

SWARTHMORE BOROUGH
DELAWARE COUNTY, PENNSYLVANIA

FINANCIAL STATEMENTS

DECEMBER 31, 2011

SWARTHMORE BOROUGH

FINANCIAL STATEMENTS

December 31, 2011

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936 Easton Road, PO Box 754, Warrington, PA 18976
163 S. Broad Street, Lansdale, PA 19446
(215) 343-2727 • Fax (215) 343-8080

INDEPENDENT AUDITORS' REPORT

To the Borough Council
Swarthmore Borough

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Swarthmore Borough, Delaware County, Pennsylvania as of and for the year ended December 31, 2011, which collectively comprise the basic financial statements of the Borough's primary government as listed in the table of contents. These financial statements are the responsibility of Swarthmore Borough's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, Swarthmore Borough, Delaware County, Pennsylvania, prepares its financial statements on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The financial statements referred to above include only the primary government of Swarthmore Borough, Delaware County, Pennsylvania, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the Borough's legal entity. The financial statements do not include financial data for the Borough's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the Borough's primary government unless the Borough also issues financial statements for the financial reporting entity that include the financial data for its component units. The Borough has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets, liabilities, net assets, revenues, and expenses of the aggregate discretely presented component units would have been reported. In addition, the assets, liabilities, fund balances, revenues, and expenditures of the aggregate remaining fund information would have increased by the inclusion of the component units.

In our opinion, because of the omission of the discretely presented component units, as discussed above, the financial statements do not present fairly, in conformity with the basis of accounting described in Note 1, the financial position of the aggregate discretely presented component units of the Swarthmore Borough, Delaware County, Pennsylvania, as of December 31, 2011, or the changes in financial position thereof for the year then ended.

In addition, in our opinion, the financial statements referred to above present fairly in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the primary government of Swarthmore Borough, Delaware County, Pennsylvania, as of December 31, 2011, and the respective changes in cash basis financial position thereof and the respective budgetary comparisons for the General Fund and each major special revenue fund, for the year ended in conformity with the basis of accounting described in Note 1.

Swarthmore Borough, Delaware County, Pennsylvania has not presented the management discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Accounting principles generally accepted in the United States of America require that the historical trend information on pages 45 to 47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Swarthmore Borough, Delaware County, Pennsylvania's financial statements as a whole. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual fund financial statements are the responsibility of management and were derived from and relate 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.

Bee, Bergvall & Co.

Bee, Bergvall and Company, P.C.
Certified Public Accountants

June 12, 2012

SWARTHMORE BOROUGH

STATEMENT OF NET ASSETS – CASH BASIS

December 31, 2011

	<u>Primary Government</u>		
	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 605,092	\$ 237,936	\$ 843,028
Internal balances	148,019	(148,019)	-
Total Assets	<u>753,111</u>	<u>89,917</u>	<u>843,028</u>
<u>LIABILITIES</u>			
Payroll liabilities	24,229	-	24,229
Total Liabilities	<u>24,229</u>	<u>-</u>	<u>24,229</u>
<u>NET ASSETS</u>			
Restricted for:			
Pension	126,760	-	126,760
Highways and streets	33,366		33,366
Debt service	1,156	-	1,156
Downtown Revitalization	37,391	-	37,391
Unrestricted	<u>530,209</u>	<u>89,917</u>	<u>620,126</u>
Total Net Assets	<u>\$ 728,882</u>	<u>\$ 89,917</u>	<u>\$ 818,799</u>

The notes to the financial statements are an integral part of this statement.

SWARTHMORE BOROUGH

STATEMENT OF ACTIVITIES – CASH BASIS

For the Year Ended December 31, 2011

	Total Primary Government	Governmental Activities			
		Total	Adminis- trative	Permits & Licenses	Public Safety
Expenses:					
Program expenses	\$ 3,852,929	\$ 2,618,165	\$ 973,268	\$ 12,185	\$ 1,136,614
Debt service	283,156	173,403	173,403	-	-
Total Expenses	<u>4,136,085</u>	<u>2,791,568</u>	<u>1,146,671</u>	<u>12,185</u>	<u>1,136,614</u>
Program Revenues:					
Charges for services	1,608,496	342,430	2,050	92,622	145,856
Operating grants and contributions	346,599	346,599	142,753	-	82,169
Capital grants and contributions	17,559	17,559	-	-	17,559
Total Program Revenues	<u>1,972,654</u>	<u>706,588</u>	<u>144,803</u>	<u>92,622</u>	<u>245,584</u>
Net (Expense) Revenue	(2,163,431)	(2,084,980)	(1,001,868)	80,437	(891,030)
General Revenues:					
Taxes:					
Real estate	1,892,265	1,892,265			
Transfer tax	144,186	144,186			
Local services tax	82,032	82,032			
Grants and contributions not restricted to specific programs	91,820	91,820			
Investment earnings	531	306			
Miscellaneous	89,557	89,557			
Total General Revenues and Transfers	<u>2,300,391</u>	<u>2,300,166</u>			
Change in Net Assets	136,960	215,186			
Net Assets - Beginning	<u>681,839</u>	<u>513,696</u>			
Net Assets - Ending	<u>\$ 818,799</u>	<u>\$ 728,882</u>			

Governmental Activities				Business-Type Activities		
Public Works	Libraries	Community Development	Park & Recreation	Total	Solid Waste	Sewer
\$ 272,348	\$ 114,250	\$ 23,500	\$ 86,000	\$ 1,234,764	\$ 484,846	\$ 749,918
-	-	-	-	109,753	-	109,753
<u>272,348</u>	<u>114,250</u>	<u>23,500</u>	<u>86,000</u>	<u>1,344,517</u>	<u>484,846</u>	<u>859,671</u>
78,973	-	-	22,929	1,266,066	502,504	763,562
121,677	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>200,650</u>	<u>-</u>	<u>-</u>	<u>22,929</u>	<u>1,266,066</u>	<u>502,504</u>	<u>763,562</u>
(71,698)	(114,250)	(23,500)	(63,071)	(78,451)	17,658	(96,109)
				-	-	-
				-	-	-
				-	-	-
				-	-	-
				225	82	143
				-	-	-
				<u>225</u>	<u>82</u>	<u>143</u>
				(78,226)	17,740	(95,966)
				168,143	(58,266)	226,409
				<u>\$ 89,917</u>	<u>\$ (40,526)</u>	<u>\$ 130,443</u>

The notes to the financial statements are an integral part of this statement.

SWARTHMORE BOROUGH

BALANCE SHEET – CASH BASIS
GOVERNMENTAL FUNDS

December 31, 2011

	<u>General</u>	<u>Pension Tax</u>	<u>Capital Reserve</u>	<u>Capital Projects</u>	<u>Highway Aid</u>
<u>ASSETS</u>					
Current Assets					
Cash and cash equivalents	\$ 228,017	\$ 126,760	\$ 80,164	\$ 55,295	\$ 33,746
Due from other funds	293,974	-	-	-	277
Total Assets	<u>\$ 521,991</u>	<u>\$ 126,760</u>	<u>\$ 80,164</u>	<u>\$ 55,295</u>	<u>\$ 34,023</u>
 <u>LIABILITIES AND FUND BALANCES</u>					
Liabilities					
Payroll liabilities	\$ 24,229	\$ -	\$ -	\$ -	\$ -
Due to other funds	102,732	-	-	280	657
Total Liabilities	<u>126,961</u>	<u>-</u>	<u>-</u>	<u>280</u>	<u>657</u>
 Fund Balances					
Restricted for:					
Pension	-	126,760	-	-	-
Highways and streets	-	-	-	-	33,366
Debt service	-	-	-	-	-
Community revitalization	-	-	-	-	-
Committed for:					
Post-retirement benefits	124,275	-	-	-	-
Assigned for:					
Capital costs	-	-	80,164	55,015	-
Unassigned	270,755	-	-	-	-
Total Fund Balances	<u>395,030</u>	<u>126,760</u>	<u>80,164</u>	<u>55,015</u>	<u>33,366</u>
 TOTAL LIABILITIES AND FUND BALANCES					
	<u>\$ 521,991</u>	<u>\$ 126,760</u>	<u>\$ 80,164</u>	<u>\$ 55,295</u>	<u>\$ 34,023</u>

<u>Debt Service</u>	<u>Other Governmental Fund Community Revitalization</u>	<u>Total Governmental Funds</u>
\$ 43,719	\$ 37,391	\$ 605,092
<u>-</u>	<u>-</u>	<u>294,251</u>
<u>\$ 43,719</u>	<u>\$ 37,391</u>	<u>\$ 899,343</u>
\$ -	\$ -	\$ 24,229
<u>42,563</u>	<u>-</u>	<u>146,232</u>
<u>42,563</u>	<u>-</u>	<u>170,461</u>
-	-	126,760
-	-	33,366
1,156	-	1,156
-	37,391	37,391
-	-	124,275
-	-	135,179
<u>-</u>	<u>-</u>	<u>270,755</u>
<u>1,156</u>	<u>37,391</u>	<u>728,882</u>
<u>\$ 43,719</u>	<u>\$ 37,391</u>	<u>\$ 899,343</u>

The notes to the financial statements are an integral part of this statement.

SWARTHMORE BOROUGH

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – CASH BASIS – GOVERNMENTAL FUNDS

For the Year Ended December 31, 2011

	<u>General</u>	<u>Pension Tax</u>	<u>Capital Reserve</u>	<u>Capital Projects</u>	<u>Highway Aid</u>
Revenues					
Taxes:					
Real estate	\$ 1,540,897	\$ 180,585	\$ -	\$ -	\$ -
Transfer tax	144,186	-	-	-	-
Local services tax	82,032	-	-	-	-
Fees, licenses and permits	179,364	-	-	-	-
Investment income and rent	230	-	20	23	21
Intergovernmental revenues	2,842	139,911	-	-	121,677
Fines and forfeitures	38,068	-	-	-	-
Program revenues	211,740	-	-	-	-
Other	<u>94,635</u>	<u>-</u>	<u>-</u>	<u>17,559</u>	<u>-</u>
Total Revenues	<u>2,293,994</u>	<u>320,496</u>	<u>20</u>	<u>17,582</u>	<u>121,698</u>
Expenditures					
Current:					
General government	264,327	-	-	-	-
Public safety	1,149,824	-	-	-	-
Health	1,025	-	-	-	-
Highways and roads	21,241	-	-	42,888	125,025
Libraries	114,250	-	-	-	-
Culture and recreation	86,000	-	-	-	-
Community revitalization	23,500	-	-	-	-
Miscellaneous	443,791	261,443	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>2,103,958</u>	<u>261,443</u>	<u>-</u>	<u>42,888</u>	<u>125,025</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>190,036</u>	<u>59,053</u>	<u>20</u>	<u>(25,306)</u>	<u>(3,327)</u>
Other Financing Sources (Uses)					
Operating transfers in	-	-	19,507	-	-
Operating transfers out	<u>(19,507)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(19,507)</u>	<u>-</u>	<u>19,507</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	170,529	59,053	19,527	(25,306)	(3,327)
Fund Balance - Beginning	<u>224,501</u>	<u>67,707</u>	<u>60,637</u>	<u>80,321</u>	<u>36,693</u>
Fund Balance - Ending	<u>\$ 395,030</u>	<u>\$ 126,760</u>	<u>\$ 80,164</u>	<u>\$ 55,015</u>	<u>\$ 33,366</u>

<u>Debt Service</u>	<u>Other Governmental Fund Community Revitalization</u>	<u>Total Governmental Funds</u>
\$ 170,783	\$ -	\$ 1,892,265
-	-	144,186
-	-	82,032
-	-	179,364
-	12	306
-	-	264,430
-	-	38,068
-	-	211,740
-	-	112,194
<u>170,783</u>	<u>12</u>	<u>2,924,585</u>
-	2,682	267,009
-	-	1,149,824
-	-	1,025
-	-	189,154
-	-	114,250
-	-	86,000
-	-	23,500
-	-	705,234
129,920	-	129,920
<u>43,483</u>	<u>-</u>	<u>43,483</u>
<u>173,403</u>	<u>2,682</u>	<u>2,709,399</u>
<u>(2,620)</u>	<u>(2,670)</u>	<u>215,186</u>
-	-	19,507
<u>-</u>	<u>-</u>	<u>(19,507)</u>
<u>-</u>	<u>-</u>	<u>-</u>
(2,620)	(2,670)	215,186
<u>3,776</u>	<u>40,061</u>	<u>513,696</u>
<u>\$ 1,156</u>	<u>\$ 37,391</u>	<u>\$ 728,882</u>

The notes to the financial statements are an integral part of this statement

SWARTHMORE BOROUGH

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE – CASH BASIS – BUDGET AND ACTUAL

For the Year Ended December 31, 2011

	GENERAL FUND			Variance with Final Budget Over (under)
	Budgeted Amounts		Actual	
	Original	Final		
Revenues				
Taxes				
Real estate	\$ 1,559,078	\$ 1,559,078	\$ 1,540,897	\$ (18,181)
Transfer tax	90,000	90,000	144,186	54,186
Local services tax	90,000	90,000	82,032	(7,968)
Fees, licenses and permits	160,750	160,750	179,364	18,614
Interest and rent	1,000	1,000	230	(770)
Intergovernmental revenues	10,500	10,500	2,842	(7,658)
Fines and forfeitures	40,000	40,000	38,068	(1,932)
Program revenues	214,833	214,833	211,740	(3,093)
Other	88,820	88,820	94,635	5,815
Total Revenues	<u>2,254,981</u>	<u>2,254,981</u>	<u>2,293,994</u>	<u>39,013</u>
Expenditures				
Current:				
General government	266,707	266,707	264,327	2,380
Public safety	1,095,123	1,095,123	1,149,824	(54,701)
Health	1,000	1,000	1,025	(25)
Highways and roads	100,118	100,118	21,241	78,877
Libraries	114,250	114,250	114,250	-
Culture and recreation	82,750	82,750	86,000	(3,250)
Community revitalization	23,500	23,500	23,500	-
Miscellaneous	474,455	474,455	443,791	30,664
Total Expenditures	<u>2,157,903</u>	<u>2,157,903</u>	<u>2,103,958</u>	<u>53,945</u>
Excess (Deficiency) of Revenues Over Expenditures	97,078	97,078	190,036	92,958
Other Financing Sources (Uses)				
Operating transfers out	(9,507)	(9,507)	(19,507)	(10,000)
Total Other Financing Sources (Uses)	<u>(9,507)</u>	<u>(9,507)</u>	<u>(19,507)</u>	<u>(10,000)</u>
Net Change in Fund Balance	87,571	87,571	170,529	82,958
Fund Balance - Beginning	<u>224,501</u>	<u>224,501</u>	<u>224,501</u>	
Fund Balance - Ending	<u>\$ 312,072</u>	<u>\$ 312,072</u>	<u>\$ 395,030</u>	

The notes to the financial statements are an integral part of this statement

SWARTHMORE BOROUGH

PENSION TAX FUND

STATEMENT OF REVENUES, EXPENDITURES, AND FUND
BALANCE – CASH BASIS – BUDGET AND ACTUAL

DECEMBER 31, 2011

	<u>PENSION TAX FUND</u>			Variance with Final Budget Over (under)
	<u>Budgeted Amounts</u>		<u>Actual</u>	
	<u>Original</u>	<u>Final</u>		
Revenues				
Property taxes	\$ 184,625	\$ 184,625	\$ 180,585	\$ (4,040)
Intergovernmental revenues	77,500	77,500	139,911	62,411
Total Revenues	<u>262,125</u>	<u>262,125</u>	<u>320,496</u>	<u>58,371</u>
Expenditures				
Current:				
Miscellaneous	261,443	261,443	261,443	-
Total Expenditures	<u>261,443</u>	<u>261,443</u>	<u>261,443</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	682	682	59,053	58,371
Fund Balance - Beginning	<u>67,707</u>	<u>67,707</u>	<u>67,707</u>	
Fund Balance - Ending	<u>\$ 68,389</u>	<u>\$ 68,389</u>	<u>\$ 126,760</u>	

The notes to the financial statements are an integral part of this statement

SWARTHMORE BOROUGH

HIGHWAY AID FUND

STATEMENT OF REVENUES, EXPENDITURES, AND FUND
BALANCE – CASH BASIS – BUDGET AND ACTUAL

DECEMBER 31, 2011

	<u>HIGHWAY AID FUND</u>			Variance with Final Budget Over (under)
	<u>Budgeted Amounts</u>		<u>Actual</u>	
	<u>Original</u>	<u>Final</u>		
Revenues				
Interest	\$ 250	\$ 250	\$ 21	\$ (229)
Intergovernmental revenues	<u>110,700</u>	<u>110,700</u>	<u>121,677</u>	<u>10,977</u>
Total Revenues	<u>110,950</u>	<u>110,950</u>	<u>121,698</u>	<u>10,748</u>
Expenditures				
Current:				
Highways and roads	<u>160,700</u>	<u>160,700</u>	<u>125,025</u>	<u>35,675</u>
Total Expenditures	<u>160,700</u>	<u>160,700</u>	<u>125,025</u>	<u>35,675</u>
Excess (Deficiency) of Revenues Over Expenditures	(49,750)	(49,750)	(3,327)	46,423
Fund Balance - Beginning	<u>36,693</u>	<u>36,693</u>	<u>36,693</u>	
Fund Balance - Ending	<u><u>\$ (13,057)</u></u>	<u><u>\$ (13,057)</u></u>	<u><u>\$ 33,366</u></u>	

The notes to the financial statements are an integral part of this statement

SWARTHMORE BOROUGH

STATEMENT OF NET ASSETS – CASH BASIS
PROPRIETARY FUNDS

December 31, 2011

	<u>Business-Type Activities</u> <u>Proprietary Funds</u>		
<u>ASSETS</u>	<u>Sewer &</u> <u>Solid Waste</u>	<u>Sanitary</u> <u>Sewer</u>	<u>Total</u>
Current Assets			
Cash	\$ 20,543	\$ 217,393	\$ 237,936
Due from other funds	91,054	4,629	95,683
Total Current Assets	<u>\$ 111,597</u>	<u>\$ 222,022</u>	<u>\$ 333,619</u>
 <u>LIABILITIES AND NET ASSETS</u>			
Liabilities			
Due to other funds	\$ 243,702	\$ -	\$ 243,702
Total Liabilities	<u>243,702</u>	<u>-</u>	<u>243,702</u>
Unrestricted	<u>(132,105)</u>	<u>222,022</u>	<u>89,917</u>
Total Net Assets	<u>\$ (132,105)</u>	<u>\$ 222,022</u>	<u>\$ 89,917</u>

The notes to the financial statements are an integral part of this statement

SWARTHMORE BOROUGH

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS – CASH BASIS – PROPRIETARY FUNDS

For the Year Ended December 31, 2011

	Business-Type Activities Proprietary Funds		
	Sewer & Solid Waste	Sanitary Sewer	Total
Operating Revenues			
Trash service charges	\$ 454,072	\$ -	\$ 454,072
Sewer service charges	763,562	-	763,562
Other revenues	48,432	-	48,432
Total Operating Revenues	<u>1,266,066</u>	<u>-</u>	<u>1,266,066</u>
Operating Expenses			
Trash operations	359,700	-	359,700
Sewer operations	562,054	62,714	624,768
General and administrative	250,297	-	250,297
Total Operating Expenses	<u>1,172,051</u>	<u>62,714</u>	<u>1,234,765</u>
Operating Income (Loss)	<u>94,015</u>	<u>(62,714)</u>	<u>31,301</u>
Nonoperating Revenues (Expense)			
Net earnings on investments	164	61	225
Interest expense	(28,553)	-	(28,553)
Principal paid on debt	(81,200)	-	(81,200)
Total Nonoperating Revenues (Expense)	<u>(109,589)</u>	<u>61</u>	<u>(109,528)</u>
Change in Net Assets	(15,574)	(62,653)	(78,227)
Net Assets - Beginning	<u>(116,531)</u>	<u>284,675</u>	<u>168,144</u>
Net Assets - Ending	<u>\$ (132,105)</u>	<u>\$ 222,022</u>	<u>\$ 89,917</u>

The notes to the financial statements are an integral part of this statement

SWARTHMORE BOROUGH

STATEMENT OF FIDUCIARY NET ASSETS – CASH BASIS
FIDUCIARY FUNDS

December 31, 2011

	<u>Pension</u> <u>Trust Funds</u>	<u>Agency</u> <u>Funds</u>	<u>Total</u> <u>Fiduciary</u> <u>Funds</u>
<u>ASSETS</u>			
Cash	\$ 63,599	\$ 3,267	\$ 66,866
Receivables	16,748	-	16,748
Investments, at fair value	-		
Mutual funds-Fixed income	1,441,619	-	1,441,619
Mutual funds-Equity	1,893,653	-	1,893,653
Mutual funds-International equity	<u>670,992</u>	<u>-</u>	<u>670,992</u>
Total Investments	<u>4,006,264</u>	<u>-</u>	<u>4,006,264</u>
TOTAL ASSETS	<u>\$ 4,086,611</u>	<u>\$ 3,267</u>	<u>\$ 4,089,878</u>
<u>LIABILITIES</u>			
Escrows payable	<u>\$ -</u>	<u>\$ 3,267</u>	<u>\$ 3,267</u>
<u>NET ASSETS</u>			
Net Assets Held in Trust for:			
Pension benefits	<u>\$ 4,086,611</u>	<u>\$ -</u>	<u>\$ 4,086,611</u>

The notes to the financial statements are an integral part of this statement

SWARTHMORE BOROUGH

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS – CASH BASIS
FIDUCIARY FUNDS

For the Year Ended December 31, 2011

	<u>Pension Trust Funds</u>
Additions	
Contributions	
Municipal contributions	\$ 174,153
Employee contributions	62,680
State contributions	<u>139,911</u>
Total Contributions	<u>376,744</u>
Investment Earnings	
Net appreciation (depreciation) in fair value of investments	(111,500)
Interest	<u>83,727</u>
Total Investment Earnings	(27,773)
Less: Investment expense	<u>(26,650)</u>
Net Investment Earnings	<u>(54,423)</u>
Total Additions	<u>322,321</u>
Deductions	
Administrative expense	32,188
Benefits	<u>285,662</u>
Total Deductions	<u>317,850</u>
Change in Net Assets	4,471
Net Assets Held in Trust:	
Beginning of Year	<u>4,082,140</u>
End of Year	<u>\$ 4,086,611</u>

The notes to the financial statements are an integral part of this statement

SWARTHMORE BOROUGH

STATEMENT OF ASSETS AND LIABILITIES – AGENCY FUNDS

For the Year Ended December 31, 2011

<u>ESCROW FUND</u>	Balance January 1, <u>2011</u>	<u>Additions</u>	<u>Deductions</u>	Balance December 31, <u>2011</u>
ASSETS				
Cash	\$ 3,267	\$ -	\$ -	\$ 3,267
LIABILITIES				
Escrow Payable	\$ 3,267	\$ -	\$ -	\$ 3,267

The notes to the financial statements are an integral part of this statement

SWARTHMORE BOROUGH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

I. Summary of significant accounting policies

A. Reporting entity

Swarthmore 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. In evaluating the Borough (the primary government) as a reporting entity, all potential component units that may or may not fall within the financial accountability of the Borough have been addressed. Financial accountability is present if the Borough appoints a voting majority of a component unit's governing body and has the ability to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Borough. There are three component units, described as an entity for which the government is considered to be financially accountable.

The following component units are not included in the financial statements:

Swarthmore Public Library
Swarthmore Borough Authority
Swarthmore Fire & Protective Association

Complete financial statements for the individual component units may be obtained at each entity's respective administrative offices as follows: *Swarthmore Public Library*, 121 Park Avenue, Swarthmore, PA 19081, *Swarthmore Borough Authority*, 121 Park Avenue, Swarthmore, PA 19081, *Swarthmore Fire & Protective Association*, PO Box 261, Swarthmore, PA 19081.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary 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.

SWARTHMORE BOROUGH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

I. Summary of significant accounting policies (Continued)

B. Government-wide and fund financial statements (continued)

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.

C. 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 Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus, within the limitations of the cash basis of accounting, as defined.

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

- a. All government and proprietary funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of 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.

SWARTHMORE BOROUGH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

I. Summary of significant accounting policies (Continued)

**C. Measurement focus, basis of accounting, and financial statement presentation
(continued)**

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities and the fund financial statements, governmental and business-like activities are presented using the cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures/expenses when they result from cash transactions in the government-wide statements and proprietary fund statements. This basis is a comprehensive basis of accounting other than accounting 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 and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable 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 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 major 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.

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 *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 *Capital Reserve Fund* is a capital fund used primarily for purchase of major pieces of equipment.

SWARTHMORE BOROUGH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

I. Summary of significant accounting policies (Continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

Financial Statement Presentation (continued)

The *Capital Projects Fund* is a capital fund used to account for the various capital projects within the Borough.

The *Downtown Revitalization Fund* accounts for community improvements.

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest payments on long-term debt of governmental funds.

The government reports the following proprietary fund types:

The *Sewer & 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, recycling sales, and plumbing licenses and permits. 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 fund used for major sanitary sewer repairs. Revenue is derived from money raised by sewer fees assessed in the Sewer & 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* accounts for the activities of the Police and Civil Employees Pension plans, which accumulate resources for pension benefit payments to qualified employees.

SWARTHMORE BOROUGH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

I. Summary of significant accounting policies (Continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

Private-sector standards of accounting and financial reporting issued by the Financial Accounting Standards Board (FASB) prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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, inter governmental 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.

SWARTHMORE BOROUGH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

I. Summary of significant accounting policies (Continued)

D. Use of estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities 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.

E. Assets, liabilities, and net assets or equity

1. 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.

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 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.

Investments for the government 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.

SWARTHMORE BOROUGH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

I. Summary of significant accounting policies (Continued)

E. Assets, liabilities, and net assets or equity (continued)

2. *Receivables and payables*

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 non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds”. 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 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. The Borough employs an elected tax collector to collect the property tax, sewer and trash fees levied. The tax collector remits Borough taxes and fees at least monthly and is paid a salary.

3. *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 cash basis of accounting, as described in Note I, C. The liability at December 31, 2011 was \$183,447.

4. *Long-term obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are not expensed as paid under the cash basis of accounting. Any issuance premiums or discounts, as well as issuance costs, are expensed at the time of issuance.

SWARTHMORE BOROUGH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

I. Summary of significant accounting policies (Continued)

E. Assets, liabilities, and net assets or equity (continued)

5. *Net Assets*

In the government-wide financial statements, net assets are classified in the following categories:

Restricted net assets—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 assets—This category represents net assets of the entity, not restricted for any project or other purpose.

6. *Fund Balance*

Effective January 1, 2011, the Borough adopted the provisions of GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The objective of the statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The Borough has evaluated the use of its various funds under the criteria set forth in GASB Statement 54 and has made changes as needed to classifications. As prescribed by GASB Statement No. 54, 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:

Nonspendable Fund Balance—includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

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).

SWARTHMORE BOROUGH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

I. Summary of significant accounting policies (Continued)

E. Assets, liabilities, and net assets or equity (continued)

6. *Fund Balance (continued)*

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 Finance 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 nonspendable, 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.

II. Stewardship, compliance, and accountability

A. Budgetary information

Annual budgets are adopted on the cash basis of accounting which is a basis of accounting other than generally accepted accounting principles for all funds except the capital projects funds (including sanitary sewer). All appropriations lapse at year end unless the Borough Council approves a carry-over of an unused budget line item.

Beginning at least thirty 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 ten day period. The Council must adopt the budget through a motion by December 31. It is also the duty of Council to adopt an ordinance levying taxes as allowed by Borough Code.

All budget revisions require the approval of the Borough Council.

SWARTHMORE BOROUGH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

II. Stewardship, compliance, and accountability (Continued)

B. Excess of expenditures over appropriations

For the year ended December 31, 2011, the General Fund expenditures exceeded appropriations in the categories of health, and culture and recreation by a total of \$3,275. These expenditures were funded by greater than anticipated revenues.

C. Deficit fund equity

There is a deficit fund balance in the Sewer & Solid Waste Fund that the Borough will address during the 2012 fiscal year.

III. Detailed notes on all funds

A. 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 government's deposits may not be returned to it. As of December 31, 2011, the government's carrying amount of deposits was \$838,094 (includes all operating and capital funds) and the bank balance was \$883,911, the difference being outstanding checks and deposits. Of the bank balance, up to \$45,941 is covered by federal depository insurance. 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 government'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 discussed in Note I, D, 1.

The government has carrying deposits of \$836,741 in external investment pools, held with PLGIT Bank. These deposits are considered cash equivalents because of their short maturity dates. The external investment pool was rated AAAM by Standard & Poor's and has average maturities of less than 30 days.

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. All investments are "held in the name of the government" and thus not exposed to custodial credit risk.

SWARTHMORE BOROUGH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

III. Detailed notes on all funds (Continued)

A. Deposits and investments (continued)

As of December 31, 2011, the government had the following investments:

	<u>Average Maturity</u>	<u>Fair Value</u>
Fiduciary Funds:		
Money market funds	45 days	\$ 63,599
Mutual funds-Fixed income	2-9 years	1,441,619
Mutual funds-Equity	---	1,893,653
Mutual funds-International equity	---	670,992
Total Fiduciary Funds		<u>\$ 4,069,863</u>

Interest Rate Risk. This is the risk that changes in interest rates will adversely affect the fair market value of an investment. As a means of managing its exposure to fair value losses arising from increasing interest rates, the government's investment policy structures the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity; and by limiting operating funds to being invested in shorter-term securities, money market funds, or similar investment pools. The policy outlines allowable maximum maturities based on the type of investments held.

Credit Risk. This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits the investment of governmental funds as described in Section 1, Note D. The government's investment policy (when not in violation of state law) requires for fixed income securities (here defined as bonds, preferred stocks, and money market instruments) to be "investment grade" as defined as S&P. If a corporate bond rating falls below A- by S&P, or the equivalent by other rating services, it is the plan's policy to sell the holding unless a reason is documented in writing by the investment advisors. The mutual funds-fixed income accounts had average ratings of AA and AAA by Moody's (one fund was unrated). The money market funds were unrated.

Concentration of Credit Risk. This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. There were no concentrations of credit risk exceeding 5% in any one single user for December 31, 2011.

SWARTHMORE BOROUGH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

III. Detailed notes on all funds (Continued)

B. Interfund receivables, payables, and transfers

Due to/from other funds: Interfund balances are primarily the result of expensing of payroll between funds.

	<u>Due From</u> <u>Other Funds</u>	<u>Due To</u> <u>Other Funds</u>
General	\$ 293,974	\$ 102,732
Capital Projects	-	280
Highway Aid	277	657
Debt Service	-	42,563
Sewer & Solid Waste	91,054	243,702
Sanitary Sewer	4,629	-
Total	<u>\$ 389,934</u>	<u>\$ 389,934</u>

Interfund transfers: Interfund transfers are primarily the result of reimbursement of expenses, saving for future capital projects, and the sharing of debt services expenses.

	<u>Transfer Out</u>	<u>Transfer In</u>
General	\$ 19,507	\$ -
Capital Reserve	-	19,507
Total	<u>\$ 19,507</u>	<u>\$ 19,507</u>

C. Leases

Operating Leases

The government leases various pieces of office equipment under noncancelable operating leases. Total liabilities under these leases are considered immaterial to the financial statements.

Capital Leases

The assets acquired through capital leases are as follows:

Asset:	Governmental <u>Activities</u>
Vehicles	<u>\$ 31,245</u>

SWARTHMORE BOROUGH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

III. Detailed notes on all funds (Continued)

C. Leases (continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2011, were as follows:

Year Ended	Governmental
<u>December 31</u>	<u>Activities</u>
2012	\$ 11,137
Total minimum lease payments	11,137
Less: amount representing interest	(738)
Present value of minimum lease payments	<u>\$ 10,399</u>

IV. Long-term debt

General Obligation Notes: The government obtains general obligation notes to provide funds for the acquisition and construction of major capital assets. General obligation notes have been issued for both governmental and business-type activities. The original amount of general obligation notes issued in prior years was \$2,870,000.

General obligation notes are direct obligations and pledge the full faith and credit of the government. These notes are generally issued as 15-20 year notes with varying amounts of principal maturing each year.

As of December 31, 2011, general obligation notes arising from cash basis transactions, payable from governmental fund resources consisted of the following:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities	0.9% to 4.6%	\$ 2,387,120
Business-type activities	0.9%	250,880
		<u>\$ 2,638,000</u>

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.

SWARTHMORE BOROUGH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

IV. Long-term debt (Continued)

Interest Rate Management (continued)

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

Description	Date of Issue	Maturity Date	Principal Outstanding	Type of Note	Rate in effect at year end	Market Value
GO Note	2000	2015	\$ 567,000	Fixed	3.585%	\$ 98,333
GO Note	2002	2022	380,000	Fixed	1.500%	81,894
GO Note	2004	2024	528,000	Fixed	2.400%	101,963
GO Note	2006	2026	715,000	Fixed	4.633%	73,146
GO Note	2008	2028	448,000	Variable	0.907%	102,186
			<u>\$ 2,638,000</u>			<u>\$ 457,522</u>

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, 2011, 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 A2 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 DVRFA 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.

SWARTHMORE BOROUGH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

IV. Long-term debt (Continued)

Interest Rate Management (continued)

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 access 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, 2011, 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.

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 schedule to mature at the same time as the related debt.

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

SWARTHMORE BOROUGH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

IV. Long-term debt (Continued)

Changes in Long-Term Liabilities: The following is a summary of changes in long-term debt:

	Balance, <u>January 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	Balance, <u>December 31, 2011</u>	Due Within <u>One Year</u>
Governmental Activities:					
Capital Lease	\$ 20,108	\$ -	\$ (9,709)	\$ 10,399	\$ 9,709
GO Notes	2,609,040	-	(221,920)	2,387,120	235,480
Compensated Absences	183,086	13,915	(13,554)	183,447	-
Other Post-Employment Benefits	<u>68,279</u>	<u>44,135</u>	<u>-</u>	<u>112,414</u>	<u>-</u>
Governmental activity Long-term liabilities	<u>\$ 2,880,513</u>	<u>\$ 58,050</u>	<u>\$ (245,183)</u>	<u>\$ 2,693,380</u>	<u>\$ 245,189</u>
Business-type Activities:					
GO Notes	<u>\$ 260,960</u>	<u>\$ -</u>	<u>\$ (10,080)</u>	<u>\$ 250,880</u>	<u>\$ 9,520</u>
Business-type activity Long-term liabilities	<u>\$ 260,960</u>	<u>\$ -</u>	<u>\$ (10,080)</u>	<u>\$ 250,880</u>	<u>\$ 9,520</u>

The annual debt service requirements to maturity, including principal and interest, for long-term debt, as of December 31, 2011, are as follows.

Year Ended <u>December 31</u>	Governmental Activities		Business-Type Activities	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 234,360	\$ 92,506	\$ 10,640	\$ 10,620
2013	244,800	83,691	11,200	10,170
2014	255,800	74,488	11,200	9,695
2015	269,240	64,870	11,760	9,221
2016	120,680	54,747	12,320	8,723
2017-2021	686,000	198,929	70,000	35,320
2022-2026	545,440	65,447	84,560	19,319
2027-2028	<u>30,800</u>	<u>1,974</u>	<u>39,200</u>	<u>2,513</u>
Total	<u>\$ 2,387,120</u>	<u>\$ 636,652</u>	<u>\$ 250,880</u>	<u>\$ 105,581</u>

SWARTHMORE BOROUGH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

V. Other information

A. Risk management

The government 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 Insurance Trust pool. The insurance expense for the year ended December 31, 2011 was \$51,897. The pooling agreement permits the pool to make additional assessments to its members. At December 31, 2011, there were no additional assessments due or anticipated; instead the pool declared a dividend of which the Borough's share was \$10,435.

The Borough is also a member of the Delaware Valley Workers' Compensation Trust (D VWCT), a risk retention pool. The insurance expense for the year ended December 31, 2011 was \$47,737. The Trust declared a dividend in 2011. Swarthmore Borough's share of the dividend distribution was \$10,599. At December 31, 2011, there were no additional assessments due or anticipated; an audit of the reported 2011 payroll will be performed during 2012.

B. 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 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.

C. 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 Civil Employees Pension Plan. All eligible full time police and non-uniform employees participate in the plans, except for civil employees hired after January 1, 2010. The Civil Employees Pension Plan was closed to new entrants as of January 1, 2010. Following are details of these two plans. The most recent valuation was as of January 1, 2011. Details below are from the valuation.

SWARTHMORE BOROUGH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

V. Other information (Continued)

C. Employee retirement systems and pension plans (continued)

Plan Description

Swarthmore Borough administers two single employer defined benefit plans to provide pension benefits for employees of the Borough, except for civil employees hired after January 1, 2010. At January 1, 2011, the plans consisted of the following:

	<u>Police</u>	<u>Civil Employees</u>
Retirees and beneficiaries currently receiving benefits	7	7
Terminated employees entitled to benefits not yet receiving them	-	-
Active employees	<u>9</u>	<u>7</u>
Total membership	<u>16</u>	<u>14</u>

The Civil Employees plan was closed to new entrants as of 1/1/2010.

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 twelve 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 plus a Service Increment Benefit. A Service Increment Benefit is equal to \$100 if participant has at least 26 years of service at retirement. 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, 2011, 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.

SWARTHMORE BOROUGH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

V. Other information (Continued)

C. Employee retirement systems and pension plans (continued)

Description of Municipal Police Pension Plan (continued)

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

Description of Civil Employees Pension Plan

The Pension Plan covers all eligible 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, disability 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).

Member contributions are determined and amended through annual resolution of Borough Council. For the year ended December 31, 2011, 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.

1. Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting: The plan's financial statements are prepared using the cash basis of accounting. Plan member, employer contributions, benefits and refund 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.

SWARTHMORE BOROUGH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

V. Other information (Continued)

C. Employee retirement systems and pension plans (continued)

2. 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.

3. Funded Status and Funding Progress

The funded status of each plan as of January 1, 2011, the most recent actuarial valuation date, is as follows:

	Actuarial Value of <u>Assets</u>	Actuarial Accrued Liability <u>Obligation</u>	Percentage <u>Funded</u>	Unfunded Actuarial Accrued <u>Liability</u>	Accrued Projected Annual Covered <u>Payroll</u>	Liability as a Percentage <u>of Payroll</u>
Police	\$ 2,756,653	\$ 4,131,669	66.72%	\$ 1,375,016	\$ 804,919	170.83%
Civil Employees	1,106,525	1,534,669	72.10%	428,144	414,000	103.42%

The required schedule of funding progress 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 actuarial liability for benefits.

4. Annual Pension Cost and Net Pension Obligation

The Borough's annual pension cost and net pension obligation to the Pension Plans for the current year were as follows:

	Police	Civil Employees
Annual required contribution	\$ 208,821	\$ 105,243
Interest on net pension obligation	(6,527)	(316)
Adjustment to annual required contribution	<u>9,531</u>	<u>631</u>
Annual pension cost	211,825	105,558
Contributions made per MMO	<u>208,821</u>	<u>105,243</u>
Increase (decrease) in pension obligation	3,004	315
Net pension obligation (asset), beginning of year	<u>(81,581)</u>	<u>(62,202)</u>
Net pension obligation (asset), end of year	<u><u>\$ (78,577)</u></u>	<u><u>\$ (61,887)</u></u>

SWARTHMORE BOROUGH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

V. Other information (Continued)

C. Employee retirement systems and pension plans (continued)

The annual required contribution for the current year was determined as part of the January 1, 2011 actuarial valuation using the following assumptions:

	<u>Police</u>	<u>Civil Employees</u>
Date of Actuarial valuation	1/1/2011	1/1/2011
Investment rate of return	8%	7.75%
Projected salary increases due to inflation	5%	3.5%
Actuarial value of assets	Market Value	Market Value
Cost method	Entry Age Normal	Entry Age Normal
Amortization method	Level Percentage Closed	Level Percentage Closed
Amortization period	15	9
Cost of living increases	Annual with limits	Board discretion

5. Three Year Trend Information

Police

Fiscal Year <u>Ending</u>	Annual Pension Cost (APC)	Percentage of APC <u>Contributed</u>	Net Pension Obligation <u>(Asset)</u>
12/31/2009	\$ 88,686	100%	\$ (58)
12/31/2010	92,482	100%	(81,581)
12/31/2011	211,825	100%	(78,577)

Civil Employees

Fiscal Year <u>Ending</u>	Annual Pension Cost (APC)	Percentage of APC <u>Contributed</u>	Net Pension Obligation <u>(Asset)</u>
12/31/2009	\$ 48,951	100%	\$ (3,947)
12/31/2010	51,458	100%	(62,202)
12/31/2011	105,558	100%	(61,887)

SWARTHMORE BOROUGH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

V. Other information (Continued)

D. Other Post-Employment Benefits

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

Plan membership was as follows, per the last actuarial valuation dated January 1, 2011:

Retirees and beneficiaries	
currently receiving benefits	0
Active plan members	<u>2</u>
Total membership	<u>2</u>

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 a spouse shall be ten [10] years with a maximum benefit payment of Two Hundred Fifty Dollars [\$250] per month.

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 eighteen, or if a full-time student, age twenty-three. 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.

SWARTHMORE BOROUGH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

V. Other information (Continued)

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 of a “pay-as-you-go” basis. For December 31, 2011, the Borough allocated \$32,000 into savings for this plan. The Borough has not established a separate trust for these benefits, therefore, allocated savings for the year are not listed in these notes as “contributions”. The amounts shown as contributions are actual payments of insurance premiums for the year. The annual cost of these benefits in 2011 was \$0. There were no retirees receiving benefits in 2011.

Funding Status and Funding Progress

The funded status of the plan as of January 1, 2011, the most recent actuarial valuation is as follows:

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability Obligation	Percentage Funded	Unfunded Actuarial Accrued Liability	Accrued Projected Annual Covered Payroll	Liability as a Percentage of Payroll
1/1/2011	\$ -	\$ 338,028	0.00%	\$ 338,028	NA *	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 *required supplemental information* (RSI) 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. Additionally, because 2009 was the year of transition for implementation, requirements of the GASB Standards Codification, will be implemented prospectively.

SWARTHMORE BOROUGH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

V. Other information (Continued)

Funding Status and Funding Progress (Continued)

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.

Annual OPEB Cost and Net OPEB Obligation

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

	<u>Police OPEB</u>
Annual required contribution	\$ 46,159
Interest on net pension obligation	5,462
Adjustment to annual required contribution	<u>(7,486)</u>
Annual pension cost	44,135
Contributions made	<u>-</u>
Increase (decrease) in pension obligation	44,135
Net pension obligation (asset), beginning of year	<u>68,279</u>
Net pension obligation (asset), end of year	<u>\$ 112,414</u>

Actuarial calculations reflect a long-term perspective, and consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The January 1, 2011 actuarial valuation used the following assumptions:

	<u>Police OPEB</u>
Date of actuarial valuation	1/1/2011
Investment rate of return	5%
Actuarial asset value	Market Value
Cost method	Projected Unit Credit
Amortization method	Level Dollar - Open
Amortization period	30

Healthcare trend rate: 10% decreasing 1% per year until an ultimate of 5% is reached.

SWARTHMORE BOROUGH

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011

V. Other information (Continued)

Three Year Trend Information

<u>Fiscal</u> <u>Year</u> <u>Ending</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation</u> <u>(Asset)</u>
12/31/2009	\$ 38,651	31%	\$ 26,850
12/31/2010	45,363	9%	68,279
12/31/2011	44,135	0%	112,414

E. Subsequent Events

The Borough has evaluated events and transactions for potential recognition or disclosure in the financial statements through June 12, 2012, which is the date the statements were available for release. No subsequent events have been recognized or disclosed.

F. New Accounting Pronouncements

Statement No. 54 - Fund Balance Reporting and Governmental Fund Type Definitions, was issued in February 2009. This Statement establishes accounting and financial reporting standards for all governments that report governmental funds. It establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental fund types. GASB Statement No. 54 is effective for financial statements for fiscal years beginning after June 15, 2010. Certain prior year fund balance amounts have been restated to reflect the provisions of this pronouncement.

REQUIRED SUPPLEMENTAL INFORMATION

SWARTHMORE BOROUGH

REQUIRED SUPPLEMENTAL INFORMATION – CIVIL EMPLOYEES PENSION PLAN

DECEMBER 31, 2011

SCHEDULE OF FUNDING PROGRESS

Valuation <u>Date</u>	Actuarial Value of <u>Assets</u>	Actuarial Accrued Liability <u>Obligation</u>	Percentage <u>Funded</u>	Unfunded Actuarial Accrued <u>Liability</u>	Accrued Projected Annual Covered <u>Payroll</u>	Liability as a Percentage <u>of Payroll</u>
1/1/2007	\$ 1,246,311	\$ 1,237,510	100.71%	\$ (8,801)	\$ 425,442	-2.07%
1/1/2009	943,283	1,542,001	61.17%	598,718	432,614	138.40%
1/1/2011	1,106,525	1,534,669	72.10%	428,144	414,000	103.42%

**SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER
AND OTHER CONTRIBUTING ENTITIES**

Calendar <u>Year</u>	Annual Required <u>Contribution</u>	Contributions From <u>Employer</u>	Percentage <u>Contributed</u>
2006	\$ 33,007	\$ 33,007	100%
2007	43,366	43,366	100%
2008	49,641	49,641	100%
2009	48,723	48,723	100%
2010	51,238	109,713	214%
2011	105,243	105,243	100%

SWARTHMORE BOROUGH

REQUIRED SUPPLEMENTAL INFORMATION – POLICE PENSION PLAN

DECEMBER 31, 2011

SCHEDULE OF FUNDING PROGRESS

<u>Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability Obligation</u>	<u>Percentage Funded</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Accrued Projected Annual Covered Payroll</u>	<u>Liability as a Percentage of Payroll</u>
1/1/2007	\$ 3,590,477	\$ 3,468,256	103.52%	\$ (122,221)	\$ 651,335	-18.76%
1/1/2009	2,491,695	3,773,230	66.04%	1,281,535	752,276	170.35%
1/1/2011	2,756,653	4,131,669	66.72%	1,375,016	804,919	170.83%

**SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER
AND OTHER CONTRIBUTING ENTITIES**

<u>Calendar Year</u>	<u>Annual Required Contribution</u>	<u>Contributions From Employer</u>	<u>Percentage Contributed</u>
2006	\$ 92,267	\$ 92,267	100%
2007	98,166	98,166	100%
2008	82,740	82,740	100%
2009	88,684	88,684	100%
2010	92,480	174,005	188%
2011	208,821	208,821	100%

SWARTHMORE BOROUGH

REQUIRED SUPPLEMENTAL INFORMATION – POLICE OPEB

DECEMBER 31, 2011

SCHEDULE OF FUNDING PROGRESS

<u>Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability Obligation</u>	<u>Percentage Funded</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Accrued Projected Annual Covered Payroll</u>	<u>Liability as a Percentage of Payroll</u>
1/1/2011	\$ -	\$ 338,028	0.00%	\$ 338,028	NA *	0.00%

NA * - Benefits are not pay related

SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER AND OTHER CONTRIBUTING ENTITIES

<u>Calendar Year</u>	<u>Annual Required Contribution</u>	<u>Contributions From Employer</u>	<u>Percentage Contributed</u>
2009	\$ 38,651	\$ 11,801	31%
2010	46,159	3,934	9%
2011	46,159	-	0%

SWARTHMORE BOROUGH

STATEMENT OF FIDUCIARY NET ASSETS – CASH BASIS
FIDUCIARY FUNDS

DECEMBER 31, 2011

	<u>Pension Trust Funds</u>			<u>Agency Funds</u>	<u>Total</u>
	<u>Police Pension</u>	<u>Municipal Pension</u>	<u>Total</u>		
<u>ASSETS</u>					
Cash	\$ 43,262	\$ 20,337	\$ 63,599	\$ 3,267	\$ 66,866
Receivables	11,401	5,347	16,748	-	16,748
Investments, at fair value					
Mutual funds-Fixed income	960,773	480,846	1,441,619	-	1,441,619
Mutual funds-Equity	1,353,046	540,607	1,893,653	-	1,893,653
Mutual funds-International equity	476,806	194,186	670,992	-	670,992
Total Investments	<u>2,790,625</u>	<u>1,215,639</u>	<u>4,006,264</u>	<u>-</u>	<u>4,006,264</u>
 TOTAL ASSETS	 <u>\$ 2,845,288</u>	 <u>\$ 1,241,323</u>	 <u>\$ 4,086,611</u>	 <u>\$ 3,267</u>	 <u>\$ 4,089,878</u>
 <u>LIABILITIES</u>					
Due to other funds	\$ -	\$ -	\$ -	\$ 3,267	\$ 3,267
 <u>NET ASSETS</u>					
Net Assets Held in Trust for:					
Pension benefits	2,845,288	1,241,323	4,086,611	-	4,086,611
Post-retirement benefits	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 TOTAL NET ASSETS	 <u>\$ 2,845,288</u>	 <u>\$ 1,241,323</u>	 <u>\$ 4,086,611</u>	 <u>\$ -</u>	 <u>\$ 4,086,611</u>

SWARTHMORE BOROUGH

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS – CASH BASIS
FIDUCIARY FUNDS

DECEMBER 31, 2011

	<u>Pension Trust Funds</u>		
	<u>Police Pension</u>	<u>Municipal Pension</u>	<u>Total</u>
Additions			
Contributions			
Municipal contributions	\$ 115,794	\$ 58,359	\$ 174,153
Employee contributions	41,654	21,026	62,680
State contributions	93,027	46,884	139,911
Total Contributions	<u>250,475</u>	<u>126,269</u>	<u>376,744</u>
Investment Earnings			
Net appreciation (depreciation) in fair value of investments	(83,227)	(28,273)	(111,500)
Interest	58,174	25,553	83,727
Total Investment Earnings	(25,053)	(2,720)	(27,773)
Less: investment expense	(24,275)	(2,375)	(26,650)
Net Investment Earnings	<u>(49,328)</u>	<u>(5,095)</u>	<u>(54,423)</u>
Total Additions	<u>201,147</u>	<u>121,174</u>	<u>322,321</u>
Deductions			
Administrative expense	13,960	18,228	32,188
Benefits	220,260	65,402	285,662
Total Deductions	<u>234,220</u>	<u>83,630</u>	<u>317,850</u>
Change in Net Assets	(33,073)	37,544	4,471
Net Assets Held in Trust:			
Beginning of Year	2,878,361	1,203,779	4,082,140
End of Year	<u>\$ 2,845,288</u>	<u>\$ 1,241,323</u>	<u>\$ 4,086,611</u>