



BOROUGH OF SWARTHMORE
BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2022

BOROUGH OF SWARTHMORE

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INDEPENDENT AUDITOR'S REPORT

May 30, 2023

To the Borough Council
Borough of Swarthmore
Swarthmore, Pennsylvania

Report on the Audit of the Financial Statements

Opinions

We have audited 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 as of and for the year ended December 31, 2022, and the related notes to the financial statements which collectively comprise Borough of Swarthmore's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective 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 as of December 31, 2022, and the respective changes in financial position - modified cash basis and, where applicable, budgetary comparison statements, thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Borough of Swarthmore and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To the Borough Council
Borough of Swarthmore

Emphasis of Matter – 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 opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The Borough of Swarthmore's management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 1, and for 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 Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Borough of Swarthmore's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

To the Borough Council
Borough of Swarthmore

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Borough of Swarthmore's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Borough of Swarthmore'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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2023 on our consideration of the Borough of Swarthmore'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 solely 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 the effectiveness of 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

BOROUGH OF SWARTHMORE
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
DECEMBER 31, 2022

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,396,832	\$ 530,504	\$ 1,927,336
Internal balances	(4,098)	4,098	-
TOTAL ASSETS	1,392,734	534,602	1,927,336
LIABILITIES AND NET POSITION			
Current Liabilities:			
Liabilities:			
Payroll withholding liabilities	20,873	-	20,873
TOTAL LIABILITIES	20,873	-	20,873
NET POSITION			
Restricted for:			
Highways and streets	52,206	-	52,206
Fire relief	121,159	-	121,159
Debt service	2,952	-	2,952
Unrestricted	1,195,544	534,602	1,730,146
TOTAL NET POSITION	1,371,861	534,602	1,906,463
TOTAL LIABILITIES AND NET POSITION	\$ 1,392,734	\$ 534,602	\$ 1,927,336

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, 2022**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
GOVERNMENTAL ACTIVITIES						
Administrative	\$ 661,361	\$ 98,479	\$ -	\$ (557,882)	\$ -	\$ (557,882)
Permits and licenses	69,556	-	-	(69,556)	-	(69,556)
Public safety	2,457,944	48,099	-	(1,779,021)	-	(1,779,021)
Public works	395,121	163,180	-	(154,343)	-	(154,343)
Library	200,700	-	-	(200,700)	-	(200,700)
Culture and recreation	181,752	333,166	-	178,433	-	178,433
Debt service	130,380	-	-	(130,380)	-	(130,380)
TOTAL GOVERNMENTAL ACTIVITIES	4,096,814	642,924	-	(2,713,449)	-	(2,713,449)
BUSINESS-TYPE ACTIVITIES						
Solid waste	666,979	23,598	-	-	(23,167)	(23,167)
Sewer	1,135,671	-	-	-	80,136	80,136
TOTAL BUSINESS-TYPE ACTIVITIES	1,802,650	23,598	-	-	56,969	56,969
TOTAL PRIMARY GOVERNMENT	\$ 5,899,464	\$ 666,522	\$ -	(2,713,449)	56,969	(2,656,480)

GENERAL REVENUES

Taxes:						
Real estate taxes	2,186,957	-	-	2,186,957	-	2,186,957
Real estate transfer taxes	260,718	-	-	260,718	-	260,718
Local services tax	110,924	-	-	110,924	-	110,924
Licenses and permits	107,617	-	-	107,617	-	107,617
Fines and forfeits	33,017	-	-	33,017	-	33,017
Investment earnings	31,868	12,817	-	31,868	12,817	44,685
Grants and contributions not restricted to specific programs	122,945	-	-	122,945	-	122,945
Miscellaneous	22,106	-	-	22,106	-	22,106
TOTAL GENERAL REVENUES	2,876,152	12,817	-	2,888,969	12,817	2,888,969
CHANGE IN NET POSITION	162,703	69,786	-	162,703	69,786	232,489
NET POSITION, BEGINNING OF YEAR	1,209,158	464,816	-	1,209,158	464,816	1,673,974
NET POSITION, END OF YEAR	\$ 1,371,861	\$ 534,602	\$ -	\$ 1,371,861	\$ 534,602	\$ 1,906,463

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

**BOROUGH OF SWARTHMORE
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
DECEMBER 31, 2022**

	General Fund	Pension Tax	Capital Reserve Fund	Fire Tax	Highway Aid	Debt Service	ARPA	Total Governmental Funds
ASSETS								
Cash and cash equivalents	\$ 688,026	\$ -	\$ 158,454	\$ -	\$ 52,206	\$ 2,952	\$ 592,307	\$ 1,493,945
Due from other funds	-	-	37,000	121,159	-	-	-	158,159
TOTAL ASSETS	<u>\$ 688,026</u>	<u>\$ -</u>	<u>\$ 195,454</u>	<u>\$ 121,159</u>	<u>\$ 52,206</u>	<u>\$ 2,952</u>	<u>\$ 592,307</u>	<u>\$ 1,652,104</u>
LIABILITIES AND FUND BALANCES (DEFICIT)								
LIABILITIES								
Cash overdraft	\$ -	\$ 97,113	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 97,113
Payroll withholding liabilities	20,873	-	-	-	-	-	-	20,873
Due to other funds	162,257	-	-	-	-	-	-	162,257
TOTAL LIABILITIES	<u>183,130</u>	<u>97,113</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>280,243</u>
FUND BALANCES (DEFICIT)								
Restricted for:								
Highways and streets	-	-	-	-	52,206	-	-	52,206
Fire relief	-	-	-	121,159	-	-	-	121,159
Debt service	-	-	-	-	-	2,952	-	2,952
Committed for:								
Post-retirement benefits	519,269	-	-	-	-	-	-	519,269
Assigned for:								
Capital costs	-	-	195,454	-	-	-	-	195,454
Unassigned (Deficit)	(14,373)	(97,113)	-	-	-	-	592,307	480,821
TOTAL FUND BALANCES (DEFICIT)	<u>504,896</u>	<u>(97,113)</u>	<u>195,454</u>	<u>121,159</u>	<u>52,206</u>	<u>2,952</u>	<u>592,307</u>	<u>1,371,861</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	<u>\$ 688,026</u>	<u>\$ -</u>	<u>\$ 195,454</u>	<u>\$ 121,159</u>	<u>\$ 52,206</u>	<u>\$ 2,952</u>	<u>\$ 592,307</u>	<u>\$ 1,652,104</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, 2022

	General Fund	Pension Tax	Capital Reserve Fund	Fire Tax	Highway Aid	Debt Service	ARPA	Total
REVENUES								
Taxes:								
Real estate tax	\$ 1,449,882	\$ 322,105	\$ -	\$ 344,860	\$ -	\$ 70,110	\$ -	\$ 2,186,957
Transfer tax	260,718	-	-	-	-	-	-	260,718
Local service tax	110,924	-	-	-	-	-	-	110,924
Licenses and permits	107,617	-	-	-	-	-	-	107,617
Fines and forfeits	33,017	-	-	-	-	-	-	33,017
Interest, rents, and royalties	18,634	-	2,847	-	1,864	-	8,523	31,868
Intergovernmental revenues	58,509	88,069	-	-	163,180	-	333,166	642,924
Charges for services	740,441	-	-	-	-	-	-	740,441
Contributions	122,945	-	-	-	-	-	-	122,945
Miscellaneous revenue	17,621	-	-	-	4,485	-	-	22,106
TOTAL REVENUES	2,920,308	410,174	2,847	344,860	169,529	70,110	341,689	4,259,517
EXPENDITURES								
Current:								
General government	388,309	-	40,859	-	-	-	-	429,168
Public safety	1,449,318	-	9,611	325,449	-	-	-	1,784,378
Public works - highways and streets	197,142	-	-	-	126,064	-	-	323,206
Library	200,700	-	-	-	-	-	-	200,700
Culture and recreation	162,543	-	-	-	-	-	-	162,543
Employee benefits	665,309	291,782	-	-	-	-	-	957,091
Miscellaneous expenditures	9,348	-	-	-	-	-	100,000	109,348
Debt service:								
Principal	-	-	16,774	-	-	102,700	-	119,474
Interest	1,810	-	780	-	-	8,316	-	10,906
TOTAL EXPENDITURES	3,074,479	291,782	68,024	325,449	126,064	111,016	100,000	4,096,814
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(154,171)	118,392	(65,177)	19,411	43,465	(40,906)	241,689	162,703
OTHER FINANCING SOURCES (USES)								
Transfers in	-	-	37,000	-	-	-	333,626	370,626
Transfers out	(370,626)	-	-	-	-	-	-	(370,626)
TOTAL OTHER FINANCING SOURCES (USES)	(524,797)	118,392	(28,177)	19,411	43,465	(40,906)	575,315	162,703
NET CHANGE IN FUND BALANCES	1,029,693	(215,505)	223,631	101,748	8,741	43,858	16,992	1,209,158
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	\$ 504,696	\$ (97,113)	\$ 195,454	\$ 121,159	\$ 52,206	\$ 2,952	\$ 592,307	\$ 1,371,861

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, 2022

	Original and Final Budget	Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
REVENUES			
Taxes:			
Real estate tax	\$ 1,478,488	\$ 1,449,882	\$ (28,606)
Transfer tax	180,000	260,718	80,718
Local service tax	110,000	110,924	924
Licenses and permits	109,000	107,617	(1,383)
Fines and forfeits	42,500	33,017	(9,483)
Interest, rents, and royalties	2,500	18,634	16,134
Intergovernmental revenues	10,500	58,509	48,009
Charges for services	673,015	740,441	67,426
Contributions	115,000	122,945	7,945
Miscellaneous revenue	9,500	17,621	8,121
TOTAL REVENUES	<u>2,730,503</u>	<u>2,920,308</u>	<u>189,805</u>
EXPENDITURES			
Current:			
General government	363,303	388,309	(25,006)
Public safety	1,308,724	1,449,318	(140,594)
Public works - highways and streets	204,415	197,142	7,273
Library	200,700	200,700	-
Culture and recreation	182,490	162,543	19,947
Employee benefits	706,759	665,309	41,450
Miscellaneous expense	5,000	9,348	(4,348)
Debt service:			
Interest	-	1,810	(1,810)
TOTAL EXPENDITURES	<u>2,971,391</u>	<u>3,074,479</u>	<u>(103,088)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(240,888)</u>	<u>(154,171)</u>	<u>86,717</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	-	(370,626)	(370,626)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(370,626)</u>	<u>(370,626)</u>
NET CHANGE IN FUND BALANCE	(240,888)	(524,797)	(283,909)
FUND BALANCE, BEGINNING OF YEAR	<u>1,029,693</u>	<u>1,029,693</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 788,805</u>	<u>\$ 504,896</u>	<u>\$ (283,909)</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, 2022**

	Original and Final Budget	Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
REVENUES			
Property taxes	\$ 325,475	\$ 322,105	\$ (3,370)
Intergovernmental revenues	81,500	88,069	6,569
TOTAL REVENUES	<u>406,975</u>	<u>410,174</u>	<u>3,199</u>
EXPENDITURES			
Current:			
Employee benefits	291,782	291,782	-
TOTAL EXPENDITURES	<u>291,782</u>	<u>291,782</u>	<u>-</u>
NET CHANGE IN FUND DEFICIT	115,193	118,392	3,199
FUND DEFICIT, BEGINNING OF YEAR	<u>(215,505)</u>	<u>(215,505)</u>	<u>-</u>
FUND DEFICIT, END OF YEAR	<u>\$ (100,312)</u>	<u>\$ (97,113)</u>	<u>\$ 3,199</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, 2022**

	Original and Final Budget	Actual Amounts (Budgetary Basis)	Variance Positive (Negative)
REVENUES			
Property taxes	<u>\$ 349,277</u>	<u>\$ 344,860</u>	<u>\$ (4,417)</u>
TOTAL REVENUES	<u>349,277</u>	<u>344,860</u>	<u>(4,417)</u>
EXPENDITURES			
Current:			
Public safety	<u>327,373</u>	<u>325,449</u>	<u>1,924</u>
TOTAL EXPENDITURES	<u>327,373</u>	<u>325,449</u>	<u>1,924</u>
NET CHANGE IN FUND BALANCE	21,904	19,411	(2,493)
FUND BALANCE, BEGINNING OF YEAR	<u>101,748</u>	<u>101,748</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 123,652</u>	<u>\$ 121,159</u>	<u>\$ (2,493)</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, 2022**

	Original and Final Budget	Actual Amounts (Budgetary Basis)	Variance
REVENUES			
Interest	\$ 250	\$ 1,864	\$ 1,614
Intergovernmental revenues	157,089	163,180	6,091
TOTAL REVENUES	<u>157,339</u>	<u>169,529</u>	<u>12,190</u>
EXPENDITURES			
Current:			
Highways and roads	139,635	126,064	13,571
TOTAL EXPENDITURES	<u>139,635</u>	<u>126,064</u>	<u>13,571</u>
NET CHANGE IN FUND BALANCE	17,704	43,465	25,761
FUND BALANCE, BEGINNING OF YEAR	<u>8,741</u>	<u>8,741</u>	<u>-</u>
FUND BALANCE (DEFICIT), END OF YEAR	<u>\$ 26,445</u>	<u>\$ 52,206</u>	<u>\$ 25,761</u>

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, 2022**

	Sewer and Solid Waste	Sanitary Sewer	Totals
ASSETS			
Cash and cash equivalents	\$ 379,328	\$ 151,176	\$ 530,504
Due from other funds	4,098	-	4,098
Total Assets	383,426	151,176	534,602
 LIABILITIES AND NET POSITION			
Liabilities	-	-	-
Net Position:			
Unrestricted	383,426	151,176	534,602
Total Net Position	\$ 383,426	\$ 151,176	\$ 534,602

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, 2022

	Sewer and Solid Waste	Sanitary Sewer	Totals
OPERATING REVENUES			
Trash service charges	\$ 620,214	\$ -	\$ 620,214
Sewer service charges	1,215,807	-	1,215,807
Other revenues	23,598	-	23,598
TOTAL OPERATING REVENUES	<u>1,859,619</u>	<u>-</u>	<u>1,859,619</u>
OPERATING EXPENSES			
Trash service charges	394,607	-	394,607
Sewer service charges	1,121,984	6,458	1,128,442
General and administrative	272,372	-	272,372
TOTAL OPERATING EXPENSES	<u>1,788,963</u>	<u>6,458</u>	<u>1,795,421</u>
OPERATING INCOME (LOSS)	<u>70,656</u>	<u>(6,458)</u>	<u>64,198</u>
NONOPERATING REVENUES (EXPENSES)			
Net earnings on investments	10,419	2,398	12,817
Interest expense	(1,929)	-	(1,929)
Principal paid on debt	(5,300)	-	(5,300)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>3,190</u>	<u>2,398</u>	<u>5,588</u>
CHANGE IN NET POSITION	73,846	(4,060)	69,786
NET POSITION, BEGINNING OF YEAR	<u>309,580</u>	<u>155,236</u>	<u>464,816</u>
NET POSITION, END OF YEAR	<u>\$ 383,426</u>	<u>\$ 151,176</u>	<u>\$ 534,602</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, 2022

	<u>Pension Trust Funds</u>	<u>Custodial Funds</u>	<u>Total Fiduciary Funds</u>
ASSETS			
Cash and cash equivalents	\$ 110,309	\$ 30,099	\$ 140,408
Payroll withholdings due from Borough of Swarthmore	11,539	-	11,539
Investments, at fair value - mutual funds:			
Exchange traded funds - fixed income	2,239,810	-	2,239,810
Exchange traded funds - equity	6,695,697	-	6,695,697
Exchange traded funds - stable value	811,666	-	811,666
TOTAL ASSETS	<u>9,869,021</u>	<u>30,099</u>	<u>9,899,120</u>
LIABILITIES			
	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Net position restricted for pension benefits	<u>\$ 9,869,021</u>	<u>\$ 30,099</u>	<u>\$ 9,899,120</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, 2022

	Pension Trust Funds	Custodial Funds	Total Fiduciary Funds
<u>ADDITIONS AND LOSS</u>			
Contributions:			
Municipal contributions	\$ 254,763	\$ -	\$ 254,763
Employee contributions	41,807	-	41,807
State contributions	88,067	-	88,067
Refund of prior yeear payment	41,268	-	41,268
Total Contributions	<u>425,905</u>	<u>-</u>	<u>425,905</u>
Investment income (loss):			
Net appreciation (depreciation)			
in fair value of investments	(1,874,762)	-	(1,874,762)
Dividends and interest	217,395	-	217,395
Net Investment Income (Loss)	<u>(1,657,367)</u>	<u>-</u>	<u>(1,657,367)</u>
TOTAL ADDITIONS AND LOSS	<u>(1,231,462)</u>	<u>-</u>	<u>(1,231,462)</u>
<u>DEDUCTIONS</u>			
Benefits paid	407,314	-	407,314
Release of escrow funds	-	25,574	25,574
Other expenses	73,726	-	73,726
TOTAL DEDUCTIONS	<u>481,040</u>	<u>25,574</u>	<u>506,614</u>
CHANGE IN NET POSITION	(1,712,502)	(25,574)	(1,738,076)
NET POSITION, BEGINNING OF YEAR	<u>11,581,523</u>	<u>55,673</u>	<u>11,637,196</u>
NET POSITION, END OF YEAR	<u>\$ 9,869,021</u>	<u>\$ 30,099</u>	<u>\$ 9,899,120</u>

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

BOROUGH OF SWARTHMORE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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, 2022

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 (to the extent recognized under the modified cash basis) 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, 2022

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 projects fund used for capital expenditures, including purchase of major pieces of equipment and infrastructure projects including streets, stormwater management, and upgrades to Borough buildings and parks.
- 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 *ARPA Fund* is a special revenue fund used to account for the American Rescue Plan Act revenue received and the related expenses.

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.

BOROUGH OF SWARTHMORE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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

- The *Custodial Funds* account for assets held by the Borough as a custodian for individuals, private organizations, other governments, and other funds.

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.

BOROUGH OF SWARTHMORE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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

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.

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% of a bank's total capital surplus or 20% 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 2% discount February 1 through March 31; face amount April 1 through May 31; and a 10% 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, 2022

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, 2022 was \$163,369.

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, 2022

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 accounting principles generally accepted in the United States of America for all funds except the capital projects funds (including sanitary sewer). No budget is adopted

BOROUGH OF SWARTHMORE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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

for the ARPA fund. 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 is published by the Borough Secretary in a newspaper of general circulation. The budget is then made available for a 10-day period. Borough Council must adopt the budget through a motion by December 31. It is also the duty of Borough 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, 2022, the General Fund expenditures exceeded appropriations in the categories of general government (\$25,006), public safety (\$140,594), miscellaneous expense (\$4,348), and debt service interest (\$1,810), totaling \$171,758. These expenditures were funded by greater than anticipated revenues and a reduction of expenditures in other areas.

Deficit Fund Balance

As of December 31, 2022, the Pension Tax Fund had a deficit fund balance of \$97,113. 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, 2022, the Borough's carrying amount of deposits was \$2,067,744 (includes pension trust and custodial funds), and the bank balance was \$2,047,457, the difference being outstanding checks and deposits. Of the bank balance, \$143,635 is covered by federal depository insurance.

BOROUGH OF SWARTHMORE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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

As of December 31, 2022, the remaining \$1,903,822 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, 2022), 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, 2022, the Borough had the following investments:

Fiduciary Funds	Fair Value	Level 1
Exchange traded funds - fixed income	\$ 2,827,502	\$ 2,827,502
Exchange traded funds - equity	5,932,186	5,932,186
Exchange traded funds - stable value	987,485	987,485
Total Fiduciary Funds	\$ 9,747,173	\$ 9,747,173

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	\$ 370,626	Capital Reserve Fund	\$ 37,000
		ARPA Fund	333,626
Total	\$ 370,626	Total	\$ 370,626

General fund transfers to the capital reserve fund were made to support the operations of the that fund. General fund transfers made to the ARPA fund were to move ARPA grant revenues received in a prior year to the ARPA fund.

BOROUGH OF SWARTHMORE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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

Interfund Loans

<u>Due From:</u>		<u>Due To:</u>	
General Fund	\$ 121,159	Fire Tax Fund	\$ 121,159
General Fund	37,000	Capital Reserve Fund	37,000
General Fund	4,098	Sewer and Solid Waste	4,098
Total	\$ 162,257	Total	\$ 162,257

Interfund balances reflect funds collected on behalf of the funds they are due to but not yet remitted as of December 31, 2022.

Leases

Capital Leases

The assets acquired through capital leases are as follows:

<u>Asset</u>	<u>Governmental Activities</u>
Vehicles	\$ 83,727

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2022, were as follows:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>
2023	\$ 17,555
Less: amount representing interest	(395)
Present value of minimum lease payments	\$ 17,160

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, 2022

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 \$2,450,000. During fiscal year ended December 31, 2022, 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, 2022, 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%	\$ 650,238
Business-type Activities	0.953% - 4.633%	42,762
		\$ 693,000

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	2006	2026	\$ 220,000	Fixed	1.424%	\$ 6,308
GO Note	2008	2028	164,000	Variable	1.574%	4,702
GO Note	2013	2032	309,000	Variable	1.574%	8,859
			\$ 693,000			\$ 19,869

BOROUGH OF SWARTHMORE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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%. 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, 2022, 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, 2022 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, 2022

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>
2023	\$ 104,340	\$ 24,215	\$ 128,555
2024	107,160	24,215	131,375
2025	109,980	20,190	130,170
2026	111,860	16,022	127,882
2027	62,040	11,682	73,722
2028-2032	<u>154,858</u>	<u>20,351</u>	<u>175,209</u>
	<u>\$ 650,238</u>	<u>\$ 116,675</u>	<u>\$ 766,913</u>

Business-type Activities

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Maturities</u>
2023	\$ 6,660	\$ 1,546	\$ 8,206
2024	6,840	1,289	8,129
2025	7,020	1,023	8,043
2026	7,140	746	7,886
2027	3,960	578	4,538
2028-2032	<u>11,142</u>	<u>1,299</u>	<u>12,441</u>
	<u>\$ 42,762</u>	<u>\$ 6,481</u>	<u>\$ 49,243</u>

BOROUGH OF SWARTHMORE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

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

A schedule of changes in debt is as follows:

	Beginning Balance 12/31/21	Additions	Reductions	Ending Balance 12/31/22	Amounts Due Within One Year
Governmental Activities:					
Capital lease	\$ 33,934	\$ -	\$ 16,774	\$ 17,160	\$ 17,160
GO Notes	752,938	-	102,700	650,238	104,340
Compensated absences	175,975	36,485	49,091	163,369	-
OPEB obligation	665,670	282,136	-	947,806	-
Total Governmental Activities	<u>1,628,517</u>	<u>318,621</u>	<u>168,565</u>	<u>1,778,573</u>	<u>121,500</u>
Business-type Activities:					
GO Notes	48,062	-	5,300	42,762	6,660
Total Business-type Activities	<u>48,062</u>	<u>-</u>	<u>5,300</u>	<u>42,762</u>	<u>6,660</u>
Total	<u>\$ 1,676,580</u>	<u>\$ 318,621</u>	<u>\$ 173,865</u>	<u>\$ 1,821,335</u>	<u>\$ 128,160</u>

For the year ended December 31, 2022, interest expense for the governmental activities and the business-type activities was \$10,906 and \$1,929, 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, 2022 was \$63,412. The pooling agreement permits the pool to make additional assessments to its members. The Trust declared a dividend in 2022. The Borough's share of the dividend distribution was \$8,010. At December 31, 2022, 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, 2022 was \$45,603. The Trust declared a dividend in 2022. The Borough's share of the dividend distribution was \$8,122. At December 31, 2022, 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, 2022

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 Non-Uniformed 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, 2021. Details below are from the valuation.

	Municipal Police Pension Plan	Employees' Pension Plan
Retirees and beneficiaries currently receiving benefits	11	5
Terminated employees entitled to benefits not yet receiving them	-	-
Active employees	6	5
Total Membership	17	10

The Employees' Pension 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% of the final 36-month average compensation. Plan members with at least 26 years of service at retirement also

BOROUGH OF SWARTHMORE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 4 OTHER INFORMATION (cont'd)

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 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% 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, 2022, member contributions were 5% 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% multiplied by the final 36-month average compensation multiplied by years of service (25 year maximum). The Plan does not provide for a disability retirement benefit.

Member contributions are determined and amended through annual resolution of Borough Council. For the year ended December 31, 2022, member contributions were 5% 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, 2022

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, 2021, the most recent actuarial valuation date, is as follows:

	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]
Police	\$ 6,402,298	\$ 6,871,347	\$ 469,049	93.17%	\$ 679,349	69.04%
Employees'	\$ 2,521,093	\$ 2,155,100	\$(365,993)	116.98%	\$ 379,232	(96.51)%

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, 2022

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:

	Municipal Police Pension Plan	Employees' Pension Plan
Annual required contribution	\$ 287,113	\$ 9,338
Interest on net pension obligation	-	-
Adjustment to annual required contribution	-	-
Annual pension cost	287,113	9,338
Contributions made per MMO	<u>(292,390)</u>	<u>(50,440)</u>
Increase in pension obligation	(5,277)	(41,102)
Net pension obligation (asset) - beginning of year	<u>(6,167)</u>	<u>(61,296)</u>
Net pension obligation (asset) - end of year	<u>\$ (11,444)</u>	<u>\$ (102,398)</u>

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.

Municipal Police Pension Plan

In the January 1, 2021 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 7.5% investment rate of return and a 4.5% 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, 2022

NOTE 4 OTHER INFORMATION (cont'd)

Employees' Pension Plan

In the January 1, 2021 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 7.25% investment rate of return and a 3.0% 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

Municipal Police Pension Plan

Year Ended December 31,	Annual Pension Cost	Contributions	Percentage Contributed	Net Pension Obligation (Asset)
2020	\$ 279,918	\$ 279,918	100.0%	\$ (6,167)
2021	\$ 346,702	\$ 346,702	100.0%	\$ (6,167)
2022	\$ 287,113	\$ 292,390	101.8%	\$ (11,444)

Employees' Pension Plan

Year Ended December 31,	Annual Pension Cost	Contributions	Percentage Contributed	Net Pension Obligation (Asset)
2020	\$ 41,937	\$ 41,937	100.0%	\$ (61,296)
2021	\$ 51,778	\$ 51,778	100.0%	\$ (61,296)
2022	\$ 9,338	\$ 50,440	540.0%	\$ (102,398)

Other Postemployment 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, 2022

NOTE 4 OTHER INFORMATION (cont'd)

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

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, 2022, the Borough allocated \$96,157 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, 2022

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 \$519,269 in the General Fund for future post-retirement benefit costs. The annual cost of these benefits in 2022 was \$0. There were no retirees receiving benefits in 2022.

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, 2022

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:

Annual required contribution	\$ 96,157
Interest on net OPEB obligation	36,616
Adjustment to annual required contribution	(100,374)
Other adjustment per the 4/1/21 OPEB analysis	<u>247,737</u>
Annual OPEB cost (expense)	282,136
Contributions made	<u>-</u>
Increase in net OPEB obligation	282,136
Net OPEB obligation - beginning of year	<u>665,670</u>
Net OPEB obligation - end of year	<u>\$ 947,806</u>

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% investment rate of return and an annual healthcare cost trend rate of 10%, reduced by decrements of 1.0% per year until an ultimate rate of 5.0% 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, 2022

NOTE 4 OTHER INFORMATION (cont'd)

Three-year Trend Information:

Year Ended December 31,	Annual OPEB Cost	Contributions	Percentage Contributed	Net OPEB Obligation
2020	\$ 2,799	\$ -	0%	\$ 663,066
2021	\$ 2,604	\$ -	0%	\$ 665,670
2022	\$ 282,136	\$ -	0%	\$ 947,806

NOTE 5 SUBSEQUENT EVENTS

The Borough has evaluated all subsequent events through May 30, 2023, 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, 2013 valuation):

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Net Assets Available for Benefits	Pension Obligation Benefit	(Overfunded) Unfunded Pension Benefit Obligation (2)-(1)	Percentage Funded (1)/(2)	Annual Covered Payroll	(Overfunded) Unfunded Pension Benefit Obligation as a Percentage of Covered Payroll (3)/(5)
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%
1/1/20	*	*	*	*	*	*
1/1/21	2,521,093	2,155,100	(365,993)	116.98%	379,232	(96.51)%
1/1/22	*	*	*	*	*	*

* 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

Year Ended December 31	Annual Required Contribution	Percentage Contributed
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%
2020	41,937	100.0%
2021	51,778	100.0%
2022	50,440	540.2%

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, 2021
Actuarial cost method	Entry age normal
Amortization method	Level Percentage Closed
Amortization period	Nine 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, 2013 valuation):

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Net Assets Available for Benefits	Pension Obligation Benefit	(Overfunded) Unfunded Pension Benefit Obligation (2)-(1)	Percentage Funded (1)/(2)	Annual Covered Payroll	(Overfunded) Unfunded Pension Benefit Obligation as a Percentage of Covered Payroll (3)/(5)
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%
1/1/20	*	*	*	*	*	*
1/1/21	6,402,298	6,871,347	469,049	93.17%	679,349	69.04%
1/1/22	*	*	*	*	*	*

* 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

Year Ended December 31	Annual Required Contribution	Percentage Contributed
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%
2020	279,918	100.0%
2021	346,702	100.0%
2022	292,390	101.8%

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, 2021
Actuarial cost method	Entry age normal
Amortization method	Level Percentage Closed
Amortization period	15 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 POSTEMPLOYMENT 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)
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)
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

Actuarial Valuation	Annual Required Contribution	Percentage Contributed
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 postemployment benefits plan.

COMBINING AND INDIVIDUAL FUND STATEMENTS

**BOROUGH OF SWARTHMORE
COMBINING STATEMENT OF NET POSITION - PENSION TRUST FUNDS - MODIFIED CASH BASIS
DECEMBER 31, 2022**

	<u>Police Pension</u>	<u>Employees' Pension</u>	<u>Total Pension Trust Funds</u>
ASSETS			
Cash and cash equivalents	\$ 68,014	\$ 42,295	\$ 110,309
Payroll withholdings due from Borough of Swarthmore	9,852	1,687	11,539
Investments, at fair value - mutual funds:			
Exchange traded funds - fixed income	1,590,998	648,812	2,239,810
Exchange traded funds - equity	4,712,491	1,983,206	6,695,697
Exchange traded funds - stable value	<u>811,666</u>	<u>-</u>	<u>811,666</u>
TOTAL ASSETS	<u>7,193,021</u>	<u>2,676,000</u>	<u>9,869,021</u>
LIABILITIES			
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Net position - restricted for pension benefits	<u>\$ 7,193,021</u>	<u>\$ 2,676,000</u>	<u>\$ 9,869,021</u>

**BOROUGH OF SWARTHMORE
COMBINING STATEMENT OF CHANGES IN NET POSITION -
PENSION TRUST FUNDS - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>Police Pension</u>	<u>Employees' Pension</u>	<u>Total</u>
ADDITIONS			
Contributions:			
Municipal contributions	\$ 230,743	\$ 24,020	\$ 254,763
Employee contributions	34,997	6,810	41,807
State contributions	61,647	26,420	88,067
Refund of prior year payment	41,268	-	41,268
Total Contributions	<u>368,655</u>	<u>57,250</u>	<u>425,905</u>
Investment Income (Loss):			
Net appreciation (depreciation) in fair value of investments	(1,305,213)	(569,549)	(1,874,762)
Dividends and interest	152,758	64,637	217,395
Total Investment Income (Loss)	<u>(1,152,455)</u>	<u>(504,912)</u>	<u>(1,657,367)</u>
TOTAL ADDITIONS AND LOSS	<u>(783,800)</u>	<u>(447,662)</u>	<u>(1,231,462)</u>
DEDUCTIONS			
Benefits paid	<u>262,869</u>	<u>144,445</u>	<u>407,314</u>
Other Expenses:			
Administrative expense	9,108	-	9,108
Investment expense	27,802	36,816	64,618
TOTAL DEDUCTIONS	<u>299,779</u>	<u>181,261</u>	<u>481,040</u>
CHANGE IN NET POSITION	(1,083,579)	(628,923)	(1,712,502)
NET POSITION, BEGINNING OF YEAR	<u>8,276,600</u>	<u>3,304,923</u>	<u>11,581,523</u>
NET POSITION, END OF YEAR	<u>\$ 7,193,021</u>	<u>\$ 2,676,000</u>	<u>\$ 9,869,021</u>

BOROUGH OF SWARTHMORE
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - CUSTODIAL FUND -
MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Balance 1/1/22</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 12/31/22</u>
ASSETS				
Cash	<u>\$ 55,673</u>	<u>\$ -</u>	<u>\$ (25,574)</u>	<u>\$ 30,099</u>
LIABILITIES				
Escrow payable	<u>\$ 55,673</u>	<u>\$ -</u>	<u>\$ (25,574)</u>	<u>\$ 30,099</u>

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

May 30, 2023

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, 2022, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements, and have issued our report thereon dated May 30, 2023.

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