in Net Assets	
		Net Assets, Beginning of Year	
		Net Assets, End of Year	

See Notes to Financial Statements.

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets Governmental Activities
$ 0	$ (11,614)
6,060	(273,002)
0	6,365
0	(112,733)
0	(139,748)
0	(668,858)
0	(82,906)
0	(24,713)
0	9,926
0	(124,119)
0	(20,691)
0	(33,465)
1,150	(4,418)
17,144	21,677
$ 24,354	(1,458,299)
	552,813
	104,658
	600,879
	38,141
	28,075
	435,834
	6,884
	(304)
	1,766,980
	308,681
	7,965,453
	$ 8,274,134

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Balance Sheet
Governmental Funds
December 31, 2008

	General Fund	Capital Reserve Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash	$ 662,493	$ 0	$ 95,957	$ 758,450
Investments	0	4,249,700	0	4,249,700
Accounts Receivable	1,985	0	0	1,985
Taxes Receivable	269,186	0	2,367	271,553
Due from (to) Other Funds	(1,177)	0	1,177	0
Total Assets	$ 932,487	$ 4,249,700	$ 99,501	$ 5,281,688
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	$ 126,718	$ 0	$ 3,300	$ 130,018
Accrued Wages and Payroll Taxes	11,065	0	0	11,065
Due to Other Governments	13,012	0	0	13,012
Deferred Revenue	163,029	0	1,329	164,358
Escrow Deposits	24,523	0	0	24,523
Total Liabilities	338,347	0	4,629	342,976
Fund Balances				
Unreserved, reported in				
General Fund	594,140	0	0	594,140
Special Revenue Funds	0	0	70,476	70,476
Capital Projects Funds	0	4,249,700	24,396	4,274,096
Total Fund Balances	594,140	4,249,700	94,872	4,938,712
Total Liabilities and Fund Balances	$ 932,487	$ 4,249,700	$ 99,501	$ 5,281,688

See Notes to Financial Statements.

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
December 31, 2008

Total Governmental Fund Balances	$ 4,938,712
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 $995,066.	3,443,598
Other Long-Term Assets Are Not Available to Pay Current Period Expenditures, and Therefore Are Deferred in the Funds	
Taxes Receivable	164,358
Prepaid Expenses	5,101
Long-Term Liabilities Are Not Due and Payable in the Current Period, and Therefore Are Not Reported in the Funds	
General Obligation Note Payable	(170,000)
Obligations Under Capital Lease	(73,885)
Compensated Absences	(33,750)
Net Assets of Governmental Activities	$ 8,274,134

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, 2008

	General Fund	Capital Reserve Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Taxes	$ 1,204,047	$ 0	$ 84,290	$ 1,288,337
Fines, Licenses and Permits	88,248	0	0	88,248
Intergovernmental	186,888	0	87,616	274,504
Charges for Services	87,715	0	0	87,715
Investment Income and Rents	286,926	145,831	3,077	435,834
Miscellaneous Revenues	7,784	0	29,016	36,800
Total Revenues	1,861,608	145,831	203,999	2,211,438
Expenditures				
General Government	484,064	0	0	484,064
Public Safety	830,495	0	82,906	913,401
Highways	285,258	0	3,301	288,559
Parks and Recreation	10,791	0	8,896	19,687
Debt Service - Principal	30,057	0	0	30,057
Debt Service - Interest	7,678	0	0	7,678
Capital Expenditures	180,629	0	116,951	297,580
Miscellaneous Governmental	70,282	20	0	70,302
Total Expenditures	1,899,254	20	212,054	2,111,328
Excess (Deficiency) of Revenues Over Expenditures	(37,646)	145,811	(8,055)	100,110
Other Financing Sources (Uses)				
Proceeds from Issuance of Long-Term Debt	170,000	0	0	170,000
Net Change in Fund Balances	132,354	145,811	(8,055)	270,110
Fund Balances				
Beginning of Year	461,786	4,103,889	102,927	4,668,602
End of Year	$ 594,140	$ 4,249,700	$ 94,872	$ 4,938,712

See Notes to Financial Statements.

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, 2008

Net Change in Fund Balances - Total Governmental Funds	$ 270,110
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 $297,580 Exceeded Depreciation Expense of $114,808 and Loss on Disposal of $304 in the Current Year.	182,468
Revenues in the Statement of Activities That Do Not Provide Current Financial Resources Are Not Reported As Revenues in the Funds.	8,154
Governmental Funds Report General Obligation Note Proceeds as Current Financial Resources. In Contrast, the Statement of Activities Treats Such Issuance of Debt as a Liability.	(170,000)
Payment of Lease Obligations Is an Expenditure in the Governmental Funds, but the Repayment Reduces Liabilities in the Statement of Net Assets.	30,057
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:	
Prepaid Expenses	872
Compensated Absences	(12,980)
Change in Net Assets of Governmental Activities	$ 308,681

See Notes to Financial Statements.

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Statement of Fiduciary Net Assets
Pension Trust Funds
December 31, 2008

Assets	
Investments	$ 639,055
Contributions Receivable	22,000
Total Assets	661,055
Liabilities	0
Net Assets	
Held in Trust for Pension Benefits	$ 661,055

See Notes to Financial Statements.

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Statement of Changes in Fiduciary Net Assets
Pension Trust Funds
December 31, 2008

Additions	
Contributions	
Employer (Borough)	$ 22,000
Plan Members	15,417
State	47,795
Total Contributions	85,212
Investment Income	
Net Appreciation in Fair Value of Investments	(253,710)
Less Investment Expense	9,062
Net Investment Income	(262,772)
Total Additions	(177,560)
Deductions	
Benefits	166,526
Refund of Member Contributions	2,910
Insurance Premiums	1,440
Administrative Expense	6,800
Total Deductions	177,676
Increase in Net Assets	(355,236)
Net Assets, Held in Trust	
Beginning of Year	1,016,291
End of Year	$ 661,055

See Notes to Financial Statements.

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2008

1. Summary of Significant Accounting Policies

The Borough of Chalfont 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.

In June 1999, GASB unanimously approved Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments.* Certain of the significant changes in 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 change in the fund financial statements to focus on the major funds.

A. Reporting Entity

The Borough of Chalfont and the Township of New Britain have joined to form the Chalfont-New Britain Joint Sewer 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.

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

1. Summary of Significant Accounting Policies (Continued)

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 Assets 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.

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.

1. Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting (Continued)

GOVERNMENT-WIDE FINANCIAL STATEMENTS (Continued)

Net assets should be reported as restricted when constraints placed on net asset 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 assets restricted for other purposes result from special revenue funds and the restrictions on their net asset 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.

1. Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting (Continued)

GOVERNMENTAL FUNDS (Continued)

The major governmental funds are as follows:

General Fund - This is the Borough's primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Reserve Fund - This is a Capital Projects Fund that is used to account for financial resources to be used for the acquisition and construction of capital assets and facilities.

The non-major governmental funds are as follows:

Special Revenue Funds

Fire Tax Fund - Accounts for revenues and expenditures of fire protection tax funds.

Recreation Fund - Accounts for revenues and expenditures of donations for recreational activities.

Liquid Fuels Fund - Accounts for revenues and expenditures of state liquid fuels grant funds.

Capital Projects Funds

Equipment Fund - Accounts for revenues and expenditures for funds received for equipment purchases.

Grant Fund - Accounts for grant revenues and the related expenditures for various Borough projects.

FIDUCIARY FUNDS

The Borough currently has two fiduciary funds, which consist of two pension trust funds (Police and Non-Uniform). These funds are used to account for assets held by the Borough in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Pension Trust Funds are custodial in nature and do not involve measurement of results of operations. The accrual basis of accounting is used to recognize receivables and payables.

1. Summary of Significant Accounting Policies (Continued)

D. 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.

E. 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.

F. 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. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Realized and unrealized gains and losses are recorded in the statement of activities, combined statement of revenues, expenditures, and changes in fund balances as revenue (governmental activities), and on the statement of changes in fiduciary net assets (fiduciary funds).

G. Interfund Transactions

As a result of its operations, the Borough affects a variety of transactions between funds. Accordingly, to the extent that certain interfund transactions have not been paid or received as of December 31, 2008, appropriate interfund receivables or payables have been established.

1. Summary of Significant Accounting Policies (Continued)

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 the resident's property if the resident does not remit payment.

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 Assets. 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.

1. Summary of Significant Accounting Policies (Continued)

J. Compensated Absences

Borough uniformed employees accumulate vacation and sick time in accordance with their contract. Uniformed employees can earn up to four weeks of vacation time depending on their years of service. Uniformed employees may carry over five unused vacation days per year, which must be used within 90 days of the next calendar year.

Uniformed employees are entitled to up to 72 hours of sick leave per year. Sick time can be carried over and accumulated from year to year. Upon retirement or resignation, the employee is paid at a 50% rate for accumulated sick time. Once a year, uniformed employees have the option of requesting that the Borough buy back all unused sick time from the prior year, to be paid at 50% of their base hourly rate.

The Borough's vacation policy for non-uniformed employees encourages the use of all vacation days during the calendar year. Non-uniformed employees can earn up to four weeks vacation depending on their length of continuous service, and vacation time can be accumulated from year to year, but must be used within 90 days of the next calendar year. Upon retirement or termination, accumulated vacation leave is paid at 100% of the respective employee's pay rate.

Full time non-uniformed 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 $33,750 for vested sick and vacation pay at December 31, 2008.

K. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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.

2. Cash and Investments

Cash and investments as of December 31, 2008, are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash	$ 758,450
Investments	4,249,700
Statement of Fiduciary Net Assets:	
Investments	639,055
Total Cash and Investments	$ 5,647,205

Cash and investments as of December 31, 2008, consist of the following:

Cash on Hand	$ 550
Deposits with Financial Institutions	757,900
Investments	4,888,755
Total Cash and Investments	$ 5,647,205

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, 2008, $513,173 of the Borough's bank balance of $763,173 was uninsured, but collateralized by securities held by the bank or by its trust department or agent but not in the Borough's name.

2. Cash and Investments (Continued)

B. Investments

At December 31, 2008, the Borough's investments consisted of the following:

Governmental Funds:	
Asset-Backed Securities	
Federal Home Loan Mortgage Association	$ 2,661,754
Federal National Mortgage Association	1,435,007
Government National Mortgage Association	77,084
Money Market Funds	75,855
	4,249,700
Fiduciary Funds:	
Mutual Funds	635,405
Money Market Funds	3,650
	639,055
Total Investments	$ 4,888,755

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.

2. Cash and Investments (Continued)

B. Investments (Continued)

INVESTMENTS AUTHORIZED BY THE BOROUGH'S HOME RULE CHARTER (Continued)

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.

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 company 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 company 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.

2. Cash and Investments (Continued)

B. Investments (Continued)

INVESTMENTS AUTHORIZED BY THE BOROUGH'S HOME RULE CHARTER (Continued)

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 FDIC insured.

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, 2008, the Borough's investments were rated as shown on the next page.

2. Cash and Investments (Continued)

B. Investments (Continued)

CREDIT RISK (Continued)

	Fair Value	Rating
Governmental Funds		
Deposits		
PLGIT	$ 58,983	AAA
Investments		
Federal Home Loan Mortgage Association	2,661,754	AAA
Federal National Mortgage Association	1,435,007	AAA
Total Exposed to Credit Risk	$ 4,155,744	
U.S. Government Guaranteed*		
Government National Mortgage Association	$ 77,084	
Not Rated**	$ 75,855	
Fiduciary Funds		
Not Rated**	$ 639,055	

* 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, money market funds, and certificates of deposit.

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	$2,661,754
Federal National Mortgage Association	$1,435,007

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 10 years. The maturities range from the year 2023 to 2038 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.

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 $47,889,900 for 2008. 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 2008, the Borough's tax rate was 9.75 mills for general governmental purposes, 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. Capital Assets

Capital asset activity for the year ended December 31, 2008, was as follows:

	Balance 1/1/08	Additions	Disposals	Balance 12/31/08
Assets Not Being Depreciated				
Land	$ 821,450	$ 0	$ 0	$ 821,450
Conservation Easements	173,000	0	0	173,000
Depreciable Assets				
Land and Park Improvements	159,168	0	0	159,168
Buildings and Improvements	903,939	2,279	0	906,218
Vehicles	506,082	0	40,957	465,124
Machinery and Equipment	220,404	23,174	84,744	158,834
Furniture	14,587	1,910	0	16,498
Infrastructure	1,468,155	270,217	0	1,738,372
Total at Historical Cost	4,266,785	297,580	125,701	4,438,664
Less Accumulated Depreciation				
Land and Park Improvements	131,438	0	0	131,438
Buildings and Improvements	307,508	25,974	0	333,482
Vehicles	260,629	36,609	40,746	256,492
Machinery and Equipment	186,206	9,570	84,651	111,125
Furniture	8,786	970	0	9,756
Infrastructure	111,088	41,685	0	152,773
Total Accumulated Depreciation	1,005,655	114,808	125,397	995,066
Total Net Capital Assets	$ 3,261,130	$ 182,772	$ 304	$ 3,443,598

Depreciation expense was charged to governmental activities as follows:

General Government	$ 65,832
Police	11,685
Highway Maintenance	35,715
Parks and Recreation	1,576
Total Depreciation Expense	$ 114,808

5. Long-Term Note

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

Balance at January 1, 2008	$ 0
Issuance of General Obligation Note Payable	170,000
Balance at December 31, 2008	$ 170,000

2008 General Obligation Note

On July 15, 2008, the Borough issued a General Obligation Note in the amount of $170,000 through the Delaware Valley Regional Finance Authority. The interest rate on this note is both fixed and variable. The variable rate is based on the weekly high-grade market index comprised of seven-day, tax-exempt, variable rate demand notes, published weekly and reset each Thursday by the Bond Market Association. The maximum rate is 15% per annum. The rate at December 31, 2008, was 1.1407%, and interest is payable monthly. Additionally, the Borough executed a fixed rate swap agreement, which fixed its interest rate for 70% of the note proceeds (see Note 12). Principal payments are due on July 25 of each year as shown below. The note was issued for the purpose of replacing the Meadowbrook Lane culvert. The note 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:

Year	Principal	Interest	Total Debt Service
2009	$ 15,000	$ 6,067	$ 21,067
2010	15,000	5,469	20,469
2011	16,000	4,863	20,863
2012	16,000	4,249	20,249
2013	17,000	3,627	20,627
2014-2016	91,000	8,432	99,432
	$ 170,000	$ 32,707	$ 202,707

Interest expense was $2,744 for the year.

6. Obligations Under Capital Lease

The Borough entered into two lease agreements for the acquisition of a street sweeper and a police car. Monthly lease payments of $2,018 and $898 for the sweeper and police car are due through the year 2011 and 2009, respectively. The capitalized cost of the leased equipment is $172,159, and accumulated depreciation is $66,355 at December 31, 2008. At December 31, 2008, future lease payments are due as follows:

Year	Amount
2009	$ 31,399
2010	24,215
2011	23,985
	79,599
Less Interest Portion	(5,714)
	$ 73,885

7. Interfund Transactions

Interfund transactions are as follows:

Purpose	Receivable Fund	Payable Fund	Amount
Due to/from			
Tax Revenue Received	Fire Tax	General	$1,177
Transfer			
For Capital Improvements	Liquid Fuels	Recreation	$5,080

8. 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.

9. Lease

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 $72,594 have been made to the station to date. Of the improvements, $56,100 was funded by the Community Development Block Grants received in prior years.

10. Chalfont Borough Police Pension Plan

A. Plan Description

The Chalfont Borough Police Pension Plan is a single employer public employee retirement system (PERS) established by the Borough to provide pension benefits for its full-time police officers. The Plan is controlled by the provisions of a resolution dated December 18, 1990. Assets are held separately and may only be used for the payment of benefits to members of the Plan. The PERS Plan is part of the Borough's financial reporting entity and is included in the Borough's financial report as a pension trust fund.

10. Chalfont Borough Police Pension Plan (Continued)

A. Plan Description (Continued)

Additional disclosures required by GASB Statement No. 25 are contained in a separate financial report of the Plan prepared by the Plan actuary. A copy of the Plan financial statement can be obtained at the Borough office.

At January 1, 2007, the date of the most recent actuarial valuation, participants in the Plan consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them:	
Police	1
Current employees:	
Vested	2
Non-vested	3
Total	6

The Plan provides retirement benefits to participating employees. Retirement benefits vest after 12 years of service. Employees who retire at or after age 55 with 25 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 50% of their final-average salary. Final-average salary is the employee's average salary, excluding overtime, over the last 3 years of credited service.

The Plan also provides certain death and disability benefits to participating employees who have met retirement eligibility requirements and to their dependents when the cause of death or disability is employment related. The amount and/or duration of these benefits depends upon the circumstances of the death or disability.

Participating employees can be required to contribute 5% of their salary to the Plan. For the year 2008, members contributed 5% of their salary to the Plan. If a participating employee leaves covered employment of the Borough, other than due to employment-connected death or disability, before 12 years of credited service, accumulated employee contributions plus related investment earnings are refunded to the employee or to a designated beneficiary.

10. Chalfont Borough Police Pension Plan (Continued)

B. Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting
The Plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions, if required, to the Plan are recognized when due, in accordance with Act 205. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Method Used to Value Investments
Investments are reported at fair value. The authority to manage the Plan's assets has been delegated to Flagship Capital Management.

Investments at December 31, 2008, consisted of the mutual funds valued at $466,883.

Individual investments comprising greater than 5% of the Plan's net assets at December 31, 2008, consisted of the following:

	Fair Value
Rydex Consumer Products	$117,522
Sentinel Government Securities	$68,930
Goldman Sachs Ultra Short Duration	$52,314
Ridgeworth Investment Grace	$44,171
Pimco Total Return	$43,563
Goldman Sachs Government Income	$37,371

C. Funding Policy

The Borough's funding policy provides for actuarially determined periodic contributions at rates that, for individual employees, increase gradually over time so that sufficient assets will be available to pay benefits when due. The rate for the Borough's Police employee group as a whole has tended to remain level as a percentage of annual covered payroll. The employer's contribution rate for normal cost is determined using the entry age normal actuarial funding method.

10. Chalfont Borough Police Pension Plan (Continued)

D. Annual Pension Cost and Net Pension Obligation

In 1998, the Borough adopted GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers.* This statement sets forth provisions for recognizing annual pension cost and a net pension obligation or asset. In adopting this statement, the net pension asset was calculated in accordance with GASB 27. No asset or liability was reflected prior to implementation of GASB 27.

For 2008, the Borough's annual pension cost of $40,939 was equal to the Borough's required and actual contributions.

The annual required contribution for 2008 was determined as part of the January 1, 2007, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.25% investment rate of return (net of administrative expenses) and (b) projected salary increases of 5%. The unfunded actuarial accrued liability is being amortized on a closed level dollar basis.

Three-Year Trend Information

Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
12/31/06	$40,067	100%	$0
12/31/07	$44,886	100%	$0
12/31/08	$40,939	100%	$0

E. Funding Status and Funding Progress

Valuation January 1st	(1) Actuarial Value of Assets	(2) Accrued Actuarial Liability	(3) Percentage Funded (1)/(2)	(4) Unfunded (assets in excess of) Accrued Actuarial Liability (2)-(1)	(5) Annual Covered Payroll	(6) Unfunded (assets in excess of) Actuarial Liability as % of Payroll (4)/(5)
2007	$588,364	$632,621	93.0%	$44,257	$343,950	13.1%

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

10. Chalfont Borough Police Pension Plan (Continued)

E. Funding Status and Funding Progress (Continued)

Valuation Date	1/1/07
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar
Remaining Amortization Period	22 Years
Asset Valuation Method	Fair Value
Actuarial Assumptions	
Investment Rate of Return	7.25%
Projected Salary Increases	5%

F. Historical Trend Information

Historical trend information designed to provide information about progress made in accumulating sufficient assets to pay benefits when due is presented on page 45.

11. 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 PERS. Assets are held separately and may only be used for the payment of benefits to members of the Plan. The Borough has contracted with professional agencies for the investment and administrative activities with respect to the Plan.

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

Additional disclosures required by GASB Statement No. 25 are contained in a separate financial report of the Plan prepared by the Plan actuary. A copy of the Plan's financial statement can be obtained at the Borough Office.

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.

The Borough has made the Plan available to all full-time, non-uniformed employees.

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. 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 annually with the pro rata share of the investment earnings or losses of the Plan. 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.

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 $28,856, $6,856 of which were funded by state-shared revenues.

11. Borough of Chalfont Non-Uniform Pension Plan (Continued)

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, 2008, in the amount of $172,173 consisted entirely of mutual funds of $168,523 and money market funds of $3,650.

Individual investments comprising greater than 5% of the Plan's net assets at December 31, 2008, consisted of the following:

	Fair Value
Blackrock Large Cap Fund	$21,242
Eagle Series Mid Cap	$18,328
Eagle Series Small Cap Growth	$13,101
Thornburg International Value Fund	$22,804
Pimco Real Return Fund	$42,138
Nationwide Investor Destinations Conservative Fund	$30,461
Morley Stable Value Fund	$16,916

12. Derivative Instruments and Hedging Activities

2008 General Obligation Note

As described in Note 6, the Borough entered into a fixed rate swap agreement. The agreement applies to 70% of the total balance due. The purpose of this agreement 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 90% (or $153,000) of the $170,000 on the 2008 General Obligation Note (also defined as the "notional amount"). The interest rate swap agreement ends on the date concurrent with the final payment of the loan.

Under the interest rate swap agreement, the Borough is required to make monthly interest payments at the fixed interest rate of 3.59% over the remaining term of the loan.

With the execution of the fixed rate swap agreement and in accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", the Borough will account for the interest rate swap as a cash flow hedge. The market value of the interest rate swap in favor of the Authority as of December 31, 2008, was $3,947.

13. 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 Insurance Trust (DVHIT). DVHIT is a regional risk sharing pool providing health insurance benefits to employees and dependents of participating municipalities.

b. Workers' Compensation Coverage
The Borough contracts with the State Workers' Insurance Fund (SWIF) to provide workers' compensation benefits to their employees.

c. Insurance Coverage
The Borough contracts with a commercial insurance company 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, and settlements have not exceeded insurance coverage.

14. 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.

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Required Supplementary Information
Schedule of Funding Progress
December 31, 2008
(Unaudited)

Valuation January 1st	(1) Actuarial Value of Assets	(2) Accrued Actuarial Liability	(3) Percentage Funded (1)/(2)	(4) Unfunded (assets in excess of) Accrued Actuarial Liability (2)-(1)	(5) Annual Covered Payroll	(6) Unfunded (assets in excess of) Actuarial Liability as % of Payroll (4)/(5)
1997	$270,190	$196,372	137.5%	$(73,818)	$186,546	(39.5)%
1999	$385,214	$281,737	136.7%	$(103,477)	$217,689	(47.5)%
2001	$423,383	$336,371	125.8%	$(87,012)	$259,861	(33.4)%
2003	$521,003	$537,492	96.9%	$16,489	$230,235	7.2%
2005	$497,296	$581,025	85.6%	$83,729	$319,330	26.2%
2007	$588,364	$632,621	93.0%	$44,257	$343,950	13.1%

The actuarial accrued liability measure was determined as part of the calculation to determine the actuarially determined contribution requirement that was made at January 1, 2007. The entry age normal funding method was used to calculate the actuarial accrued liability. Significant actuarial assumptions include:

- A rate of return on the investment of present and future assets of 7.25% per year.
- Projected salary increases of 5% per year compounded annually, attributable to inflation.

Isolated analysis of the dollar amounts of net assets available for benefits, actuarial accrued liability, and unfunded actuarial accrued liability can be misleading. Expressing the net assets available for benefits as a percentage of the actuarial accrued liability provides one indication of the Borough's police public employee retirement systems (PERS) funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the PERS. Trends in unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the PERS.

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Required Supplementary Information
Schedule of Contributions from Employers and Other Contributing Entities
December 31, 2008
(Unaudited)

Calendar Year	Annual Required Contribution (ARC)	Employer Contribution	State Aid	Contributions as a % of ARC
1999	$24,995	$0	$24,995	100.0%
2000	$23,073	$0	$23,073	100.0%
2001	$34,589	$0	$34,589	100.0%
2002	$31,961	$0	$31,961	100.0%
2003	$28,317	$0	$28,317	100.0%
2004	$24,417	$0	$24,417	100.0%
2005	$36,493	$0	$36,493	100.0%
2006	$40,067	$0	$40,067	100.0%
2007	$44,886	$0	$44,886	100.0%
2008	$40,939	$0	$40,939	100.0%

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
General Fund
Year Ended December 31, 2008

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	$ 1,200,969	$ 1,204,047	$ 3,078
Intergovernmental	866,242	186,888	(679,354)
Fines, Licenses and Permits	72,400	88,248	15,848
Charges for Services	106,500	87,715	(18,785)
Investment Income and Rents	277,253	286,926	9,673
Miscellaneous	5,500	7,784	2,284
Total Revenues	2,528,864	1,861,608	(667,256)
Expenditures			
General Government	545,780	484,064	61,716
Public Safety	753,928	830,495	(76,567)
Highways	297,422	285,258	12,164
Parks and Recreation	5,354	10,791	(5,437)
Debt Service - Principal	30,000	30,057	(57)
Debt Service - Interest	10,958	7,678	3,280
Capital Expenditures	215,500	180,629	34,871
Miscellaneous Governmental	839,891	70,282	769,609
Total Expenditures	2,698,833	1,899,254	799,579
Excess (Deficiency) of Revenues Over Expenditures	(169,969)	(37,646)	132,323
Other Financing Sources (Uses)			
Proceeds from Issuance of Long-Term Debt	170,000	170,000	0
Operating Transfers In (Out)	(54,911)	0	54,911
Total Other Financing Sources (Uses)	115,089	170,000	54,911
Net Change in Fund Balances	(54,880)	132,354	187,234
Fund Balances			
Beginning of Year	54,880	461,786	406,906
End of Year	$ 0	$ 594,140	$ 594,140

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Notes to Schedules of Budget to Actual Comparisons
Year Ended December 31, 2008

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 2008 budget as originally adopted and, therefore, is presenting its original and final budget in one column for each fund presented.

2. Differences in Budget Basis versus GAAP Basis

The Borough budgeted 2008 activity assuming a $0 beginning balance. Obviously, this amount differs from fund balances reported in the fund financial statements which represent the cumulative effects of each year's activities to date.

BOROUGH OF CHALFONT
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2008

	Fire Tax Fund	Liquid Fuels Fund	Recreation Fund
Assets			
Cash	$ 0	$ 58,983	$ 12,578
Taxes Receivable	2,367	0	0
Due from (to) Other Funds	1,177	0	0
Total Assets	$ 3,544	$ 58,983	$ 12,578
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	$ 0	$ 3,300	$ 0
Deferred Revenue	1,329	0	0
Total Liabilities	1,329	3,300	0
Fund Balances			
Unreserved, Reported in			
Special Revenue Funds	2,215	55,683	12,578
Capital Project Funds	0	0	0
Total Fund Balances	2,215	55,683	12,578
Total Liabilities and Fund Balances	$ 3,544	$ 58,983	$ 12,578

Equipment Fund	Total Nonmajor Governmental Funds
$ 24,396	$ 95,957
0	2,367
0	1,177
$ 24,396	$ 99,501

$ 0	$ 3,300
0	1,329
0	4,629

0	70,476
24,396	24,396
24,396	94,872
$ 24,396	$ 99,501

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended December 31, 2008

	Fire Tax Fund	Liquid Fuels Fund	Recreation Fund
Revenues			
Taxes	$ 84,290	$ 0	$ 0
Intergovernmental Revenue	0	87,616	0
Investment Income and Rents	0	2,603	0
Miscellaneous Revenues	0	0	22,706
Total Revenues	84,290	90,219	22,706
Expenditures			
General Government	0	0	0
Public Safety	82,906	0	0
Public Works	0	3,301	0
Parks and Recreation	0	0	5,806
Capital Expenditures	0	113,464	0
Total Expenditures	82,906	116,765	5,806
Excess (Deficiency) of Revenues Over Expenditures	1,384	(26,546)	16,900
Other Financing Sources (Uses)			
Transfers In (Out)	0	5,080	(5,080)
Net Change in Fund Balances	1,384	(21,466)	11,820
Net Assets			
Beginning of Year	831	77,149	758
End of Year	$ 2,215	$ 55,683	$ 12,578

Grant Fund	Equipment Fund	Total Nonmajor Governmental Funds
$ 0	$ 0	$ 84,290
0	0	87,616
0	474	3,077
0	6,310	29,016
0	6,784	203,999
0	0	0
0	0	82,906
0	0	3,301
3,090	0	8,896
1,910	1,577	116,951
5,000	1,577	212,054
(5,000)	5,207	(8,055)
0	0	0
(5,000)	5,207	(8,055)
5,000	19,189	102,927
$ 0	$ 24,396	$ 94,872