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**BOROUGH OF SWARTHMORE**  
**BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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BOROUGH OF SWARTHMORE

TABLE OF CONTENTS

	<u>PAGE</u>
FINANCIAL SECTION	
Independent Auditor's Report	1
Basic Financial Statements:	
Statement of Net Position - Modified Cash Basis	4
Statement of Activities - Modified Cash Basis	5
Balance Sheet - Governmental Funds - Modified Cash Basis	6
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds - Modified Cash Basis	7
Budgetary Comparison Statement -	
General Fund - Modified Cash Basis	8
Pension Tax Fund - Modified Cash Basis	9
Fire Tax Fund - Modified Cash Basis	10
Highway Aid Fund - Modified Cash Basis	11
Statement of Net Position - Proprietary Funds - Modified Cash Basis	12
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds - Modified Cash Basis	13
Statement of Net Position - Fiduciary Funds - Modified Cash Basis	14
Statement of Changes in Net Position - Fiduciary Funds - Modified Cash Basis	15
Notes to Financial Statements	16

BOROUGH OF SWARTHMORE

TABLE OF CONTENTS

	<u>PAGE</u>
Supplementary Information:	
Schedule of Funding Progress - Employees' Pension Plan	39
Schedule of Annual Required Contributions - Employees' Pension Plan	40
Notes to Supplementary Schedules - Employees' Pension Plan	41
Schedule of Funding Progress - Police Pension Plan	42
Schedule of Annual Required Contributions - Police Pension Plan	43
Notes to Supplementary Schedules - Police Pension Plan	44
Schedule of Funding Progress and Schedule of Annual Required Contributions - Police Other Post-employment Benefits	45
Combining and Individual Fund Statements:	
Combining Statement of Net Position - Pension Trust Funds - Modified Cash Basis	46
Combining Statement of Changes in Net Position - Pension Trust Funds - Modified Cash Basis	47
Statement of Changes in Assets and Liabilities - Agency Fund - Modified Cash Basis	48
 OTHER REPORT	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	49



## INDEPENDENT AUDITOR'S REPORT

June 9, 2020

To the Borough Council  
Borough of Swarthmore  
Swarthmore, Pennsylvania

### Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Swarthmore ("the Borough"), Swarthmore, Pennsylvania, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

The Borough's management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

To the Borough Council  
Borough of Swarthmore

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Borough of Swarthmore, Swarthmore, Pennsylvania, as of December 31, 2019, and the respective changes in financial position – modified cash basis, thereof, and the respective budgetary comparisons – modified cash basis for the General Fund, Pension Tax Fund, Fire Tax Fund, and Highway Aid Fund for the year then ended in conformity with the basis of accounting described in Note 1.

### Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### Other Matters

#### *Other 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 schedules of funding progress, annual required contributions, and notes to supplementary schedules on pages 39 through 45 and the combining and individual fund financial statements on pages 46 through 48 ("the supplementary information") are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with

To the Borough Council  
Borough of Swarthmore

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 basic financial statements as a whole on the basis of accounting described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2020, on our consideration of the Borough's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough's internal control over financial reporting and compliance.

*Barbacane, Thornton & Company LLP*

BARBACANE, THORNTON & COMPANY LLP

**BOROUGH OF SWARTHMORE**  
**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**  
**DECEMBER 31, 2019**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	<u>\$ 754,905</u>	<u>\$ 511,927</u>	<u>\$ 1,266,832</u>
<b>TOTAL ASSETS</b>	<u>754,905</u>	<u>511,927</u>	<u>1,266,832</u>
<b>LIABILITIES AND NET POSITION</b>			
Liabilities:			
Payroll withholding liabilities	<u>33,514</u>	<u>-</u>	<u>33,514</u>
<b>TOTAL LIABILITIES</b>	<u>33,514</u>	<u>-</u>	<u>33,514</u>
<b>NET POSITION</b>			
Restricted for:			
Highways and streets	72,878	-	72,878
Fire relief	28,803	-	28,803
Debt service	62,990	-	62,990
Unrestricted	<u>556,720</u>	<u>511,927</u>	<u>1,068,647</u>
<b>TOTAL NET POSITION</b>	<u>721,391</u>	<u>511,927</u>	<u>1,233,318</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><u>\$ 754,905</u></u>	<u><u>\$ 511,927</u></u>	<u><u>\$ 1,266,832</u></u>

The accompanying notes are an integral part of these financial statements.

**BOROUGH OF SWARTHMORE**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>GOVERNMENTAL ACTIVITIES</b>							
Administrative	\$ 490,285	\$ 1,500	\$ 94,374	\$ -	\$ (394,411)	-	\$ (394,411)
Permits and licenses	57,409	-	-	-	(57,409)	-	(57,409)
Public safety	2,067,353	434,020	43,357	-	(1,589,976)	-	(1,589,976)
Health	1,430	-	-	-	(1,430)	-	(1,430)
Public works	642,351	123,019	175,688	9,786	(333,858)	-	(333,858)
Library	177,790	-	-	-	(177,790)	-	(177,790)
Culture and recreation	214,710	36,452	-	-	(178,258)	-	(178,258)
Debt service	573,931	-	-	-	(573,931)	-	(573,931)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<u>4,225,259</u>	<u>594,991</u>	<u>313,419</u>	<u>9,786</u>	<u>(3,307,063)</u>	<u>-</u>	<u>(3,307,063)</u>
<b>BUSINESS-TYPE ACTIVITIES</b>							
Solid waste	616,373	560,477	48,577	-	-	(7,319)	(7,319)
Sewer	1,291,948	1,050,444	252,917	-	-	11,413	11,413
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<u>1,908,321</u>	<u>1,610,921</u>	<u>301,494</u>	<u>-</u>	<u>-</u>	<u>4,094</u>	<u>4,094</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 6,133,580</u>	<u>\$ 2,205,912</u>	<u>\$ 614,913</u>	<u>\$ 9,786</u>	<u>(3,307,063)</u>	<u>4,094</u>	<u>(3,302,969)</u>
<b>GENERAL REVENUES</b>							
Taxes:							
Real estate taxes					2,113,090	-	2,113,090
Real estate transfer taxes					198,054	-	198,054
Local services tax					112,984	-	112,984
Licenses and permits					116,038	-	116,038
Fines and forfeits					40,605	-	40,605
Investment earnings					38,620	16,355	54,975
Grants and contributions not restricted to specific programs					112,000	-	112,000
Miscellaneous					28,154	-	28,154
<b>TOTAL GENERAL REVENUES</b>					<u>2,759,545</u>	<u>16,355</u>	<u>2,775,900</u>
<b>CHANGE IN NET POSITION</b>					(547,518)	20,449	(527,069)
<b>NET POSITION, BEGINNING OF YEAR</b>					<u>1,268,909</u>	<u>491,478</u>	<u>1,760,387</u>
<b>NET POSITION, END OF YEAR</b>					<u>\$ 721,391</u>	<u>\$ 511,927</u>	<u>\$ 1,233,318</u>

The accompanying notes are an integral part of these financial statements.



**BOROUGH OF SWARTHMORE**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**DECEMBER 31, 2019**

	General Fund	Pension Tax	Capital Reserve Fund	Fire Tax	Highway Aid	Debt Service	Total Governmental Funds
<b>ASSETS</b>							
Cash and cash equivalents	\$ 617,171	-	\$ 220,249	-	\$ 72,878	\$ 62,990	\$ 973,288
Due from other funds	-	-	-	28,803	-	-	28,803
<b>TOTAL ASSETS</b>	<u>\$ 617,171</u>	<u>-</u>	<u>\$ 220,249</u>	<u>\$ 28,803</u>	<u>\$ 72,878</u>	<u>\$ 62,990</u>	<u>\$ 1,002,091</u>
<b>LIABILITIES AND FUND BALANCES (DEFICIT)</b>							
<b>LIABILITIES</b>							
Cash overdraft	-	\$ 218,383	-	-	-	-	\$ 218,383
Payroll withholding liabilities	33,514	-	-	-	-	-	33,514
Due to other funds	28,803	-	-	-	-	-	28,803
<b>TOTAL LIABILITIES</b>	<u>62,317</u>	<u>218,383</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>280,700</u>
<b>FUND BALANCES (DEFICIT)</b>							
Restricted for:							
Highways and streets	-	-	-	-	72,878	-	72,878
Fire relief	-	-	-	28,803	-	-	28,803
Debt service	-	-	-	-	-	62,990	62,990
Committed for:							
Post-retirement benefits	413,042	-	-	-	-	-	413,042
Assigned for:							
Capital costs	-	-	220,249	-	-	-	220,249
Unassigned (Deficit)	141,812	(218,383)	-	-	-	-	(76,571)
<b>TOTAL FUND BALANCES (DEFICIT)</b>	<u>554,854</u>	<u>(218,383)</u>	<u>220,249</u>	<u>28,803</u>	<u>72,878</u>	<u>62,990</u>	<u>721,391</u>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)</b>	<u>\$ 617,171</u>	<u>\$ -</u>	<u>\$ 220,249</u>	<u>\$ 28,803</u>	<u>\$ 72,878</u>	<u>\$ 62,990</u>	<u>\$ 1,002,091</u>

The accompanying notes are an integral part of these financial statements.

**BOROUGH OF SWARTHMORE  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	General Fund	Pension Tax	Capital Reserve Fund	Fire Tax	Highway Aid	Debt Service	Total
<b>REVENUES</b>							
Taxes:							
Real estate tax	\$ 1,494,676	\$ 185,848	\$ -	\$ 277,141	\$ -	\$ 155,425	\$ 2,113,090
Transfer tax	198,054	-	-	-	-	-	198,054
Local service tax	112,984	-	-	-	-	-	112,984
Licenses and permits	116,038	-	-	-	-	-	116,038
Fines and forfeits	40,605	-	-	-	-	-	40,605
Interest, rents, and royalties	29,484	-	6,510	-	2,626	-	38,620
Intergovernmental revenues	45,562	92,169	9,786	-	175,688	-	323,205
Charges for services	594,991	-	-	-	-	-	594,991
Contributions	112,000	-	-	-	-	-	112,000
Miscellaneous revenue	13,853	-	-	-	14,301	-	28,154
<b>TOTAL REVENUES</b>	<u>2,758,247</u>	<u>278,017</u>	<u>16,296</u>	<u>277,141</u>	<u>192,615</u>	<u>155,425</u>	<u>3,677,741</u>
<b>EXPENDITURES</b>							
Current:							
General government	326,876	-	53,132	-	-	-	380,008
Public safety	1,168,624	-	11,259	261,336	-	-	1,441,219
Health	1,430	-	-	-	-	-	1,430
Public works - highways and streets	195,455	-	211,937	-	153,852	-	561,244
Library	177,790	-	-	-	-	-	177,790
Culture and recreation	173,542	-	22,602	-	-	-	196,144
Employee benefits	575,226	318,267	-	-	-	-	893,493
Debt service:							
Principal	403,000	-	37,669	-	-	110,060	550,729
Interest	2,514	-	1,584	-	-	19,104	23,202
<b>TOTAL EXPENDITURES</b>	<u>3,024,457</u>	<u>318,267</u>	<u>338,183</u>	<u>261,336</u>	<u>153,852</u>	<u>129,164</u>	<u>4,225,259</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(266,210)</u>	<u>(40,250)</u>	<u>(321,887)</u>	<u>15,805</u>	<u>38,763</u>	<u>26,261</u>	<u>(547,518)</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	-	-	199,927	-	-	-	199,927
Transfers out	(199,927)	-	-	-	-	-	(199,927)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(199,927)</u>	<u>-</u>	<u>199,927</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	(466,137)	(40,250)	(121,960)	15,805	38,763	26,261	(547,518)
<b>FUND BALANCES (DEFICIT), BEGINNING OF YEAR</b>	<u>1,020,991</u>	<u>(178,133)</u>	<u>342,209</u>	<u>12,998</u>	<u>34,115</u>	<u>36,729</u>	<u>1,268,909</u>
<b>FUND BALANCES (DEFICIT), END OF YEAR</b>	<u>\$ 554,854</u>	<u>\$ (218,383)</u>	<u>\$ 220,249</u>	<u>\$ 28,803</u>	<u>\$ 72,878</u>	<u>\$ 62,990</u>	<u>\$ 721,391</u>

The accompanying notes are an integral part of these financial statements.

**BOROUGH OF SWARTHMORE**  
**BUDGETARY COMPARISON STATEMENT - GENERAL FUND - MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Original and Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>			
Taxes:			
Real estate tax	\$ 1,521,600	\$ 1,494,676	\$ (26,924)
Transfer tax	140,000	198,054	58,054
Local service tax	105,000	112,984	7,984
Licenses and permits	116,000	116,038	38
Fines and forfeits	32,500	40,605	8,105
Interest, rents, and royalties	10,000	29,484	19,484
Intergovernmental revenues	10,500	45,562	35,062
Charges for services	582,850	594,991	12,141
Contributions	115,000	112,000	(3,000)
Miscellaneous revenue	9,500	13,853	4,353
<b>TOTAL REVENUES</b>	<u>2,642,950</u>	<u>2,758,247</u>	<u>115,297</u>
<b>EXPENDITURES</b>			
Current:			
General government	342,161	326,876	15,285
Public safety	1,200,332	1,168,624	31,708
Health	2,000	1,430	570
Public works - highways and streets	175,950	195,455	(19,505)
Library	177,790	177,790	-
Culture and recreation	152,150	173,542	(21,392)
Employee benefits	609,256	575,226	34,030
Miscellaneous expense	2,500	-	2,500
Debt service:			
Principal	-	403,000	(403,000)
Interest	-	2,514	(2,514)
<b>TOTAL EXPENDITURES</b>	<u>2,662,139</u>	<u>3,024,457</u>	<u>(362,318)</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	<u>(19,189)</u>	<u>(266,210)</u>	<u>(247,021)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers out	<u>(50,000)</u>	<u>(199,927)</u>	<u>(149,927)</u>
<b>TOTAL OTHER FINANCING USES</b>	<u>(50,000)</u>	<u>(199,927)</u>	<u>(149,927)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(69,189)	(466,137)	(396,948)
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>1,020,991</u>	<u>1,020,991</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 951,802</u>	<u>\$ 554,854</u>	<u>\$ (396,948)</u>

The accompanying notes are an integral part of these financial statements.

**BOROUGH OF SWARTHMORE  
 BUDGETARY COMPARISON STATEMENT - PENSION TAX FUND - MODIFIED CASH BASIS  
 FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Original and Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Property taxes	\$ 189,975	\$ 185,848	\$ (4,127)
Intergovernmental revenues	84,500	92,169	7,669
TOTAL REVENUES	<u>274,475</u>	<u>278,017</u>	<u>3,542</u>
EXPENDITURES			
Current:			
Employee benefits	<u>318,267</u>	<u>318,267</u>	<u>-</u>
TOTAL EXPENDITURES	<u>318,267</u>	<u>318,267</u>	<u>-</u>
NET CHANGE IN FUND DEFICIT	(43,792)	(40,250)	3,542
FUND DEFICIT, BEGINNING OF YEAR	<u>(178,133)</u>	<u>(178,133)</u>	<u>-</u>
FUND DEFICIT, END OF YEAR	<u>\$ (221,925)</u>	<u>\$ (218,383)</u>	<u>\$ 3,542</u>

The accompanying notes are an integral part of these financial statements.

**BOROUGH OF SWARTHMORE  
BUDGETARY COMPARISON STATEMENT - FIRE TAX FUND - MODIFIED CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Original and Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Property taxes	\$ 280,500	\$ 277,141	\$ (3,359)
TOTAL REVENUES	<u>280,500</u>	<u>277,141</u>	<u>(3,359)</u>
EXPENDITURES			
Current:			
Public Safety	<u>288,643</u>	<u>261,336</u>	<u>27,307</u>
TOTAL EXPENDITURES	<u>288,643</u>	<u>261,336</u>	<u>27,307</u>
NET CHANGE IN FUND BALANCE	(8,143)	15,805	23,948
FUND BALANCE, BEGINNING OF YEAR	<u>12,998</u>	<u>12,998</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 4,855</u>	<u>\$ 28,803</u>	<u>\$ 23,948</u>

The accompanying notes are an integral part of these financial statements.

**BOROUGH OF SWARTHMORE  
 BUDGETARY COMPARISON STATEMENT - HIGHWAY AID FUND - MODIFIED CASH BASIS  
 FOR THE YEAR ENDED DECEMBER 31, 2019**

	Original and Final Budget	Actual Amounts (Budgetary Basis)	Variance
REVENUES			
Interest	\$ 1,700	\$ 2,626	\$ 926
Intergovernmental revenues	172,000	175,688	3,688
Miscellaneous revenue	-	14,301	14,301
TOTAL REVENUES	173,700	192,615	18,915
EXPENDITURES			
Current:			
Highways and roads	156,700	153,852	2,848
TOTAL EXPENDITURES	156,700	153,852	2,848
NET CHANGE IN FUND BALANCE	17,000	38,763	21,763
FUND BALANCE, BEGINNING OF YEAR	34,115	34,115	-
FUND BALANCE, END OF YEAR	\$ 51,115	\$ 72,878	\$ 21,763

The accompanying notes are an integral part of these financial statements.

**BOROUGH OF SWARTHMORE**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS - MODIFIED CASH BASIS**  
**DECEMBER 31, 2019**

	Sewer and Solid Waste	Sanitary Sewer	Totals
<b>ASSETS</b>			
Cash and cash equivalents	\$ 355,125	\$ 156,802	\$ 511,927
Total Assets	355,125	156,802	511,927
<b>LIABILITIES AND NET POSITION</b>			
Liabilities	-	-	-
Net Position:			
Unrestricted	355,125	156,802	511,927
Total Net Position	\$ 355,125	\$ 156,802	\$ 511,927

The accompanying notes are an integral part of these financial statements.

**BOROUGH OF SWARTHMORE**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -**  
**PROPRIETARY FUNDS - MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Sewer and Solid Waste</u>	<u>Sanitary Sewer</u>	<u>Totals</u>
OPERATING REVENUES			
Trash service charges	\$ 560,477	\$ -	\$ 560,477
Sewer service charges	1,050,444	-	1,050,444
Other revenues	48,577	252,917	301,494
TOTAL OPERATING REVENUES	<u>1,659,498</u>	<u>252,917</u>	<u>1,912,415</u>
OPERATING EXPENSES			
Trash service charges	335,127	-	335,127
Sewer service charges	954,646	327,843	1,282,489
General and administrative	281,246	-	281,246
TOTAL OPERATING EXPENSES	<u>1,571,019</u>	<u>327,843</u>	<u>1,898,862</u>
OPERATING INCOME	<u>88,479</u>	<u>(74,926)</u>	<u>13,553</u>
NONOPERATING REVENUES (EXPENSES)			
Net earnings on investments	13,050	3,305	16,355
Interest expense	(3,519)	-	(3,519)
Principal paid on debt	(5,940)	-	(5,940)
TOTAL NONOPERATING REVENUES	<u>3,591</u>	<u>3,305</u>	<u>6,896</u>
CHANGE IN NET POSITION BEFORE TRANSFERS	<u>92,070</u>	<u>(71,621)</u>	<u>20,449</u>
TRANSFERS			
Transfers in	-	41,000	41,000
Transfers out	(41,000)	-	(41,000)
TOTAL TRANSFERS	<u>(41,000)</u>	<u>41,000</u>	<u>-</u>
CHANGE IN NET POSITION	51,070	(30,621)	20,449
NET POSITION, BEGINNING OF YEAR	<u>304,055</u>	<u>187,423</u>	<u>491,478</u>
NET POSITION, END OF YEAR	<u>\$ 355,125</u>	<u>\$ 156,802</u>	<u>\$ 511,927</u>

The accompanying notes are an integral part of these financial statements.



**BOROUGH OF SWARTHMORE**  
**STATEMENT OF NET POSITION - FIDUCIARY FUNDS - MODIFIED CASH BASIS**  
**DECEMBER 31, 2019**

	Pension Trust Funds	Agency Funds	Total Fiduciary Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 98,392	\$ 9,972	\$ 108,364
Payroll withholdings due from Borough of Swarthmore	13,280	-	13,280
Investments, at fair value - mutual funds:			
Mutual funds - fixed income	2,246,910	-	2,246,910
Mutual funds - international fixed income	524,044	-	524,044
Mutual funds - equity	3,831,754	-	3,831,754
Mutual funds - stable value	238,556	-	238,556
Mutual funds - international equity	2,048,519	-	2,048,519
<b>TOTAL ASSETS</b>	<u>9,001,455</u>	<u>9,972</u>	<u>9,011,427</u>
<b>LIABILITIES</b>			
Escrow payable	<u>-</u>	<u>9,972</u>	<u>9,972</u>
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>9,972</u>	<u>9,972</u>
<b>NET POSITION</b>			
Net position restricted for pension benefits	<u>\$ 9,001,455</u>	<u>\$ -</u>	<u>\$ 9,001,455</u>

The accompanying notes are an integral part of these financial statements.

**BOROUGH OF SWARTHMORE**  
**STATEMENT OF CHANGES IN NET POSITION - FIDUCIARY FUNDS - MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Pension Trust Funds</u>
<u>ADDITIONS</u>	
Contributions:	
Municipal contributions	\$ 249,206
Employee contributions	51,210
State contributions	<u>92,169</u>
Total Contributions	<u>392,585</u>
Investment income:	
Net appreciation in fair value of investments	1,314,778
Realized gain on investments	<u>200,280</u>
Total Investment Income	1,515,058
Less: Investment expense	<u>(57,979)</u>
Net Investment Income	<u>1,457,079</u>
 TOTAL ADDITIONS	 <u>1,849,664</u>
<u>DEDUCTIONS</u>	
Benefits paid	<u>377,400</u>
 TOTAL DEDUCTIONS	 <u>377,400</u>
 CHANGE IN NET POSITION	 1,472,264
NET POSITION, BEGINNING OF YEAR	<u>7,529,191</u>
NET POSITION, END OF YEAR	<u>\$ 9,001,455</u>

The accompanying notes are an integral part of these financial statements.

BOROUGH OF SWARTHMORE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 1     SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Borough of Swarthmore ("the Borough") is a municipal corporation existing and operating under the Borough Code of the Commonwealth of Pennsylvania. The accompanying financial statements present the primary government.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position – modified cash basis and the statement of activities – modified cash basis) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Measurement focus is a term used to describe "how" transactions are recorded within various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

*Measurement Focus*

In the government-wide statement of net position – modified cash basis and the statement of activities – modified cash basis, both governmental and business-type activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined.

BOROUGH OF SWARTHMORE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

In the fund financial statements, the "current financial resources" measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

All government and proprietary funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on the balance sheet – modified cash basis and statement of financial position – modified cash basis. The operating statements present sources and uses available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

*Basis of Accounting*

In the government-wide statement of net position – modified cash basis, statement of activities – modified cash basis, and the fund financial statements, governmental and business-like activities are presented using the modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenues, and expenditures/expenses when they result from cash transactions in the government-wide statements and proprietary fund statements. Additionally, long-term assets and liabilities, including capital assets and debt, are excluded from the statements. The Borough's investments are measured at fair value. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable, capital assets, and revenue for billed or provided services not yet collected), and certain liabilities and their related expenses (such as accounts payable, debt and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the Borough utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary and fiduciary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

*Financial Statement Presentation*

The government reports the following governmental funds:

- The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

BOROUGH OF SWARTHMORE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 1     SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

- The *Pension Tax Fund* is a special revenue fund used to account for the collection of taxes used to fund the Borough's pension plans. The primary revenue stream is real estate taxes and grants revenue.
- The *Capital Reserve Fund* is a capital fund used primarily for purchase of major pieces of equipment.
- The *Fire Tax Fund* is a special revenue fund used to account for the collection of taxes used for fire relief and hydrant maintenance.
- The *Highway Aid Fund* is a special revenue fund used to account for highway-related projects in the Borough. The primary revenue stream is grant revenue.
- The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest payments on long-term debt of governmental funds.

The government reports the following proprietary fund types:

- The *Sewer and Solid Waste Fund* is a proprietary fund used to account for revenue and expenditures relating to sewer, recycling, and trash. Revenues include money from current and delinquent sewer and trash fees, and recycling sales. Expenditures include sanitary and storm sewer maintenance and repair, sanitary sewage treatment, trash collection, recycling collection, and an allocated portion of Borough administrative expenditures.
- The *Sanitary Sewer Fund* is a capital proprietary fund used for major sanitary sewer repairs. Revenue is derived from money raised by sewer fees assessed in the Sewer and Solid Waste Fund. The monies are transferred to the capital fund annually. Expenditures are restricted to repairs of the Borough's sanitary sewer lines and related engineering costs.

The government reports the following fiduciary fund types:

- The *Pension Trust Funds* account for the activities of the Police and Employees' Pension plans, which accumulate resources for pension benefit payments to qualified employees.
- The *Agency Funds* account for assets held by the Borough as an agent for individuals, private organizations, other governments, and other funds.

BOROUGH OF SWARTHMORE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes, and other charges between the government's sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items.

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

Operating expenses for enterprise funds include payroll, intergovernmental payments, and treatment costs. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

Use of Estimates

The preparation of the financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Assets, Liabilities, and Net Position or Equity

*Deposits and Investments*

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the Borough are reported at fair value. The Pennsylvania Local Government Investment Trust operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

BOROUGH OF SWARTHMORE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

With the exception of pension trust funds, state law allows the government to invest in obligations of the United States of America, the Commonwealth of Pennsylvania, or any agency or instrumentality of either, which are secured by the full faith and credit of such entity. The law also allows for the government to invest in commercial paper, banker's acceptances, and certificates of deposit (including negotiable certificates of deposit) of banks, savings and loans, and savings banks both within and outside the Commonwealth of Pennsylvania, provided such amounts are insured by the Federal Deposit Insurance Corporation ("FDIC") or other like insurance, and that deposits in excess of such insurance are collateralized by the depository. The state also imposes limitations with respect to the amount of investment in certificates of deposit to the extent that such deposits may not exceed 20 percent of a bank's total capital surplus or 20 percent of a savings and loan's or savings bank's assets, net of its liabilities. The government may also invest in shares of registered investment companies, provided that investments of the company are authorized investments, as noted above. The government has adopted an investment policy.

The law provides that the government's pension trust funds may invest in any form or type of investment, financial instrument, or financial transaction if determined by the government to be prudent. The Borough is authorized by Borough Council to invest in accordance with the laws of the Commonwealth of Pennsylvania and the approved investment policy statement.

*Due From and Due To Other Funds*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

*Property Taxes*

Property taxes are levied as of January 1 on property values assessed as of the same date.

Sewer and trash fees are assessed as of the same date. Taxes and fees are billed February 1 and payable under the following terms: a two percent discount February 1 through March 31; face amount April 1 through May 31; and a 10 percent penalty after June 1. Any unpaid bills at December 31 are subject to lien, and penalties and interest are assessed.

BOROUGH OF SWARTHMORE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

*Method Used to Value Investments*

Investments are reported at fair value.

In establishing the fair value of investments, the Borough uses the following hierarchy. The lowest level of valuation available is used for all investments.

*Level 1* – Valuations based on quoted market prices in active markets for identical assets or liabilities that the entity has the ability to access.

*Level 2* – Valuations based on quoted prices of similar products in active markets or identical products in markets that are not active or for which all significant inputs are observable, directly or indirectly.

*Level 3* – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

*Compensated Absences*

It is the government's policy to permit employees to accumulate earned but unused sick pay benefits. There is no liability for unpaid accumulated sick pay benefits in the financial statements since they are being reported on the modified cash basis of accounting, as described in Note 1. The liability at December 31, 2019 was \$172,042.

*Long-term Obligations*

Long-term debt and other long-term obligations are expensed as paid under the modified cash basis of accounting. Any issuance premiums or discounts, as well as issuance costs, are recorded as other financing sources and uses at the time of issuance.

*Net Position*

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

- **Restricted Net Position** – This category presents external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted Net Position** – This category represents net position of the entity, not restricted for any project or other purpose.



BOROUGH OF SWARTHMORE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

*Fund Balance*

Governmental funds report fund balance in classifications based primarily on the extent to which the Borough is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

- Restricted Fund Balance – includes amounts that are restricted for specific purposes stipulated by external resources providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- Committed Fund Balance – includes amounts that can only be used for the specific purposes determined by a formal action of the Borough's highest level of decision-making authority, the Borough Council. Commitments may be changed or lifted only by the Borough taking the same formal action that imposed the constraint originally (for example: resolution and ordinance).
- Assigned Fund Balance – includes amounts intended to be used by the Borough for specific purposes that are neither restricted nor committed. Intent is expressed by (a) the Borough Council or (b) a body (a budget, finance committee, or Borough Manager and Director) to which the assigned amounts are to be used for specific purposes. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) that are not classified as non-spendable, restricted, or committed.
- Unassigned Fund Balance – this residual classification is used for all negative fund balances in Special Revenue, Capital Projects, and Debt Service funds or any residual amounts in the General Fund.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned. In all cases, encumbrance amounts have been assigned for specific purposes for which resources already have been allocated.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on the modified cash basis of accounting, which is a basis of accounting other than generally accepted accounting principles for all funds except the capital

BOROUGH OF SWARTHMORE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 2     STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (cont'd)

projects funds (including sanitary sewer). All appropriations lapse at year end unless the Borough Council approves a carry-over of an unused budget line item.

Beginning at least 30 days prior to the adoption of the budget, a proposed budget is prepared in a manner designated by Borough Council. Notice that the proposed budget is available for inspection and is published by the Borough Secretary in a newspaper of general circulation. The budget is then made available for a 10-day period. The Council must adopt the budget through a motion by December 31. It is also the duty of Council to adopt an ordinance levying taxes as allowed by Borough Code. All budget revisions require the approval of the Borough Council.

Excess of Expenditures Over Appropriations

For the year ended December 31, 2019, the General Fund expenditures exceeded appropriations in the categories of public works - highways and streets (\$19,505), culture and recreation (\$21,392), and debt service principal and interest (\$403,000 and \$2,514, respectively), totaling \$446,411. These expenditures were funded by greater than anticipated revenues, a reduction of expenditures in other areas, and use of available fund balance.

Deficit Fund Balance

As of December 31, 2019, the Pension Tax Fund had a deficit fund balance of \$218,383. Real estate tax collections will be used to eliminate this deficit balance in future years.

NOTE 3     DETAILED NOTES ON FINANCIAL ACTIVITIES

Deposits and Investments

*Custodial Credit Risk – Deposits*

In the case of deposits, this is the risk that in the event of a bank failure, the Borough's deposits may not be returned to it. Any balances exceeding federal depository insurance are exposed to custodial credit risk because it is uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the Borough's name. The risks of default are eliminated due to the constraints imposed upon allowable investment instruments by the Borough's investment policy and through state limitations. As of December 31, 2019, the Borough's carrying amount of deposits was \$1,375,196 (includes pension trust and agency funds), and the bank balance was \$1,366,416, the difference being outstanding checks and deposits. Of the bank balance, \$124,574 is covered by federal depository insurance.

BOROUGH OF SWARTHMORE  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2019

NOTE 3 DETAILED NOTES ON FINANCIAL ACTIVITIES (cont'd)

As of December 31, 2019, the remaining \$1,241,842 of the Borough's deposits was in the Pennsylvania Local Government Investment Trust ("PLGIT"). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PLGIT acts like a money market mutual fund in that its objective is to maintain a stable net asset value of \$1 per share, is rated by a nationally recognized rating organization (Standard & Poor's rating of AAAM as of December 31, 2019), and is subject to an independent annual audit.

*Custodial Credit Risk – Investments*

For an investment, this is the risk that, in the event of a failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in possession of an outside party.

As of December 31, 2019, the Borough had the following investments:

<u>Fiduciary Funds</u>	<u>Fair Value</u>	<u>Level 1</u>
Mutual funds - fixed income	\$ 2,246,910	\$ 2,246,910
Mutual funds - international fixed income	524,044	524,044
Mutual funds - equity	3,831,754	3,831,754
Mutual funds - stable value	238,556	238,556
Mutual funds - international equity	<u>2,048,519</u>	<u>2,048,519</u>
Total Fiduciary Funds	<u>\$ 8,889,783</u>	<u>\$ 8,889,783</u>

Investments in external investment pools, such as mutual funds, are disclosed but not subject to interest rate, custodial, credit, or concentration risks because they are not evidenced by securities that exist in physical or book entry form.

Interfund Transfers

<u>Transfers Out:</u>		<u>Transfers In:</u>	
General Fund	\$ 199,927	Capital Reserve Fund	\$ 199,927
Sewer and Solid Waste Fund	<u>41,000</u>	Sanitary Sewer Fund	<u>41,000</u>
Total	<u>\$ 240,927</u>	Total	<u>\$ 240,927</u>

Sewer and solid waste fund transfers to the sanitary sewer fund were made to fund future sewer repairs and capital projects. General fund transfers to the capital reserve fund were made to support the operations of the that fund.

BOROUGH OF SWARTHMORE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 3 DETAILED NOTES ON FINANCIAL ACTIVITIES (cont'd)

Interfund Loans

<u>Due From:</u>		<u>Due To:</u>	
General Fund	\$ <u>28,803</u>	Fire Tax Fund	\$ <u>28,803</u>
Total	\$ <u>28,803</u>	Total	\$ <u>28,803</u>

Interfund balances reflect funds collected on behalf of the fire tax fund but not yet remitted as of December 31, 2019.

Leases

*Capital Leases*

The assets acquired through capital leases are as follows:

<u>Asset</u>	<u>Governmental Activities</u>
Vehicles	\$ 112,791

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2019, were as follows:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>
2020	\$ 23,563
2021	11,287
Total Minimum Lease Payments	<u>34,850</u>
Less: amount representing interest	<u>(2,202)</u>
Present value of minimum lease payments	<u>\$ 32,648</u>

Long-term Debt

General Obligation Notes: The Borough obtains general obligation notes to provide funds for the acquisition and construction of major capital assets. General obligation notes have been issued

BOROUGH OF SWARTHMORE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 3 DETAILED NOTES ON FINANCIAL ACTIVITIES (cont'd)

for both governmental and business-type activities. The original amount of general obligation notes issued in prior years was \$3,335,000. During fiscal year ended December 31, 2019, the Borough did not issue any new general obligation notes.

General obligation notes are direct obligations and pledge the full faith and credit of the government. These notes are generally issued as 20-year notes with varying amounts of principal maturing each year.

There is no liability for long-term debt in the financial statements since they are being reported on the modified cash basis of accounting, as described in Note 1. As of December 31, 2019, general obligation notes arising from modified cash basis transactions, payable from governmental fund resources, consisted of the following:

Purpose	Interest Rates	Amount
Governmental Activities	0.953% - 4.633%	\$ 297,006
Business-type Activities	0.953% - 4.633%	721,994
		\$ 1,019,000

*Interest Rate Management:* The Borough has notes outstanding with Delaware Valley Regional Finance Authority ("DVRFA") as described below. The DVRFA has issued bonds to provide funds for these loans and has entered into interest rate swap agreements with Bank of America ("BANA") and Citibank. The objective is to reduce the costs of participants in the DVRFA Loan Program and to enhance the ability of participants to manage their interest rate risks. The interest rate swaps serve as hedges against swings in the cash flows that would be required to repay outstanding debt.

*Terms:* The significant terms of the interest rate swap were as follows:

Description	Date of Issue	Maturity Date	Principal Outstanding	Type of Note	Rate in Effect at Year End	Market Value
GO Note	2002	2022	\$ 115,000	Fixed	1.925%	\$ 16,735
GO Note	2006	2026	376,000	Fixed	1.424%	54,717
GO Note	2008	2028	193,000	Variable	2.190%	28,086
GO Note	2013	2033	335,000	Variable	2.190%	46,751
			\$ 1,019,000			\$ 146,289

BOROUGH OF SWARTHMORE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 3     DETAILED NOTES ON FINANCIAL ACTIVITIES (cont'd)

*Interest Rate Risk:* The Borough has the option under the loan agreements to pay a variable rate of interest or a fixed rate. If the Borough elects the variable rate, the interest rate, based upon the Securities Industry and Financial Markets Association Municipal Swap Index (the "Municipal Swap Index"), adjusts weekly with a maximum interest rate of 15 percent. If the Borough elects a fixed rate, the rate, with terms and conditions selected by the Borough, would be set based upon the fixed rate swap market at that time with a new confirm executed by DVRFA under the DVRFA Swap Agreement. The Borough has the option to convert all or a portion of the variable rate notes to a fixed rate at any time to mitigate the exposure to changes in interest rates.

*Basis Risk:* The Borough does not have a basis risk.

*Credit Risk:* The Borough is exposed to credit risk on the swaps only when their fair values are negative or liabilities. At December 31, 2019, the swap had a positive fair value, and the maximum amount of loss due to credit risk is zero. The long-term unsecured senior debt ratings of DVRFA are currently A1 and A+ by Moody's and Standards & Poor's, respectively.

*Termination Risk:* The Borough is obligated to pay any termination payment associated with the portion of the DVRFA Swap Agreement allocable to the applicable note. A termination payment may be incurred due to the termination of all or a portion of the DVRFA Swap Agreement with the mutual consent of DVRFA, BANA, Citibank, and the Borough. These termination payments could be triggered in the event of (i) a payment default by the Borough under the Loan Agreement; (ii) a payment default by DVRFA, BANA, or Citibank under the DVRF A Swap Agreement; (iii) the occurrence of events that may precipitate a payment default by DVRFA, BANA, or Citibank; or (iv) the downgrading of the long-term, unsecured, senior debt ratings of BANA, Citibank, or DVRFA.

In all instances of termination, except a payment default on a note converted to a fixed rate, DVRFA would seek to replace the DVRFA Swap Agreement with a new interest rate swap agreement with similar terms and conditions. The amount of the termination payment is determined by the market value of the DVRFA Swap Agreement; therefore, the cost or income of the replacement swap should offset the cost or income from the termination payment.

DVRFA may not be able to secure the replacement interest rate swap if the swap market is not functioning normally or if DVRFA does not have access to the swap market. If DVRFA was obligated to make a payment and sufficient funds were not available, DVRFA could assess each borrower its allocable share of the termination payment.

The estimated termination payment (i.e., the market value) for the DVRFA Swap Agreement allocable to the Borough debt as of December 31, 2019 is shown in the table on the previous page. In the event of a termination payment, DVRFA would assess the net loss, if any, to the Borough. Any net gain on the termination payment allocable to variable rate notes would be retained by DVRFA.

BOROUGH OF SWARTHMORE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 3 DETAILED NOTES ON FINANCIAL ACTIVITIES (cont'd)

*Rollover Risk:* This is the risk that the derivative does not last as long as the associated debt is outstanding. There is rollover risk on the interest rate swaps only to the extent that the swaps may be terminated prior to the maturity of the debt, as described above. Absent a termination event, the swap is scheduled to mature at the same time as the related debt.

*Market Access Risk:* The Borough does not have this risk.

An analysis of debt service requirements including sinking fund requirements to maturity on these obligations is as follows:

Governmental Activities

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Maturities</u>
2020	\$ 40,223	\$ 11,412	\$ 51,635
2021	41,971	9,934	51,905
2022	41,097	8,404	49,501
2023	32,353	7,035	39,388
2024	33,519	5,769	39,288
2025 - 2029	90,064	12,159	102,223
2029 - 2031	17,779	1,702	19,481
	<u>\$ 297,006</u>	<u>\$ 56,415</u>	<u>\$ 353,421</u>

Business-type Activities

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Maturities</u>
2020	\$ 97,777	\$ 27,741	\$ 125,518
2021	102,029	24,147	126,176
2022	99,903	20,430	120,333
2023	78,647	17,101	95,748
2024	81,481	14,025	95,506
2025 - 2029	218,936	29,559	248,495
2029 - 2031	43,221	4,138	47,359
	<u>\$ 721,994</u>	<u>\$ 137,141</u>	<u>\$ 859,135</u>

BOROUGH OF SWARTHMORE  
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019

NOTE 3 DETAILED NOTES ON FINANCIAL ACTIVITIES (cont'd)

A schedule of changes in debt is as follows:

	Beginning Balance 1/1/19	Additions	Reductions	Ending Balance 12/31/19	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Capital lease	\$ 38,079	\$ 32,238	\$ 37,668	\$ 32,649	\$ 21,911
GO Notes	810,066	-	513,060	297,006	40,223
Compensated absences	185,941	33,930	47,829	172,042	-
OPEB obligation	654,025	-	-	654,025	-
Total Governmental Activities	<u>1,688,111</u>	<u>66,168</u>	<u>598,557</u>	<u>1,155,722</u>	<u>62,134</u>
<b>Business-type Activities:</b>					
GO Notes	727,934	-	5,940	721,994	97,777
Total Business-type Activities	<u>727,934</u>	<u>-</u>	<u>5,940</u>	<u>721,994</u>	<u>97,777</u>
Total	<u>\$ 2,416,045</u>	<u>\$ 66,168</u>	<u>\$ 604,497</u>	<u>\$ 1,877,716</u>	<u>\$ 159,911</u>

For the year ended December 31, 2019, interest expense for the governmental activities and the business-type activities was \$19,104 and \$3,519, respectively.

NOTE 4 OTHER INFORMATION

Risk Management

The Borough is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. The Borough participates in the Delaware Valley Property and Liability Trust pool. The insurance expense for the year ended December 31, 2019 was \$59,404. The pooling agreement permits the pool to make additional assessments to its members. The Trust declared a dividend in 2019. The Borough's share of the dividend distribution was \$13,048. At December 31, 2019, there were no additional assessments due or anticipated.

The Borough is also a member of the Delaware Valley Workers' Compensation Trust ("DVWCT"), a risk retention pool. The insurance expense for the year ended December 31, 2019 was \$55,691. The Trust declared a dividend in 2019. The Borough's share of the dividend distribution was \$13,048. At December 31, 2019, there were no additional assessments due or anticipated.

Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustments by grantor agencies, principally the federal government. Any disallowed claims, including amounts



BOROUGH OF SWARTHMORE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 4 OTHER INFORMATION (cont'd)

already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial. In the normal course of business, there are various relatively minor claims and suits pending against the Borough, none of which materially affect the financial position of the Borough.

Employee Retirement Systems and Pension Plans

*Defined Benefit Pension Plan*

The Borough administers two single-employer defined benefit pension plans, the Municipal Police Pension Plan and the Employees' Pension Plan. All eligible full-time police and non-uniformed employees participate in the plans, except for employees hired after January 1, 2010. Following are details of these two plans.

The most recent valuation was as of January 1, 2019. Details below are from the valuation.

	Police	Employees'
Retirees and beneficiaries currently receiving benefits	10	6
Terminated employees entitled to benefits not yet receiving them	-	-
Active employees	6	6
Total Membership	16	12

The Employees' plan was closed to new entrants as of January 1, 2010.

*Description of Municipal Police Pension Plan*

The pension plan covers all full-time Borough police officers as of the date of hire. The plan provides retirement, disability, and death benefits to plan members and their beneficiaries. Retirement benefits vest after 12 or more years of service to the Borough. A plan member is eligible to receive normal retirement benefits upon reaching age 55 and 25 years of service at termination. The monthly normal retirement benefit is equal to 50 percent of the final 36-month average compensation. Plan members with at least 26 years of service at retirement also receive a Service Increment Benefit equal to an additional \$100 per month for each year of additional service, up to a maximum of \$500 per month. Early retirement is available after 20 or more years of service at termination. The amount of immediate monthly pension is the amount of

BOROUGH OF SWARTHMORE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 4    OTHER INFORMATION (cont'd)

the deferred monthly pension actuarially reduced to reflect early commencement of benefits. The deferred monthly pension is a percentage of the participant's final 36-month average salary and is payable commencing at the member's projected normal retirement date. The percentage is equal to 50 percent multiplied by the ratio of the participant's service at termination to projected service at normal retirement.

Member contributions are determined and amended through the Collective Bargaining Agreement. For the year ended December 31, 2019, member contributions were five percent of total compensation. The plan is subject to the funding and reporting requirements of the Pennsylvania Municipal Pension Plan Funding Standard and Recovery Act (Act 205 of 1984), Act 600, and the Collective Bargaining Agreement. The plan is governed by Borough Council, which is responsible for the management of plan assets. Benefit provisions have been established through collective bargaining. Administrative costs of the plan are financed through investment earnings.

This plan issues a stand-alone financial statement which can be obtained at the Borough's Administrative Office.

*Description of Employees' Pension Plan*

The pension plan covers all eligible full-time Borough employees (excluding police officers), except for employees hired after January 1, 2010. The plan provides retirement and death benefits to plan members and their beneficiaries. Retirement benefits vest after five or more years of service to the Borough at termination. A plan member is eligible to receive normal retirement benefits upon reaching age 58. The monthly retirement benefit is equal to 2.0 percent multiplied by the final 36-month average compensation multiplied by years of service (25 year maximum). Disability benefits have been revoked as of June 11, 2012 through Borough Council Ordinance No. 1050.

Member contributions are determined and amended through annual resolution of Borough Council. For the year ended December 31, 2019, member contributions were five percent of total compensation. The Borough is required by statute, principally Pennsylvania Act 205, to contribute the remaining amounts necessary to finance the fund. Benefit and contribution provisions are established by Pennsylvania law and may be amended only as allowed by Pennsylvania law. Administrative costs of the plan are financed through investment earnings.

This plan issues a stand-alone financial statement which can be obtained at the Borough's Administrative Office.

BOROUGH OF SWARTHMORE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 4 OTHER INFORMATION (cont'd)

Summary of Significant Accounting Policies and Plan Asset Matters

*Basis of Accounting:* The plans' financial statements are prepared using the modified cash basis of accounting. Plan members, employer contributions, benefits, and refunds are recognized in the period in which the cash is transacted.

*Method Used to Value Investments:* Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

Contributions Required and Contributions Made

The pension plan funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. Level percentage of payroll employer contribution rates are determined using the entry age normal actuarial funding method as required by Pennsylvania Act 205. The pension plan also uses a method defined by Act 205 to amortize the unfunded liability over a defined period.

Funded Status and Funding Progress

The funded status of each plan as of January 1, 2019, the most recent actuarial valuation date, is as follows:

	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
Police	\$ 5,551,105	\$ 6,810,005	\$ 1,258,900	81.51%	\$ 698,388	180.26%
Employees'	\$ 2,232,407	\$ 2,407,007	\$ 174,600	92.75%	\$ 422,150	41.36%

The schedule of funding progress presented as supplementary information ("SI") immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL for benefits.

BOROUGH OF SWARTHMORE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 4 OTHER INFORMATION (cont'd)

Annual Pension Cost and Net Pension Obligation

The Borough's annual pension cost and net pension obligation for the pension plans for the current year are as follows:

	Police	Employees'
Annual required contribution	\$ 295,158	\$ 46,217
Interest on net pension obligation	-	-
Adjustment to annual required contribution	-	-
Annual pension cost	295,158	46,217
Contributions made per MMO	(295,158)	(46,217)
Increase in pension obligation	-	-
Net pension obligation (asset) - beginning of year	(6,167)	(61,296)
Net pension obligation (asset) - end of year	\$ (6,167)	\$ (61,296)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**Police**

In the January 1, 2019 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 7.5 percent investment rate of return and a 4.5 percent projected salary increase. The UAAL is being amortized based on the level percentage closed method with a ten-year amortization period.

BOROUGH OF SWARTHMORE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 4 OTHER INFORMATION (cont'd)

**Employees'**

In the January 1, 2019 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 7.25 percent investment rate of return and a 3.0 percent projected salary increase. The UAAL is being amortized based on the level percentage closed method with a ten-year amortization period.

Three-year Trend Information

**Police**

Year Ended December 31,	Annual Pension Cost	Contributions	Percentage Contributed	Net Pension Obligation (Asset)
2017	\$ 304,995	\$ 305,746	100.2%	\$ (6,167)
2018	\$ 314,970	\$ 314,970	100.0%	\$ (6,167)
2019	\$ 295,158	\$ 295,158	100.0%	\$ (6,167)

**Employees'**

Year Ended December 31,	Annual Pension Cost	Contributions	Percentage Contributed	Net Pension Obligation (Asset)
2017	\$ 89,498	\$ 89,701	100.2%	\$ (61,296)
2018	\$ 45,401	\$ 45,401	100.0%	\$ (61,296)
2019	\$ 46,217	\$ 46,217	100.0%	\$ (61,296)

Other Post-employment Benefits

The Borough administers a public employee retirement, single-employer defined other postemployment benefit plan ("OPEB") to provide for certain post-retirement healthcare benefits, the Police Post-Retirement Plan.

BOROUGH OF SWARTHMORE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 4 OTHER INFORMATION (cont'd)

Plan membership was as follows, per the last actuarial valuation dated January 1, 2017:

	Police
Retirees and beneficiaries currently receiving benefits	-
Active plan members	8
Total Membership	8

Description of the Plan

Through police contract, any officer who retires on a normal or service-related disability pension shall receive from the Borough, until the retired officer becomes eligible for Medicare, or until any other source of medical benefits becomes available through employment of the officer, or his or her spouse, a benefit equal to the cost of the basic single health coverage provided at the date of retirement.

The Borough shall also extend full coverage for the officer's spouse until the spouse is eligible for Medicare. The maximum benefit period for an officer or spouse shall be 10 years. Children, up to the age of 26, shall receive coverage until neither the officer nor spouse receive coverage.

Basic coverage is defined as the medical, vision, and dental plan offered for active employees with no required co-pay. In the event of an officer's death in the line of duty, medical benefits enjoyed by the officer at the time of his or her death shall be continued for the officer's family until the death or remarriage of the widow/widower and until the children reach the age of 18, or if a full-time student, age 23. All post-retirement medical benefits will cease if any government-authorized or government-required health plan covering early retirees becomes available, provided that such plan provides the same or better level of coverage.

The plan does not issue a stand-alone financial report.

Funding Policy

Retirees are not required to make contributions to this plan. There are no required contributions of the employer. The contribution requirements of the Borough and plan members have been established and may be amended through Board Resolution and Police Labor Contracts. The Borough is accounting for these expenditures on a "pay-as-you-go" basis. For December 31, 2019, the Borough allocated \$49,000 into savings for this plan. The Borough has not established a separate trust for these benefits; therefore, allocated savings for the year are not listed in these

BOROUGH OF SWARTHMORE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 4 OTHER INFORMATION (cont'd)

notes as "contributions." The amounts shown as contributions are actual payments of insurance premiums for the year. The Borough has committed funds totaling \$413,042 in the General Fund for future post-retirement benefit costs. The annual cost of these benefits in 2019 was \$0. There were no retirees receiving benefits in 2019.

Funded Status and Funding Progress

The funded status of the plan as of the most recent actuarial valuation date is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
1/1/2017	\$ -	\$ 654,025	\$ 654,025	0.00%	N/A*	0.00%

NA\* - Benefits are not pay-related

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as supplementary information ("SI") following the notes to the financial statements, is to present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. However, because the Borough maintains no plan assets, required disclosures over plan assets is not applicable.

Projections of benefits are based on the types of benefits provided under the substantive plan at the time of each valuation and on the pattern of sharing of benefit costs between the employer and plan members to that point, and the projections of benefits for financial reporting purposes do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

BOROUGH OF SWARTHMORE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 4 OTHER INFORMATION (cont'd)

Annual OPEB Cost and Net OPEB Obligation

The Borough's annual OPEB cost is calculated based on the annual pension contribution ("APC") of the employer, an amount actuarially determined in accordance with the parameters of the GASB Standards Codification. The APC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of 30 years. The following table illustrates the components of the Borough's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Borough's net OPEB obligation:

	<u>Police OPEB</u>
Annual required contribution	\$ 48,786
Interest on net OPEB obligation	26,290
Adjustment to annual required contribution	(72,068)
Annual OPEB cost (expense)	3,008
Contributions made	-
Increase in net OPEB obligation	3,008
Net OPEB obligation - beginning of year	657,259
Net OPEB obligation - end of year	\$ 660,267

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2017 actuarial valuation, the projected unit credit age actuarial cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return and an annual healthcare cost trend rate of 10 percent, reduced by decrements of 1.0 percent per year until an ultimate rate of 5.0 percent is reached. The amortization period is over 30 years and is calculated using the level dollar - open method.



BOROUGH OF SWARTHMORE  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2019

NOTE 4 OTHER INFORMATION (cont'd)

Three-year Trend Information:

Year Ended December 31,	Annual OPEB Cost	Contributions	Percentage Contributed	Net OPEB Obligation
2017	\$ 339,807	\$ -	0%	\$ 654,025
2018	\$ 3,234	\$ -	0%	\$ 657,529
2019	\$ 3,008	\$ -	0%	\$ 660,267

NOTE 5 SUBSEQUENT EVENTS

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to impact the Borough in 2020. Financial impact could occur though such potential impact is unknown at this time.

The Borough has evaluated all subsequent events through June 9, 2020, the date the financial statements were available to be issued.

**SUPPLEMENTARY INFORMATION**

BOROUGH OF SWARTHMORE

SUPPLEMENTARY INFORMATION – EMPLOYEES’ PENSION PLAN

SCHEDULE OF FUNDING PROGRESS

Ten-year historical trend information about the plan is presented herewith as supplementary information. It is intended to help users assess the plan's funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other state and local government retirement systems.

The ten-year historical trend information is as follows (beginning with the January 1, 2009 valuation):

	(1)	(2)	(3)	(4)	(5)	(6)
<b>Actuarial Valuation Date</b>	<b>Net Assets Available for Benefits</b>	<b>Pension Obligation Benefit</b>	<b>(Overfunded) Unfunded Pension Benefit Obligation (2)-(1)</b>	<b>Percentage Funded (1)/(2)</b>	<b>Annual Covered Payroll</b>	<b>(Overfunded) Unfunded Pension Benefit Obligation as a Percentage of Covered Payroll (3)/(5)</b>
1/1/10	*	*	*	*	*	*
1/1/11	1,106,525	1,534,669	423,144	72.10%	402,494	106.37%
1/1/12	*	*	*	*	*	*
1/1/13	1,361,156	1,600,218	239,062	85.06%	420,292	56.88%
1/1/14	*	*	*	*	*	*
1/1/15	1,647,166	1,965,164	317,998	83.82%	427,220	74.43%
1/1/16	*	*	*	*	*	*
1/1/17	1,937,420	2,025,785	88,365	95.64%	390,582	22.62%
1/1/18	*	*	*	*	*	*
1/1/19	2,232,407	2,407,007	174,600	92.75%	422,150	41.36%

\* Information not available due to actuarial valuation required by Act 205 biennially.

The comparability of trend information is affected by changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies, and other changes. Those changes usually affect trends in contribution requirements and in ratios that use the pension benefit obligation as a factor.

BOROUGH OF SWARTHMORE

SUPPLEMENTARY INFORMATION – EMPLOYEES' PENSION PLAN

SCHEDULE OF ANNUAL REQUIRED CONTRIBUTIONS

<b>Year Ended December 31</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>
2010	51,238	375.0%
2011	105,243	100.0%
2012	95,484	100.0%
2013	95,927	100.0%
2014	81,381	100.0%
2015	82,961	100.0%
2016	92,361	100.0%
2017	89,498	100.2%
2018	45,401	100.0%
2019	46,217	100.0%

BOROUGH OF SWARTHMORE

SUPPLEMENTARY INFORMATION – EMPLOYEES' PENSION PLAN

NOTES TO SUPPLEMENTARY SCHEDULES

The information presented in the supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation date follows:

Actuarial valuation date	January 1, 2019
Actuarial cost method	Entry age normal
Amortization method	Level Percentage Closed
Amortization period	10 Years
Asset valuation method	Limited to the maximum of 115% and a minimum of 85% of the fair market value of assets
Actuarial assumptions:	
Investment rate of return	7.25% per annum
Projected salary increases	3.0% per annum
Includes inflation	None
Cost-of-living adjustments	Retired members may receive ad-hoc cost of living adjustments at the sole discretion of Borough

BOROUGH OF SWARTHMORE

SUPPLEMENTARY INFORMATION – POLICE PENSION PLAN

SCHEDULE OF FUNDING PROGRESS

Ten-year historical trend information about the plan is presented here with as supplementary information. It is intended to help users assess the plan's funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other state and local government retirement systems.

The ten-year historical trend information is as follows (beginning with the January 1, 2009 valuation):

	(1)	(2)	(3)	(4)	(5)	(6)
<b>Actuarial Valuation Date</b>	<b>Net Assets Available for Benefits</b>	<b>Pension Obligation Benefit</b>	<b>(Overfunded) Unfunded Pension Benefit Obligation (2)-(1)</b>	<b>Percentage Funded (1)/(2)</b>	<b>Annual Covered Payroll</b>	<b>(Overfunded) Unfunded Pension Benefit Obligation as a Percentage of Covered Payroll (3)/(5)</b>
1/1/10	*	*	*	*	*	*
1/1/11	2,756,653	4,131,669	1,375,016	66.72%	804,919	170.83%
1/1/12	*	*	*	*	*	*
1/1/13	3,198,212	4,656,033	1,457,821	68.69%	840,800	173.38%
1/1/14	*	*	*	*	*	*
1/1/15	3,878,274	5,206,351	1,328,257	74.49%	921,775	144.10%
1/1/16	*	*	*	*	*	*
1/1/17	4,737,123	6,016,290	1,279,167	78.74%	880,894	145.21%
1/1/18	*	*	*	*	*	*
1/1/19	5,551,105	6,810,005	1,258,900	81.51%	698,388	180.26%

\* Information not available due to the actuarial valuations biennially required by Act 205.

The comparability of trend information is affected by changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies, and other changes. Those changes usually affect trends in contribution requirements and in ratios that use the pension benefit obligation as a factor.

BOROUGH OF SWARTHMORE

SUPPLEMENTARY INFORMATION – POLICE PENSION PLAN

SCHEDULE OF ANNUAL REQUIRED CONTRIBUTIONS

<b>Year Ended December 31</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>
2010	92,480	100.0%
2011	208,821	100.0%
2012	205,002	100.0%
2013	255,614	100.0%
2014	295,388	100.0%
2015	296,783	100.0%
2016	312,085	101.6%
2017	304,995	100.2%
2018	314,970	100.0%
2019	295,158	100.0%

BOROUGH OF SWARTHMORE

SUPPLEMENTARY INFORMATION – POLICE PENSION PLAN

NOTES TO SUPPLEMENTARY SCHEDULES

The information presented in the supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation date follows:

Actuarial valuation date	January 1, 2019
Actuarial cost method	Entry age normal
Amortization method	Level Percentage Closed
Amortization period	10 Years
Asset valuation method	Limited to the maximum of 115% and a minimum of 85% of the fair market value of assets
Actuarial assumptions:	
Investment rate of return	7.5% per annum
Projected salary increases	4.5% per annum
Includes inflation	None
Cost-of-living adjustments	A participant's initial pension is subject to annual cost-of-living increases. A participant's ultimate pension cannot exceed the lesser of (a) 130% of the participant's initial pension and (b) 75% of the salary upon which the participant's initial pension was based.



**BOROUGH OF SWARTHMORE**

**SUPPLEMENTARY INFORMATION – POLICE OTHER POST-EMPLOYMENT BENEFITS**

**SCHEDULE OF FUNDING PROGRESS AND SCHEDULE OF ANNUAL REQUIRED CONTRIBUTIONS**

Historical trend information about the plan is presented herewith as supplementary information. It is intended to help users assess the plan's funding status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other state and local government retirement systems.

The historical trend information is below. The January 1, 2017 valuation was the latest valuation for the plan.

**SCHEDULE OF FUNDING PROGRESS**

(1)	(2)	(3)	(4)	(5)	(6)	(7)
<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) - Entry Age (b)</b>	<b>Unfunded AAL (UAAL) (b)-(a)</b>	<b>Funded Ratio (a)/(b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll [(b)-(a)]/(c)</b>
01/01/11	\$ -	\$ 338,028	\$ 338,028	0.0%	N/A	0.0%
01/01/17	\$ -	\$ 654,025	\$ 654,025	0.0%	N/A	0.0%

N/A – Benefits are not pay-related

**SCHEDULE OF ANNUAL REQUIRED CONTRIBUTIONS**

<b>Actuarial Valuation</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>
01/01/11	\$ 46,158	0.0%
01/01/17	\$ 48,786	0.0%

See Note 4 to the Borough's financial statements for additional information about the funding policy for this post-employment benefits plan.

**COMBINING AND INDIVIDUAL FUND STATEMENTS**

**BOROUGH OF SWARTHMORE**  
**COMBINING STATEMENT OF NET POSITION - PENSION TRUST FUNDS - MODIFIED CASH BASIS**  
**DECEMBER 31, 2019**

	<u>Police Pension</u>	<u>Employees' Pension</u>	<u>Total Pension Trust Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 66,322	\$ 32,070	\$ 98,392
Payroll withholdings due from Borough of Swarthmore	9,312	3,968	13,280
Investments, at fair value - mutual funds:			
Mutual funds - fixed income	1,563,421	683,489	2,246,910
Mutual funds - international fixed income	369,524	154,520	524,044
Mutual funds - equity	2,688,956	1,142,798	3,831,754
Mutual funds - stable value	238,556	-	238,556
Mutual funds - international equity	<u>1,442,112</u>	<u>606,407</u>	<u>2,048,519</u>
<b>TOTAL ASSETS</b>	<u>6,378,203</u>	<u>2,623,252</u>	<u>9,001,455</u>
<b>LIABILITIES</b>			
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>			
Net position - restricted for pension benefits	<u>\$ 6,378,203</u>	<u>\$ 2,623,252</u>	<u>\$ 9,001,455</u>

**BOROUGH OF SWARTHMORE  
COMBINING STATEMENT OF CHANGES IN NET POSITION -  
PENSION TRUST FUNDS - MODIFIED CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Police Pension</u>	<u>Employees' Pension</u>	<u>Total</u>
ADDITIONS:			
Contributions:			
Municipal contributions	\$ 230,517	\$ 18,689	\$ 249,206
Employee contributions	32,062	19,148	51,210
State contributions	64,641	27,528	92,169
Total Contributions	<u>327,220</u>	<u>65,365</u>	<u>392,585</u>
Investment Income:			
Net appreciation in fair value of investments	924,774	390,004	1,314,778
Realized gain on investments	140,377	59,903	200,280
Total Investment Losses	<u>1,065,151</u>	<u>449,907</u>	<u>1,515,058</u>
Less: Investment expense	<u>(38,667)</u>	<u>(19,312)</u>	<u>(57,979)</u>
Net Investment Income	<u>1,026,484</u>	<u>430,595</u>	<u>1,457,079</u>
TOTAL ADDITIONS	<u>1,353,704</u>	<u>495,960</u>	<u>1,849,664</u>
DEDUCTIONS:			
Benefits paid	<u>281,447</u>	<u>95,953</u>	<u>377,400</u>
TOTAL DEDUCTIONS	<u>281,447</u>	<u>95,953</u>	<u>377,400</u>
CHANGE IN NET POSITION	1,072,257	400,007	1,472,264
NET POSITION, BEGINNING OF YEAR	<u>5,305,946</u>	<u>2,223,245</u>	<u>7,529,191</u>
NET POSITION, END OF YEAR	<u><u>\$ 6,378,203</u></u>	<u><u>\$ 2,623,252</u></u>	<u><u>\$ 9,001,455</u></u>

**BOROUGH OF SWARTHMORE**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUND -**  
**MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	Balance 1/1/19	Additions	Deductions	Balance 12/31/19
ASSETS				
Cash	\$ 10,135	\$ -	\$ (163)	\$ 9,972
LIABILITIES				
Escrow Payable	\$ 10,135	\$ -	\$ (163)	\$ 9,972

## **OTHER REPORT**



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

June 9, 2020

To the Borough Council  
Borough of Swarthmore  
Swarthmore, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the modified cash basis financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Borough of Swarthmore ("the Borough"), Swarthmore, Pennsylvania, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements, and have issued our report thereon dated June 9, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Borough's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Borough's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Borough's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

To the Borough Council  
Borough of Swarthmore

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Borough's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Barbacane, Thornton & Company LLP*  
BARBACANE, THORNTON & COMPANY LLP