



---

**BOROUGH OF SWARTHMORE  
CIVIL EMPLOYEES PENSION PLAN  
DELAWARE COUNTY, PENNSYLVANIA**

**AUDITED FINANCIAL STATEMENTS**

**DECEMBER 31, 2014**

---

BOROUGH OF SWARTHMORE  
CIVIL EMPLOYEES PENSION PLAN

TABLE OF CONTENTS

|   | <u>PAGE</u> |
|---|-------------|
| INDEPENDENT AUDITOR'S REPORT  | 1 - 2       |
| FINANCIAL STATEMENTS  |             |
| Statement of Plan Net Position - Cash Basis   | 3           |
| Statement of Changes in Plan Net Position - Cash Basis  | 4           |
| Notes to Financial Statements   | 5 - 9       |
| SUPPLEMENTARY INFORMATION   |             |
| Schedule of Funding Progress  | 10          |
| Schedule of Annual Required Contributions   | 11          |
| Notes to Supplementary Schedules  | 12          |
| 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> | 13 - 14     |

INDEPENDENT AUDITOR'S REPORT

T 302.478.8940  
F 302.468.4001  
www.btcpa.com

July 1, 2015

Members of Council  
Borough of Swarthmore  
Swarthmore, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the Borough of Swarthmore Civil Employees Pension Plan, Swarthmore, Pennsylvania, which comprise the statement of plan net position - cash basis as of December 31, 2014, and the related statement of changes in plan net position - cash basis for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting as described in Note 2; this includes determining that the 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 an opinion 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. In making those risk assessments, the auditor considers internal control relevant to the Plan'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 Plan'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 opinion.

Members of Council  
Borough of Swarthmore

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net position of the Civil Employees Pension Plan of the Borough of Swarthmore, Swarthmore, Pennsylvania, as of December 31, 2014, and the changes in plan net position for the year ended in conformity with the basis of accounting described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the 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 that matter.

Other Matters

As discussed in Note 1, the financial statements present only the Civil Employees Pension Plan and are not intended to present fairly the financial position and results of operations of the Borough of Swarthmore, Swarthmore, Pennsylvania, in conformity with the cash basis of accounting.

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Borough of Swarthmore Civil Employees Pension Plan's financial statements as a whole. The supplementary information on pages 10 to 12 is presented for purposes of additional analysis and is not a required part of the 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. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 1, 2015 on our consideration of the Borough of Swarthmore Civil Employees Pension Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 of Swarthmore Civil Employees Pension Plan's internal control over financial reporting and compliance.

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

**BOROUGH OF SWARTHMORE CIVIL EMPLOYEES PENSION PLAN  
STATEMENT OF PLAN NET POSITION - CASH BASIS  
DECEMBER 31, 2014**

ASSETS

|                              |                      |
|------------------------------|----------------------|
| Cash and cash equivalents    | \$ 23,065            |
| Contributions receivable     | 4,198                |
| Investments at market value: |                      |
| Mutual funds                 | <u>1,814,458</u>     |
| <br>TOTAL ASSETS             | <br><u>1,841,720</u> |

LIABILITIES AND NET POSITION

|   |                                |
|---|--------------------------------|
| Liabilities   | <u>-</u>                       |
| <br>NET POSITION HELD IN TRUST FOR PENSION BENEFITS | <br><u><u>\$ 1,841,720</u></u> |

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

**BOROUGH OF SWARTHMORE CIVIL EMPLOYEES PENSION PLAN  
STATEMENT OF CHANGES IN PLAN NET POSITION - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

ADDITIONS

Contributions:

|                       |           |
|-----------------------|-----------|
| Employer contribution | \$ 54,193 |
| Employee contribution | 22,668    |
| State allocation      | 27,188    |
| Total Contributions   | 104,049   |

Investment Income:

|   |           |
|---|-----------|
| Net depreciation in fair value of investments | (109,063) |
| Realized gain on investments                  | 194,716   |
| Interest                                      | 31,019    |
| Net Investment Income                         | 116,672   |
| Less: Investment Expense                      | (13,589)  |
| Net Investment Earnings                       | 103,083   |

|                 |         |
|-----------------|---------|
| TOTAL ADDITIONS | 207,132 |
|-----------------|---------|

DEDUCTIONS

|                       |        |
|-----------------------|--------|
| Benefits paid         | 60,462 |
| Actuarial expense     | 4,400  |
| Miscellaneous expense | 1,673  |
|                       | 66,535 |

|                  |        |
|------------------|--------|
| TOTAL DEDUCTIONS | 66,535 |
|------------------|--------|

|                             |         |
|-----------------------------|---------|
| CHANGE IN PLAN NET POSITION | 140,597 |
|-----------------------------|---------|

NET POSITION HELD IN TRUST FOR PENSION BENEFITS:

|                   |           |
|-------------------|-----------|
| BEGINNING OF YEAR | 1,701,123 |
|-------------------|-----------|

|             |              |
|-------------|--------------|
| END OF YEAR | \$ 1,841,720 |
|-------------|--------------|

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

BOROUGH OF SWARTHMORE CIVIL EMPLOYEES PENSION PLAN

NOTES TO FINANCIAL STATEMENTS

NOTE 1 DESCRIPTION OF PLAN

General

The Borough of Swarthmore Civil Employees Pension Plan is a single-employer defined benefit pension plan. 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) and Municipal Ordinance. The Plan is governed by Borough Council, which is responsible for the management of plan assets. The benefit provisions have been established and may be amended through annual resolution by Borough Council.

Plan Membership

Actuarial valuation report Form 201C, filed with the Public Employee Retirement Commission and dated as of January 1, 2013, disclosed that pension plan membership consisted of:

|  |                  |
|--|------------------|
| Active employees   | 7                |
| Retirees and beneficiaries currently receiving benefits                | 7                |
| Terminated employees entitled to benefits which are currently deferred | -                |
| <b>TOTAL</b>   | <b><u>14</u></b> |

Of the active members, seven are fully vested.

Benefit Provisions

Actuarial valuation report Form 201C, filed with the Public Employee Retirement Commission and dated as of January 1, 2013, disclosed that the pension plan benefit provisions are as follows:

The Borough of Swarthmore Civil Employees Pension Plan covers all full-time Borough employees (excluding police officers), except for civil employees hired after January 1, 2010. The Civil Employees Pension Plan was closed to new entrants as of 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).

BOROUGH OF SWARTHMORE CIVIL EMPLOYEES PENSION PLAN

NOTES TO FINANCIAL STATEMENTS

NOTE 1 DESCRIPTION OF PLAN (cont'd)

If a married active employee should die after completing the requirement for a normal pension but before retirement, the spouse receives the same benefit that would have been payable had the member retired and elected the Joint and 100 percent Surviving Spouse Annuity Option.

If a member dies before retirement, a lump sum is payable to the member's designated beneficiary as follows: less than one year of service - \$1,000; one but less than two years of service - \$2,000; two or more years of service - \$3,000.

Upon the death of a retired member, \$6,000 is payable to the member's designated beneficiary.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Plan are prepared on the cash basis of accounting. This basis recognizes assets, liabilities, net position, revenues, and expenses when they result from cash transactions. 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 cash basis of accounting, certain assets and their related revenues (such as accounts receivable from parties other than the Borough of Swarthmore), and certain liabilities and their related expenses (such as accounts payable) are not recorded in these financial statements. Amounts due from the Borough of Swarthmore are reflected as receivables because they represent interfund activity within the Borough.

If the Plan utilized the basis of accounting recognized as generally accepted, the financial would use the accrual basis of accounting, and additional disclosures and supplementary information would be required to be presented.

Use of Estimates

The preparation of financial statements in conformity with the cash basis of accounting requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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.

BOROUGH OF SWARTHMORE CIVIL EMPLOYEES PENSION PLAN

NOTES TO FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Deposits and Investments

***Deposits***

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. At December 31, 2014, the carrying amount of the Plan's deposits was \$23,065, which is equal to the deposits in a money market fund held by the trustees of the pension in the Borough's name. None of this balance was subject to custodial credit risk.

***Investments***

The investment objective of the Plan is to maintain a balances portfolio comprised of money market funds, equity, and fixed income securities.

As of December 31, 2014, the Plan had the following investments:

|                                     | <u>Fair Value</u>   |
|-------------------------------------|---------------------|
| Mutual funds - fixed income         | \$ 686,039          |
| Mutual funds - equity               | 787,518             |
| Mutual funds - international equity | <u>340,901</u>      |
| Total                               | <u>\$ 1,814,458</u> |

Investments in external investment pools, such as those in 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.

Contributions

The Borough Council establishes and may amend the contribution requirements of plan members through annual resolution. For the year ended December 31, 2014, plan members were required to contribute five percent of compensation to the Plan. The Borough is required to contribute an actuarially determined amount known as the minimum municipal obligation ("MMO"). The Borough utilizes state aid to fund its obligation. Any remaining liability with respect to funding the pension plan, after utilizing state aid, must be paid by the Borough. Administrative costs of the Plan are financed through investment earnings.

Administrative Costs

Administrative costs, including the investment manager, custodial trustee, and actuarial services, are charged to the Plan and paid from the general fund of the Borough of Swarthmore, which is reimbursed as pension investments are liquidated.

BOROUGH OF SWARTHMORE CIVIL EMPLOYEES PENSION PLAN

NOTES TO FINANCIAL STATEMENTS

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Actuarial Methods and Assumptions

The required contribution was determined as part of the January 1, 2013 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) a 7.5 percent investment rate of return (net administrative expenses) and (b) projected salary increases due to inflation of 3.5 percent per year, compounded annually. The actuarial value of assets was determined using the actuarial value of assets as of the last valuation date plus non-investment increases, less non-investment decreases since the last valuation date plus interest credited at the last valuation's assumed interest rate assuming non-investment increases and decreases occur at the mid-point between the last and current valuation date. The actuarial value of assets as determined under (1) will be limited to a maximum of 115 percent and a minimum of 85 percent of the fair market value of assets as of the current valuation date.

The unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on a level dollar closed basis. The remaining amortization period was nine years.

Funding Progress

As of the January 1, 2013 actuarial valuation, the value of the assets in the Plan was \$1,361,156; the actuarial accrued liability ("AAL") was \$1,600,218; and the unfunded actuarial accrued liability ("UAAL") was \$239,062, representing a funded ratio of 85.06 percent. The covered payroll was \$420,292; and the ratio of UAAL to the covered payroll was 56.88 percent.

The schedule of funding progress presented as supplementary information 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.

NOTE 3 CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

Act 205

On December 13, 1984, Act 205 was passed into law and is known as the Municipal Pension Plan Funding Standard and Recovery Act. The Act mandates actuarial funding standards, establishes a recovery program for financially distressed pension systems, and provides for the distribution of the tax on the premiums of foreign fire insurance companies in the form of an annual allocation from the General Municipal Pension State Aid Program.

Funding Sources

The pension plan may receive an annual allocation from the General Municipal Pension System State Aid Program. Active members are required to contribute five percent of their monthly compensation or such rate as set by resolution of the Borough Council.

BOROUGH OF SWARTHMORE CIVIL EMPLOYEES PENSION PLAN

NOTES TO FINANCIAL STATEMENTS

NOTE 3 CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE (cont'd)

Any remaining liability with respect to funding the pension plan, after utilizing state aid and member contributions, must be paid by the Borough.

Contributions Required

Act 205 requires the chief administrative officer of the pension plan to determine the contribution required to be made to the Plan for the ensuing year by the last day in September, annually.

The minimum funding requirements of Act 205 are based on the results of the most recent biennial actuarial report available to the chief administrative officer updated to reflect changes in payroll and expenses since the last available actuarial valuation report. The Act also allows for a funding adjustment equal to 10 percent of the amount by which the actuarial value of assets exceed the actuarial accrued liability.

Contributions required are estimates prepared by municipal officials that may contain immaterial errors which will not affect the long-term funding of the Plan. Generally, contributions made should equal or exceed the calculated contributions required. When actual state aid received is less than estimated, a funding deviation results, as defined by the regulations of the Public Employee Retirement Study Commission. These immaterial errors and funding deviations will be corrected through the preparation of future actuarial valuation reports.

Historical trend information designed to provide information about the Borough of Swarthmore Civil Employees Pension Plan's progress made in accumulating sufficient assets to pay benefits when due is presented as supplementary information in this report.

NOTE 4 PLAN TERMINATION

In the event that the Plan terminates, the participants who have retired under its provisions will be entitled to first claim of the assets of the fund, and any balance of the assets will be distributed among all other participants according to a formula to be developed by the Civil Employees Pension Committee and approved by the Borough Council.

NOTE 5 SUBSEQUENT EVENTS

The Plan has evaluated all subsequent events through July 1, 2015, the date the financial statements were available to be issued.

## **SUPPLEMENTARY INFORMATION**

**BOROUGH OF SWARTHMORE CIVIL EMPLOYEES PENSION FUND**

**SUPPLEMENTARY INFORMATION**

**SCHEDULE OF FUNDING PROGRESS**

Ten-year historical trend information about the Plan is presented herewith as required 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 January 1, 2005)

|                                 | (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> |
| 1/1/05                          | 1,060,701                                | 1,099,074                         | 38,373  | 96.51%                           | 307,145                       | 12.49%   |
| 1/1/06                          | *  | *                                 | *   | *                                | *                             | *  |
| 1/1/07                          | 1,246,311                                | 1,237,510                         | (8,801)   | 100.71%                          | 425,442                       | (2.07)%  |
| 1/1/08                          | *  | *                                 | *   | *                                | *                             | *  |
| 1/1/09                          | 943,283                                  | 1,542,001                         | 598,718   | 61.17%                           | 432,614                       | 138.40%  |
| 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                          | *  | *                                 | *   | *                                | *                             | *  |

\* 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 CIVIL EMPLOYEES PENSION FUND

SUPPLEMENTARY INFORMATION

SCHEDULE OF ANNUAL REQUIRED CONTRIBUTIONS

| <b>Year Ended December 31</b> | <b>Annual Required Contribution</b> | <b>Percentage Contributed</b> |
|-------------------------------|-------------------------------------|-------------------------------|
| 2005                          | 33,045                              | 100.0%                        |
| 2006                          | 33,007                              | 100.0%                        |
| 2007                          | 43,366                              | 100.0%                        |
| 2008                          | 49,641                              | 100.0%                        |
| 2009                          | 48,723                              | 100.0%                        |
| 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%                        |

BOROUGH OF SWARTHMORE CIVIL EMPLOYEES PENSION FUND

SUPPLEMENTARY INFORMATION

NOTES TO SUPPLEMENTARY SCHEDULES

The information presented in the required 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, 2013   |
| 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  | 7.5% per annum  |
| Projected salary increases | 3.5% 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 |

## 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

Barbacane, Thornton & Company LLP  
200 Springer Building  
3411 Silverside Road  
Wilmington, Delaware 19810

T 302.478.8940  
F 302.468.4001  
www.btcpa.com

July 1, 2015

Members of 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 financial statements of the Civil Employees Pension Plan of the Borough of Swarthmore, Swarthmore, Pennsylvania, which comprise the statement of plan net position as of December 31, 2014, and the related statement of changes in plan net position for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 1, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Borough of Swarthmore Civil Employees Pension Plan'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Borough of Swarthmore Civil Employees Pension Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Borough of Swarthmore Civil Employees Pension Plan'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 Plan'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.

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.

Members of Council  
Borough of Swarthmore

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Borough of Swarthmore Civil Employees Pension Plan'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 Plan'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 Plan's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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