

**BOROUGH OF CHALFONT
BUCKS COUNTY, PENNSYLVANIA
Financial Report
December 31, 2020**

BOROUGH OF CHALFONT
BUCKS COUNTY, PENNSYLVANIA
December 31, 2020

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**BOROUGH OF CHALFONT
BUCKS COUNTY, PENNSYLVANIA
December 31, 2020**

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Independent Auditors' Report

To the Borough Council
Borough of Chalfont
Chalfont, Pennsylvania

Report on the Financial Statements

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 December 31, 2020, and for the year then ended, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Borough's primary government as listed in the table of contents.

Management's Responsibility 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above 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, 2020, 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.

Other Matters

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 3 through 12 and 47 and 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Other 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 related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

DunlapSLK, PC

Chalfont, Pennsylvania
March 9, 2021

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2020

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, 2020. Please read it in conjunction with the Borough's financial statements, which begin on page 13.

FINANCIAL HIGHLIGHTS

- Chalfont Borough's net position increased \$54,640, as a result of this year's operations.
- The total cost of all Chalfont Borough's programs for the year ended December 31, 2020, was \$3,163,661 compared to \$2,984,671 for 2019.

USING THIS REPORT

This report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities on pages 13-14 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 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, 2020

USING THIS REPORT (continued)

Reporting Significant Funds

The fund financial statements begin on page 15 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 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 21 and 22. 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, 2020

THE BOROUGH AS A WHOLE (continued)

Table 1
Net Position

Account	2020	2019	\$ Change	% Change
Capital Assets	\$ 7,287,376	\$ 7,409,948	\$ (122,572)	(1.65)
Equity Interest in Joint Venture	361,575	-	361,575	-
Total Assets	<u>14,903,384</u>	<u>14,632,387</u>	<u>270,997</u>	1.85
Long-Term Liabilities	1,840,238	1,904,983	(64,745)	(3.40)
Other Liabilities	544,815	204,404	340,411	166.54
Total Liabilities	<u>2,385,053</u>	<u>2,109,387</u>	<u>275,666</u>	13.07
Net Deferred (Inflows)/Outflows	<u>80,753</u>	<u>21,444</u>	<u>59,309</u>	276.58
Net Position				
Invested in Capital Assets, Net of Related Debt	5,950,268	5,578,852	371,416	6.66
Restricted	5,497,692	5,901,436	(403,744)	(6.84)
Unrestricted	<u>1,151,124</u>	<u>1,064,156</u>	<u>86,968</u>	8.17
Total Net Position	<u>\$12,599,084</u>	<u>\$12,544,444</u>	<u>\$ 54,640</u>	0.44

The total net position of the Borough shown above is approximately \$12.6 million. Net position increased by 0.44% in 2020.

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2020

THE BOROUGH AS A WHOLE (continued)

Table 2
Change in Net Position

Account	2020	2019	\$ Change	% Change
Program Revenues				
General Government	\$ 160,162	\$ 140,410	\$ 19,752	14.07
Police	14,018	13,861	157	1.13
Fire	35,520	29,213	6,307	21.59
Code Enforcement	161,893	137,521	24,372	17.72
Highway Maintenance	142,789	171,824	(29,035)	(16.90)
Traffic Signals & Street Lighting	3,439	4,767	(1,328)	(27.86)
Parks and Recreation	233,572	82,699	150,873	182.44
General Revenues				
Real Estate Taxes	958,855	935,284	23,571	2.52
Transfer Taxes	216,141	225,139	(8,998)	(4.00)
Earned Income Taxes	906,656	851,048	55,608	6.53
Local Services Tax	46,189	36,421	9,768	26.82
Grants & Contributions	252	33,234	(32,982)	(99.24)
Interest and Rents	328,978	299,449	29,529	9.86
Miscellaneous	9,837	1,515	8,322	549.31
Total Revenues (Forwarded)	<u>\$ 3,218,301</u>	<u>\$ 2,962,385</u>	<u>\$ 255,916</u>	8.64

(Table 2 continues on the next page.)

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2020

THE BOROUGH AS A WHOLE (continued)

Table 2
Change in Net Position

Account	2020	2019	\$ Change	% Change
Total Revenues (Forwarded)	<u>\$ 3,218,304</u>	<u>\$ 2,962,385</u>	<u>\$ 255,916</u>	8.64
Program Expenses				
Legislative	4,281	11,463	(7,182)	(62.65)
Executive	310,214	372,247	(62,033)	(16.66)
Finance and Tax Collection	117,738	113,523	4,215	3.71
Professional Services	95,895	117,365	(21,470)	(18.29)
General Government	389,634	397,170	(7,536)	(1.90)
Police	1,239,732	1,105,853	133,879	12.11
Fire	154,181	147,269	6,912	4.69
Code Enforcement	65,477	59,393	6,084	10.24
Highway Maintenance	640,798	478,168	162,630	34.01
Snow and Ice Removal	10,113	31,414	(21,301)	(67.81)
Traffic Signals & Street Lighting	13,743	14,110	(367)	(2.60)
Parks and Recreation	121,855	121,595	260	0.21
Community Development	0	15,101	(15,101)	(100.00)
Total Expenses	<u>3,163,661</u>	<u>2,984,671</u>	<u>178,990</u>	6.00
Excess Revenues Over (Under) Expenditures	<u>54,640</u>	<u>(22,286)</u>	<u>76,926</u>	345.18
Changes in Net Position	<u>\$ 54,640</u>	<u>\$ (22,286)</u>	<u>\$ 76,926</u>	345.18

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2020

THE BOROUGH AS A WHOLE (continued)

Revenue Overview

In 2020, the general millage of 16.50 was reallocated to 13.75 general fund and 2.75 debt service, the fire tax at 1.25 mills and the ambulance tax at 0.50 mills remained unchanged. Total revenues increased 8.64% or \$255,916 from the prior year. This increase in revenue is due to the fact that the Borough received large fee in lieu recreation fee, and there was an increase in Earned Income Taxes.

Figure 1

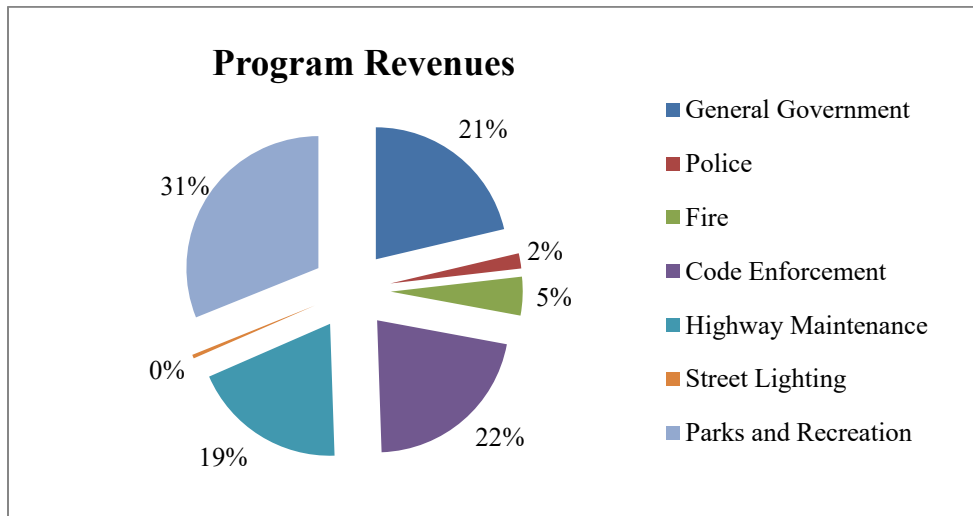
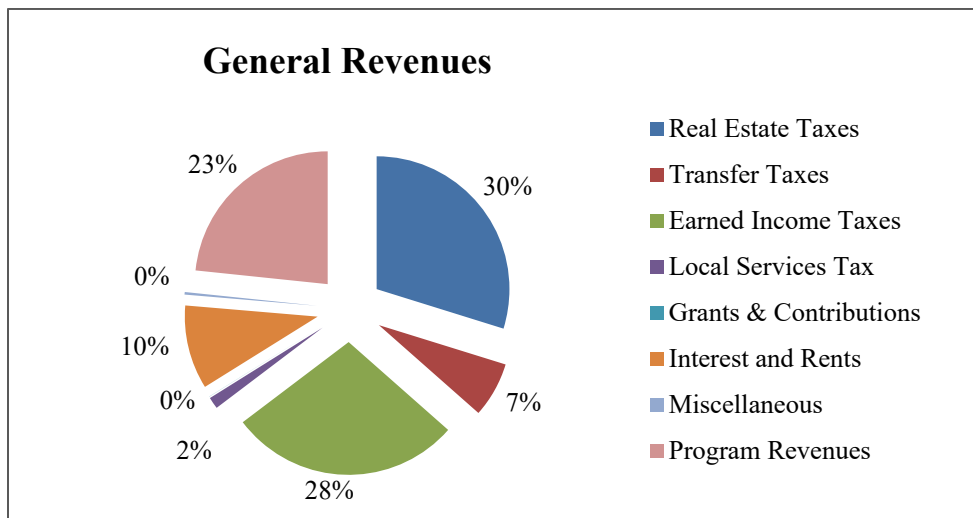


Figure 2



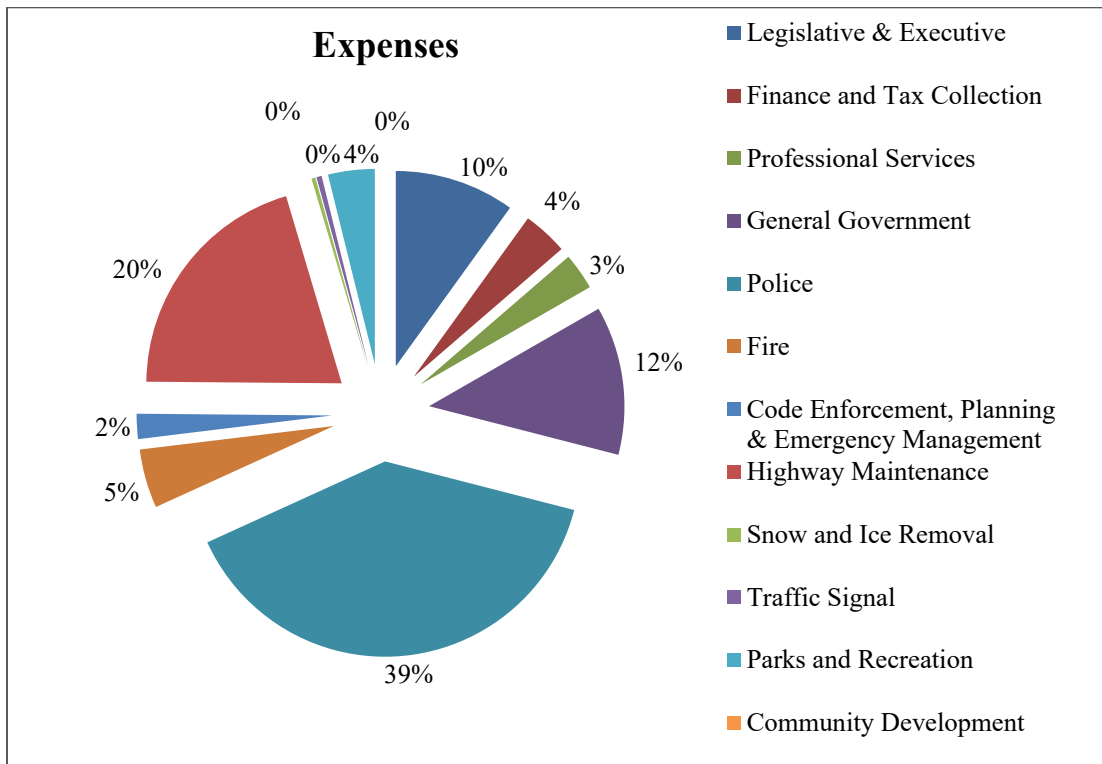
BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2020

THE BOROUGH AS A WHOLE (continued)

Expense Overview

Total expenses in all categories were \$3,163,661. The largest areas of expense were Police and General Government. Expenses increased 178,990 or 6.00% from the prior year.

Figure 3



BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2020

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 2018, the Borough contracted with Advanced Disposal to provide for trash pickup for Chalfont Borough residents. The contract has a June 1st renewal date and Advance Disposal bills and collects for this service. The June 1, 2020, standard contract rate was \$243.29 per household per year. Household trash is picked up once a week on Friday. 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 every Friday, 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 .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 and houses both administration and some Central Bucks Regional Police Department 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. 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.

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 57 W. Court 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 \$1,161,005 for 2020.

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2020

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, Recreation, and Equipment Funds. Each of these funds had routine and unremarkable results during 2020.

Pension Plans

Effective March 28, 2016 Chalfont Borough Police Department merged with Central Bucks Regional Police Department (CBRPD) and on June 30, 2016 all Police Pension Plan assets were transferred to the CBRPD Police Pension Plan. 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 \$5,950,268 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 next scheduled project is the repaving of Lilac Lane during 2021. This project includes an Aqua water main replacement at the same time.

Additionally, the Borough has received approval on several grant projects from federal, state and local government units. The Delaware Valley Regional Planning Commission (DVRPC) awarded a Transportation and Community Development Initiative (TCDI) Grant that funded a feasibility study for shared parking principles along N. Main Street from Butler Avenue to Sunset Avenue. The feasibility study had a goal of property owner participation and exploring potential parking scenarios in the study area, all with a goal of revitalization in our Borough Core. This project was completed in 2020.

The Department of Conservation & Natural Resources (DCNR) funded fifty percent of a new playground at Chestnut Street Park, and an upgrade to the walking trail existing in the park. The trails were repaved and widened to ten-foot trails and the playground includes a tot lot with poured in place surfacing and a larger playground for five to twelve year-olds with traditional wood fiber surfacing. This project was completed in 2020.

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Management's Discussion and Analysis (Unaudited)
Year Ended December 31, 2020

CAPITAL ASSETS AND DEBT ADMINISTRATION (continued)

Discussion of Future Plans (continued)

The Borough is a member of the Central Bucks Regional Police Department. The Department plans a move to a new, remodeled building in 2021. The cost for this project will be split between member municipalities. The costs incurred by the Borough through December 31, 2020, total \$361,575, 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, 2020

Assets

Current Assets	
Cash	\$ 2,557,919
Investments	4,312,512
Grants and Other Receivables	36,982
Taxes Receivable	335,664
Due from Fiduciary Fund	11,356
Total Current Assets	<u>7,254,433</u>
Noncurrent Assets	
Net Capital Assets	7,287,376
Equity Interest in Joint Venture	361,575
Total Noncurrent Assets	<u>7,648,951</u>
Total Assets	<u><u>14,903,384</u></u>

Deferred Outflows of Resources

Accumulated Decrease in Fair Value of of Interest Rate Swap	<u>83,126</u>
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Liabilities

Current Liabilities	
Current Portion of General Obligation Notes Payable	126,953
Accounts Payable and Accrued Expenses	417,862
Total Current Liabilities	<u>544,815</u>
Noncurrent Liabilities	
General Obligation Notes Payable	1,571,730
Permit Deposit	172,180
Accrued Compensated Absences	13,202
Fair Value of Interest Rate Swap	83,126
Total Noncurrent Liabilities	<u>1,840,238</u>
Total Liabilities	<u><u>2,385,053</u></u>

Deferred Inflows of Resources

Deferred Rental Receipts	<u>2,373</u>
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Net Position

Invested in Capital Assets, Net of Related Debt	5,950,268
Restricted for	
Capital Projects	5,246,139
Other Purposes	251,553
Unrestricted	1,151,124
Total Net Position	<u><u>\$ 12,599,084</u></u>

See notes to financial statements.

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Statement of Activities
Year Ended December 31, 2020

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	\$ 4,281	\$ -	\$ -	\$ -	\$ (4,281)
Executive	310,214	-	-	-	(310,214)
Finance and Tax Collection	117,738	29,022	-	-	(88,716)
Professional Services	95,895	-	23,156	-	(72,739)
General Government	389,634	86,566	21,418	-	(281,650)
Public Safety					
Police	1,239,732	14,018	-	-	(1,225,714)
Fire	154,181	5,700	29,820	-	(118,661)
Code, Planning and Zoning	65,477	114,243	47,650	-	96,416
Highways					
Highway Maintenance	640,798	-	142,789	-	(498,009)
Snow and Ice Removal	10,113	-	-	-	(10,113)
Traffic Signals and Street Lighting	13,743	3,439	-	-	(10,304)
Parks and Recreation	121,855	-	161,222	72,350	111,717
Total Governmental Activities	\$ 3,163,661	\$ 252,988	\$ 426,055	\$ 72,350	(2,412,268)
General Revenues					
					958,855
					216,141
					906,656
					46,189
					252
					328,978
					9,837
					<u>2,466,908</u>
					54,640
					<u>12,544,444</u>
					<u>\$ 12,599,084</u>

See notes to financial statements.

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Balance Sheet
Governmental Funds
December 31, 2020

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Capital Fund</u>
Assets			
Cash	\$ 1,035,043	\$ -	\$ 1,275,719
Investments	-	4,312,512	-
Grants and Other Receivables	36,982	-	-
Taxes Receivable	331,799	-	-
Due from Other Funds	353,548	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u><u>\$ 1,757,372</u></u>	<u><u>\$ 4,312,512</u></u>	<u><u>\$ 1,275,719</u></u>
 Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$ 388,975	\$ -	\$ -
Accrued Wages and Payroll Withholdings	28,887	-	-
Due to Other Funds	631	-	342,092
Total Liabilities	<u>418,493</u>	<u>-</u>	<u>342,092</u>
 Deferred Inflows of Resources			
Deferred Tax Receipts	193,670	-	-
	<u> </u>	<u> </u>	<u> </u>
 Fund Balances			
Restricted	-	-	-
Committed	-	4,312,512	933,627
Unassigned	1,145,209	-	-
Total Fund Balances	<u>1,145,209</u>	<u>4,312,512</u>	<u>933,627</u>
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	<u><u>\$ 1,757,372</u></u>	<u><u>\$ 4,312,512</u></u>	<u><u>\$ 1,275,719</u></u>

See notes to financial statements.

<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 247,157	\$ 2,557,919
-	4,312,512
-	36,982
3,865	335,664
<u>631</u>	<u>354,179</u>
<u>\$ 251,653</u>	<u>\$ 7,597,256</u>

\$ -	\$ 388,975
-	28,887
<u>100</u>	<u>342,823</u>
<u>100</u>	<u>760,685</u>

<u>3,865</u>	<u>197,535</u>
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94,783	94,783
152,905	5,399,044
<u>-</u>	<u>1,145,209</u>
<u>247,688</u>	<u>6,639,036</u>
<u>\$ 251,653</u>	<u>\$ 7,597,256</u>

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2020

Total Governmental Fund Balances	\$ 6,639,036
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 \$4,200,528.	7,287,376
Equity Interest in Property	361,575
Other Long-Term Assets Are Not Available to Pay Current Period Expenditures, and Therefore Are Deferred in the Funds.	
Taxes Receivable	195,162
Deferred Outflows of Resources Are Not Available in the Current Period	
Accumulated Decrease in the Fair Value of Interest Rate Swap	83,126
Long-Term Liabilities Are Not Due and Payable in the Current Period, and Therefore Are Not Reported in the Funds.	
General Obligation Notes Payable	(1,698,683)
Accrued Compensated Absences	(13,202)
Permit Deposit	(172,180)
Fair Value of Interest Rate Swap	(83,126)
Net Position of Governmental Activities	<u><u>\$ 12,599,084</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, 2020

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Capital Fund</u>
Revenues			
Taxes	\$1,864,002	\$ -	\$ -
Intergovernmental	66,129	-	23,156
Fines, Licenses and Permits	100,584	-	-
Charges for Services	152,404	-	-
Investment Income and Rents	138,607	188,187	1,539
Miscellaneous	9,837	-	47,650
Total Revenues	<u>2,331,563</u>	<u>188,187</u>	<u>72,345</u>
Expenditures			
General Government	556,731	-	31,907
Public Safety	1,291,647	-	57,173
Public Works	321,153	-	34,828
Parks and Recreation	-	-	-
Debt Service - Principal	-	-	-
Debt Service - Interest	-	-	-
Capital Expenditures	40,127	-	382,767
Miscellaneous Governmental	29,655	-	-
Total Expenditures	<u>2,239,313</u>	<u>-</u>	<u>506,675</u>
Excess (Deficiency) of Revenues Over Expenditures			
Before Other Financing Sources (Uses)	92,250	188,187	(434,330)
Other Financing Sources (Uses)			
Transfers In (Out)	<u>(29,202)</u>	<u>(70,500)</u>	<u>91,496</u>
Net Change in Fund Balances	63,048	117,687	(342,834)
Fund Balances			
Beginning of Year	<u>1,082,161</u>	<u>4,194,825</u>	<u>1,276,461</u>
End of Year	<u>\$1,145,209</u>	<u>\$4,312,512</u>	<u>\$ 933,627</u>

See notes to financial statements.

<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 234,422	\$ 2,098,424
200,500	289,785
-	100,584
-	152,404
645	328,978
161,222	218,709
596,789	3,188,884
-	588,638
91,538	1,440,358
187,408	543,389
17,352	17,352
132,413	132,413
36,596	36,596
319,943	742,837
-	29,655
785,250	3,531,238
(188,461)	(342,354)
8,206	-
(180,255)	(342,354)
427,943	6,981,390
\$ 247,688	\$ 6,639,036

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, 2020

Net Change in Fund Balances - Total Governmental Funds \$ (342,354)

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 \$742,837, Exceeded Depreciation Expense of \$503,834. 239,003

Revenues in the Funds That Provide Current Financial Resources Are Not Reported As Revenues in the Statement of Activities
Taxes Receivable 29,417

Repayments of Notes Payable Principal Are Expenditures in the Governmental Funds, but the Repayments Reduce Liabilities in the Statement of Net Assets. 132,413

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 (3,839)

Change in Net Position of Governmental Activities \$ 54,640

See notes to financial statements.

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Statement of Fiduciary Net Position
Pension Trust and Custodial Funds
December 31, 2020

	<u>Pension Trust Funds</u>	<u>Custodial Funds</u>
Assets		
Cash	\$ -	\$ 82,933
Investments	940,740	-
	<u>940,740</u>	<u>-</u>
Total Assets	<u>940,740</u>	<u>82,933</u>
Liabilities		
Due to General Fund	-	11,356
Due to Other Governments	-	9,171
	<u>-</u>	<u>20,527</u>
Total Liabilities	<u>-</u>	<u>20,527</u>
Net Position		
Restricted for		
Pension Benefits	940,740	-
Individuals, Organizations and Others	-	62,406
	<u>-</u>	<u>62,406</u>
Total Net Position	<u>\$ 940,740</u>	<u>\$ 62,406</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, 2020

	<u>Pension Trust Funds</u>	<u>Custodial Funds</u>
Additions		
Contributions - Employer (Borough)	\$ 22,521	\$ -
Escrow Deposits	-	122,436
Property Taxes Collected for Other Governments	-	1,316,786
Investment Income		
Interest Income	-	40
Net Appreciation in Fair Value of Investments	<u>135,704</u>	<u>-</u>
Total Additions	<u>158,225</u>	<u>1,439,262</u>
Deductions		
Benefits	37,062	-
Professional Fees	-	126,070
Escrow Releases	-	2,997
Property Taxes Disbursed to Other Governments		1,316,786
Administrative Expense	<u>60</u>	<u>-</u>
Total Deductions	<u>37,122</u>	<u>1,445,853</u>
Increase (Decrease) in Net Position	121,103	(6,591)
Net Position		
Beginning of Year	<u>819,637</u>	<u>68,997</u>
End of Year	<u>\$ 940,740</u>	<u>\$ 62,406</u>

See notes to financial statements.

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2020

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 \$1,161,005 for 2020, of which \$67,205 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, 2020

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 \$91,538 for the year ended December 31, 2020.

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, 2020

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, 2020**

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
Recreation	Accounts for tax money received for recreational activities	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
Grant	Accounts for grant revenues and the related expenditures for various Borough projects; there was no activity in this fund in 2020	No

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, 2020

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 meets the criteria to be considered a component unit, and 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. 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, 2020, appropriate interfund receivables or payables have been established.

G. 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, 2020**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. 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.

I. 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 \$13,202 for vested vacation pay at December 31, 2020.

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. 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, 2020.

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 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, 2020.

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, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. 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.

K. 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 one type of this item that qualifies for reporting in this category.

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 one type of this item that qualifies for reporting in this category. Accordingly, this item, *unavailable revenue*, is reported in the governmental funds balance sheet. The governmental funds report unavailable revenue from three sources: property taxes, earned income taxes and local services taxes. The government wide statement does not report unavailable revenues.

L. 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, 2020**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. 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, 2020, expenditures exceeded appropriations in an expenditure category of the general fund by \$40,127. This over expenditures was funded by greater than anticipated revenues. Additionally, general fund expenditures as a whole were \$195,773 under budget.

M. 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.

N. COVID-19

In March 2020, the World Health Organization declared that the outbreak of COVID-19 constitutes a “Public Health Emergency of International Concern”. This outbreak has led to a severe economic downturn worldwide. The extent of the impact of COVID-19 on the Borough’s operational and financial performance will depend on developments, including the duration and spread of the outbreak, impact on taxpayers, employees, and vendors all of which are uncertain and cannot be predicted. As of March 9, 2021, the extent to which COVID-19 may impact financial condition or results of operations is uncertain.

2. CASH AND INVESTMENTS

Cash and investments as of December 31, 2020, are classified in the financial statements as follows:

Statement of Net Position:	
Cash	\$ 2,557,919
Investments	4,312,512
Statement of Fiduciary Net Position:	
Cash	82,933
Investments	<u>940,740</u>
Total Cash and Investments	<u>\$ 7,894,104</u>

Cash and investments as of December 31, 2020, consist of the following:

Cash on Hand	\$ 250
Deposits with Financial Institutions	2,640,602
Investments	<u>5,253,252</u>
Total Cash and Investments	<u>\$ 7,894,104</u>

**BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2020**

2. CASH AND INVESTMENTS (continued)

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, 2020, \$2,398,356 of the Borough's bank balance of \$2,648,356 was uninsured, but collateralized by securities held by the bank or by its trust department or agent but not in the Borough's name.

B. Investments

At December 31, 2020, the Borough's investments consisted of the following:

Governmental Funds:	
Asset-Backed Securities	
Federal Home Loan Mortgage Association	\$ 1,631,622
Federal National Mortgage Association	1,196,265
Government National Mortgage Association	1,063,212
Money Market Funds	421,413
	4,312,512
Fiduciary Funds:	
Fixed Income Mutual Funds	156,565
Equity Mutual Funds	784,175
	940,740
Total Investments	\$ 5,253,252

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.

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2020

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.

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.

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2020

2. CASH AND INVESTMENTS (continued)

B. Investments (continued)

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.

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, 2020, the Borough's investments were rated as follows.

	<u>Fair Value</u>	<u>Rating</u>
Governmental Funds		
Federal Home Loan Mortgage Association	\$ 1,631,622	AAA
Federal National Mortgage Association	1,196,265	AAA
Total Exposed to Credit Risk	\$ 2,827,887	
U.S. Government Guaranteed*		
Government National Mortgage Association	\$ 1,063,212	
Not Rated**	\$ 421,413	
Fiduciary Funds		
Not Rated**	\$ 940,740	

* 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.

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2020

2. CASH AND INVESTMENTS (continued)

B. Investments (continued)

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	\$1,631,622
Federal National Mortgage Association	\$1,196,265
Government National Mortgage Association	\$1,063,212

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 five years. The maturities range from the year 2023 to 2057 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, 2020, is as follows:

**BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2020**

2. CASH AND INVESTMENTS (continued)

B. Investments (continued)

Fair Value of Investments (continued)

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Governmental Funds Investments				
Federal Home Loan Mortgage Association	\$ 1,631,622	\$ -	\$ 1,631,622	\$ -
Federal National Mortgage Association	1,196,265	-	1,196,265	-
Governmental National Mortgage Association	1,063,212	-	1,063,212	-
Money Market Funds	421,413	421,413	-	-
Total Governmental Funds Investments	<u>\$ 4,312,512</u>	<u>\$ 421,413</u>	<u>\$ 3,891,099</u>	<u>\$ -</u>
Fiduciary Funds Investments				
Fixed Income Mutual Funds	\$ 156,565	\$ 156,565	\$ -	\$ -
Equity Mutual Funds	784,175	784,175	-	-
Total Fiduciary Fund Investments	<u>\$ 940,740</u>	<u>\$ 940,740</u>	<u>\$ -</u>	<u>\$ -</u>

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 \$52,765,900 for 2020. 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 2020, the Borough's tax rate was 13.75 mills for general governmental purposes, 2.75 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.

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2020

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020, was as follows:

	Balance 1/1/20	Additions	Disposals	Balance 12/31/20
Assets Not Being Depreciated				
Land	\$ 821,450	\$ -	\$ -	\$ 821,450
Conservation Easements	173,000	-	-	173,000
Depreciable Assets				
Land and Park Improvements	2,299,295	150,268	-	2,449,563
Buildings and Improvements	2,976,846	3,500	-	2,980,346
Vehicles	716,056	-	-	716,056
Machinery and Equipment	213,957	211,694	4,414	421,237
Furniture	6,631	-	-	6,631
Infrastructure	3,903,821	15,800	-	3,919,621
Total at Historical Cost	11,111,056	381,262	4,414	11,487,904
Less Accumulated Depreciation				
Land and Park Improvements	814,643	107,685	-	922,328
Buildings and Improvements	820,822	120,938	-	941,760
Vehicles	563,907	68,990	-	632,897
Machinery and Equipment	135,955	23,779	4,414	155,320
Furniture	6,462	155	-	6,617
Infrastructure	1,359,319	182,287	-	1,541,606
Total Accumulated Depreciation	3,701,108	503,834	4,414	4,200,528
Total Net Capital Assets	\$ 7,409,948	\$ (122,572)	\$ 0	\$ 7,287,376

Depreciation expense was charged to governmental activities as follows:

General Government	\$ 283,718
Highway Maintenance	115,613
Parks and Recreation	104,503
Total Depreciation Expense	\$ 503,834

5. 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, 2020, the Borough had paid \$361,575 toward this construction and has recorded an asset, equity interest in joint venture. The Borough's share of this construction is estimated to be \$1,500,000, and they have borrowed \$1,200,000 to finance most of the cost. In the event of a dissolution of the agreement, the Borough would receive its share of the property value.

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2020

6. LONG-TERM OBLIGATIONS

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

	Balance at 1/1/2020	Additions	Reductions	Balance at 12/31/2020	Due within One Year
General Obligation Notes					
2014 General Obligation Note	\$ 242,000	\$ -	\$ 13,000	\$ 229,000	\$ 13,000
2018 General Obligation Note	250,000	-	12,000	238,000	12,000
2019 General Obligation Note	1,200,000	-	51,000	1,149,000	51,000
Notes from Direct Borrowings					
Truck Loan	7,019	-	7,019	-	-
Truck Loan	87,887	-	30,123	57,764	31,093
Wheel Loader Loan	44,190	-	19,271	24,919	19,860
Subtotal	1,831,096	-	132,413	1,698,683	126,953
Compensated Absences and Severance					
	9,363	3,839	-	13,202	-
	<u>\$ 1,840,459</u>	<u>\$ 3,839</u>	<u>\$ 132,413</u>	<u>\$ 1,711,885</u>	<u>\$ 126,953</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 13). 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. The debt service requirements are as follows:

Year	Principal	Interest	Total Debt Service
2021	\$ 13,000	\$ 6,824	\$ 19,824
2022	14,000	6,437	20,437
2023	14,000	6,019	20,019
2024	15,000	5,603	20,603
2025	15,000	5,156	20,156
2026 - 2030	82,000	18,863	100,863
2031 - 2034	76,000	5,751	81,751
	<u>\$ 229,000</u>	<u>\$ 54,653</u>	<u>\$ 283,653</u>

Interest expense was \$7,050 for the year.

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2020

6. LONG-TERM OBLIGATIONS (continued)

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 13). The debt service requirements are as follows:

Year	Principal	Interest	Total Debt Service
2021	\$ 12,000	\$ 4,306	\$ 16,306
2022	12,000	4,088	16,088
2023	13,000	3,871	16,871
2024	13,000	3,636	16,636
2025	13,000	3,401	16,401
2026 - 2030	68,000	13,423	81,423
2031 - 2035	75,000	7,037	82,037
2036 - 2037	32,000	868	32,868
	\$ 238,000	\$ 40,630	\$ 278,630

Interest expense was \$4,486 for the year.

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 13). 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.

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2020

6. LONG-TERM OBLIGATIONS (continued)

2019 General Obligation Note (continued)

The debt service requirements, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2021	\$ 51,000	\$ 20,629	\$ 71,629
2022	52,000	19,684	71,684
2023	53,000	18,723	71,723
2024	54,000	17,743	71,743
2025	55,000	16,745	71,745
2026 - 2030	290,000	68,124	358,124
2031 - 2035	318,000	40,341	358,341
2036 - 2039	276,000	10,694	286,694
	<u>\$ 1,149,000</u>	<u>\$ 212,683</u>	<u>\$ 1,361,683</u>

Interest expense was \$21,554 for the year.

Truck Loan

In August 2016, the Borough signed a note with Penn Community Bank for \$35,508 for the purchase of a public works truck. Beginning in September 2016, the note was payable in equal monthly installments of \$791, including interest of 3.25% per annum. This note was paid in full in 2020.

Interest expense was \$97 for the year.

Truck Loan

In February 2017, the Borough signed a note with Penn Community Bank for \$150,000 for the purchase of an International 7400 SFA Truck. Beginning in September 2017, the note is payable in equal monthly installments of \$2,706, including interest of 3.11% per annum, through October 2022.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2021	\$ 31,093	\$ 1,374	\$ 32,467
2022	26,671	386	27,057
	<u>\$ 57,764</u>	<u>\$ 1,760</u>	<u>\$ 59,524</u>

Interest expense was \$2,346 for the year.

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2020

6. LONG-TERM OBLIGATIONS (continued)

Wheel Loader Loan

In February 2017, the Borough signed a note with Penn Community Bank for \$94,313 for the purchase of an Avanti Compact Wheel Loader. Beginning in April 2017, the note is payable in equal monthly installments of \$1,694, including interest of 2.95% per annum, through March 2022.

Year	Principal	Interest	Total Debt Service
2021	\$ 19,860	\$ 474	\$ 20,334
2022	5,059	25	5,084
	\$ 24,919	\$ 499	\$ 25,418

Interest expense was \$1,063 for the year.

7. 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, 2020, the Authority incurred no permit fees, leaving the balance at \$172,180.

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2020

8. FUND BALANCE CLASSIFICATIONS

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Equipment Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Restricted for:					
Fire and EMS Services	\$ -	\$ -	\$ -	\$ 631	\$ 631
Debt Service	-	-	-	5,712	5,712
Highway Improvements	-	-	-	88,440	88,440
	-	-	-	94,783	94,783
Committed for:					
Capital Expenditures	-	4,312,512	933,627	-	5,246,139
Recreation	-	-	-	152,905	152,905
	-	4,312,512	933,627	152,905	5,399,044
Unassigned	1,145,209	-	-	-	1,145,209
Total Fund Balances	\$ 1,145,209	\$ 4,312,512	\$ 933,627	\$ 247,688	\$ 6,639,036

9. 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	\$264,359
Funds Advanced	Nonmajor Funds	General	\$531
Escrow Funds	General	Custodial	\$11,356
Operating Transfers			
Capital Purchases	Capital	General	\$91,496
Capital Purchases	Nonmajor Funds	General	\$8,206
Capital Projects	General	Capital Reserve	\$70,500

10. 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.

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2020

10. FIDUCIARY FUNDS - DEFERRED COMPENSATION FUND (continued)

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.

11. LEASES

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 the improvements, \$66,084 was funded by the Community Development Block Grants received in prior years.

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. Additionally, the Borough agreed to the lessee's request for rent abatements for the months of January through March for the six year lease term. Rental payments of \$19,800 were received during the year ended December 31, 2020.

12. 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.

**BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2020**

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

A. Plan Description (continued)

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.

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 \$22,521 to the plan during the year ended December 31, 2020.

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, 2020, in the amount of \$940,740 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, 2020, consisted of the following:

	<u>Fair Value</u>
Vanguard Total Bond Market Index	\$156,565
Vanguard Growth Index	\$133,402
Vanguard Mid Cap Index	\$85,094
Vanguard Small Cap Index	\$76,875
Vanguard Total International Stock Index	\$180,049
Vanguard Total Stock Market Index	\$76,781
Vanguard Value Index	\$93,139

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2020

13. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

As described in Note 6, 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, and the \$1,200,000 2019 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.

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 bank as of December 31, 2020, were as follows:

	<u>2014 GON</u>	<u>2018 GON</u>	<u>2019 GON</u>	<u>Total</u>
Fair Market Value at December 31, 2019	\$ (13,424)	\$ 5,160	\$ 32,021	\$ 23,757
Increase (Decrease) in Market Value	<u>(16,522)</u>	<u>(15,098)</u>	<u>(75,263)</u>	<u>(106,883)</u>
Fair Market Value at December 31, 2020	<u>\$ (29,946)</u>	<u>\$ (9,938)</u>	<u>\$ (43,242)</u>	<u>\$ (83,126)</u>

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Notes to Financial Statements
December 31, 2020

14. 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.

15. 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.

16. RECENT ACCOUNTING PRONOUNCEMENT ISSUED, NOT YET EFFECTIVE

In June 2017, the GASB issued Statement No. 87 – *Leases*. This Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under the Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The requirements of this Statement are effective for financial statements for fiscal years beginning after June 15, 2021. Management has not yet determined the effect this update will have on the Borough's financial statements.

17. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 9, 2021, 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, 2020

	Original Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 1,716,000	\$ 1,864,002	\$ 148,002
Intergovernmental	68,500	66,129	(2,371)
Fines, Licenses and Permits	106,000	100,584	(5,416)
Charges for Services	112,500	152,404	39,904
Investment Income and Rents	132,000	138,607	6,607
Miscellaneous	10,000	9,837	(163)
Total Revenues	<u>2,145,000</u>	<u>2,331,563</u>	<u>186,563</u>
Expenditures			
General Government	684,206	556,731	127,475
Public Safety	1,302,636	1,291,647	10,989
Highways	406,244	321,153	85,091
Community Development	5,000	-	5,000
Capital Expenditures	-	40,127	(40,127)
Miscellaneous Governmental	37,000	29,655	7,345
Total Expenditures	<u>2,435,086</u>	<u>2,239,313</u>	<u>195,773</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(290,086)	92,250	382,336
Other Financing Sources (Uses) Transfers In (Out)	<u>(14,096)</u>	<u>(29,202)</u>	<u>(15,106)</u>
Net Change in Fund Balances	(304,182)	63,048	367,230
Fund Balances			
Beginning of Year	<u>304,182</u>	<u>1,082,161</u>	<u>777,979</u>
End of Year	<u>\$ -</u>	<u>\$ 1,145,209</u>	<u>\$ 1,145,209</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, 2020

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 2020 budget as originally adopted and, therefore, is presenting the original and final budget in one column on page 47.

**BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2020**

	<u>Fire Tax Fund</u>	<u>Liquid Fuels Fund</u>	<u>Recreation Fund</u>
Assets			
Cash	\$ -	\$ 88,440	\$ 153,005
Taxes Receivable	2,060	-	-
Due from Other Funds	631	-	-
	<u>2,691</u>	<u>88,440</u>	<u>153,005</u>
Total Assets	<u><u>2,691</u></u>	<u><u>88,440</u></u>	<u><u>153,005</u></u>
 Liabilities and Fund Balances			
Liabilities			
Due to Other Funds	<u>-</u>	<u>-</u>	<u>100</u>
Deferred Inflows of Resources			
Deferred Tax Receipts	<u>2,060</u>	<u>-</u>	<u>-</u>
Fund Balances			
Restricted	631	88,440	-
Committed	<u>-</u>	<u>-</u>	<u>152,905</u>
Total Fund Balances	<u>631</u>	<u>88,440</u>	<u>152,905</u>
Total Liabilities and Fund Balances	<u><u>\$ 2,691</u></u>	<u><u>\$ 88,440</u></u>	<u><u>\$ 153,005</u></u>

<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 5,712	\$ 247,157
1,805	3,865
<u>-</u>	<u>631</u>
<u>7,517</u>	<u>251,653</u>
<u>-</u>	<u>100</u>
<u>1,805</u>	<u>3,865</u>
5,712	94,783
<u>-</u>	<u>152,905</u>
<u>5,712</u>	<u>247,688</u>
<u>\$ 7,517</u>	<u>\$ 251,653</u>

BOROUGH OF CHALFONT
BUCKS COUNTY, PA
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended December 31, 2020

	<u>Fire Tax Fund</u>	<u>Liquid Fuels Fund</u>	<u>Recreation Fund</u>
Revenues			
Taxes	\$ 92,169	\$ -	\$ -
Intergovernmental	-	128,150	72,350
Investment Income and Rents	-	397	248
Miscellaneous	-	-	161,222
Total Revenues	<u>92,169</u>	<u>128,547</u>	<u>233,820</u>
Expenditures			
Public Safety	91,538	-	-
Public Works	-	187,408	-
Parks and Recreation	-	-	17,352
Debt Service - Principal	-	30,123	-
Debt Service - Interest	-	2,345	-
Capital Expenditures	-	-	319,943
Total Expenditures	<u>91,538</u>	<u>219,876</u>	<u>337,295</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	631	(91,329)	(103,475)
Other Financing Sources (Uses)			
Transfers In (Out)	<u>-</u>	<u>-</u>	<u>8,206</u>
Net Change in Fund Balances	631	(91,329)	(95,269)
Net Assets			
Beginning of Year	<u>-</u>	<u>179,769</u>	<u>248,174</u>
End of Year	<u>\$ 631</u>	<u>\$ 88,440</u>	<u>\$ 152,905</u>

Debt Service Fund	Total Nonmajor Governmental Funds
\$ 142,253	\$ 234,422
-	200,500
-	645
-	161,222
<u>142,253</u>	<u>596,789</u>
-	91,538
-	187,408
-	17,352
102,290	132,413
34,251	36,596
-	319,943
<u>136,541</u>	<u>785,250</u>
5,712	(188,461)
<u>-</u>	<u>8,206</u>
5,712	(180,255)
<u>-</u>	<u>427,943</u>
<u>\$ 5,712</u>	<u>\$ 247,688</u>