

BOROUGH of MALVERN
AUDITED FINANCIAL STATEMENTS
31st DECEMBER 2021

BOROUGH of MALVERN

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INDEPENDENT AUDITORS' REPORT

To the Mayor, and Members of Council of
Malvern Borough, Chester County, Pennsylvania

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Borough of Malvern (a Pennsylvania Municipality) as of 31st December 2021 and for the year then ended, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

Management's Responsibility. Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility. The auditors' responsibility is to express an opinion on the financial statements based on the audit. We conducted our audit in accordance with auditing standards generally accepted in the United States, which require that the auditor 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 and 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. Risk assessments involve consideration of internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control, and accordingly, no such opinion is expressed. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Borough of Malvern as of 31st December 2021, and the results of operations and changes in fund balances for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters.

Required Supplemental Information. Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension plan trend information 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 supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Peterson, Fieo & Co.

Peterson, Fieo & Co.
10th May 2022

BOROUGH of MALVERN
MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)
DECEMBER 31, 2021

Background Information:

The Borough of Malvern, located in southeastern Pennsylvania, in Chester County, is a small municipality with a population of 3,455, according to the 2020 Census. In November 2008, the electors of the Borough voted to become a Home Rule municipality, effective January 1, 2009. The Borough of Malvern, however, shall continue as a municipal corporation under the name of “Borough of Malvern”. The form of government did not change under Home Rule. The Council/Manager form of government still exists. The Home Rule Charter did institute term limits for all Members of Council and the Mayor to two (2) four-year consecutive terms, which was amended in 2016 as approved by the electors of the Borough. Additional amendments were approved in November 2018, which included advertising requirements for the annual budgets, provisions for remote participation in meetings, and clarification of the attendance requirements at regular meetings.

Malvern is considered an Urban Center and serves as a regional town center in the midst of an area that has largely completed a transition from rural to suburban character. As development over the past decades has cemented the suburban character of most of the surrounding Townships, the Borough’s role has changed from being a service center for surrounding agricultural areas to being a transportation hub for rail commuters from the surrounding area and a small, specialty commercial center. While being a transportation hub for rail commuters is a positive aspect, it does not come without major challenges. As in smaller communities, the most significant challenges are traffic and parking. Ridership at SEPTA’s Malvern Station continues to rise and the two on-site parking lots cannot support the number of vehicles. Our public streets have now become parking lots for the overflow. In 2009, SEPTA submitted a land development plan to improve their parking lots on both the north and south sides of the train tracks and to construct a pedestrian tunnel for their riders to safely access both parking lots. This plan was approved in early 2010 and the pedestrian tunnel opened in December 2011. The project is now complete and has been officially “closed out”.

As the Borough is a small municipality surrounded by larger Townships, our main thoroughfare provides easy access to and from the regional road network, which includes Route 30, Route 29, Route 202, Route 252 and Route 352. Congestion created by vehicular through-traffic is compounded by the location on King Street of SEPTA’s Malvern Station. In response to the increased traffic on our main thoroughfare, the borough has instituted traffic calming measures, including the addition of stop signs and speed humps. The traffic calming measures are working to not only reduce the speed on our main thoroughfare but to aid in our pedestrian-friendly environment. The Borough has undertaken a variety of studies to address pedestrian concerns. Studies were completed in 2015 and 2018. In 2019, the Borough constructed pedestrian crossing signals at two (2) intersections on E. King Street. This project was completed in December 2019. In 2020, the Borough completed a multimodal transportation improvement project along N. Warren Avenue. This project involved the upgrade of the traffic signal at the intersection of King Street and Warren Avenue to provide enhanced pedestrian access and the installation of a new sidewalk connection between the SEPTA station and Pennsylvania Avenue. Grant funding for this project in the amount of \$560,000 was received from the PA Department of Transportation and the PA Department of Community and Economic Development.

The Borough desires to promote traffic that has the Borough as its origin or destination. Our commercial district merchants are supported not only by the residents of the Borough, but by our surrounding municipalities, as well. We are proud to have a SEPTA Train Station located in our community and feel it is a very positive aspect.

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As part of the 2021 budgeting process, the Borough's real estate tax rate remained unchanged. The real estate tax rate for 2021 was 4.6700 mills. Borough Council approved an increase to the Borough's sewer rate as part of the 2021 budget. The base rate remained unchanged in the amount of \$95.60 for the first 5,000 gallons of usage. The variable rate was increased from \$6.00 per 1,000 gallons used over 5,000 gallons to \$9.00 per 1,000 gallons used over 5,000 gallons. This was the second sewer rate increase since 2020 and the second increase to the variable rate since 2020.

In 2014, there were three (3) sewer line breaks in the Valley Creek Trunk Sewer line in Tredyffrin Township. One of the breaks spilled sewage into the Valley Forge National Park. Consulting engineers were retained by Tredyffrin Township to conduct tests and review options available. Discussions began in 2016 to sell the Valley Creek Trunk Sewer line. In the third quarter of 2017, all parties agreed to begin the process of selling the Valley Creek Trunk Sewer line. A public bidding process for the sale of the Valley Creek Trunk Sewer line occurred in 2018. On December 4, 2018, Borough Council approved the sale of the line to Aqua Resources, Inc. Proceeds were divided among the partners based on flow allocation after repayment to certain partners based on contributions for repairs. As a result, the Borough received approximately \$240,000 in sale proceeds. Additionally, the Borough did not need to pay for the repairs through bond financing as originally anticipated. On January 15, 2019, Borough Council authorized the placement of the proceeds in a 12-month CD with the National Bank of Malvern. This CD matured in 2020 and the funds were transferred into the Borough's Sewer Fund bank account.

Services:

From our tax base, the Borough provides many services to residents. These services include trash and recyclable collection, streets and parks maintenance, police protection, and fire protection. A new Collective Bargaining Agreement was reached with the Malvern Police Officers' Association on November 19, 2019 and will cover 2020 to 2023.

All of the Borough streets are owned and maintained by the Borough. There are no PennDOT streets within the Borough limits.

The Borough sponsors or contributes to recreational or event programs for its residents that include a Memorial Day parade, Monster Halloween Mash, an annual Christmas celebration, a community Fall Fest event, an Egg Hunt, various monthly events sponsored by the Parks & Recreation Committee, and musical entertainment throughout the year. Since 2013 the Borough has supported a Farmer's Market every Saturday in Burke Park. Their mission is *'dedicated to community education that nurtures the importance of sustaining our local agricultural food system. The Farmers Market offers vital economic opportunity to regional farmers and food producers while playing an important role in revitalizing a community's economic profile. The Borough residents are very supportive of this addition to our community'*.

The Malvern Fire Company is a volunteer fire company located in the Borough. A yearly contribution is made to the Fire Company for operating expenses. The Borough pays for worker's compensation insurance for volunteers of both the Fire Company and Ambulance Corps through the State Workers Insurance Fund. In addition, the Borough pays for all water consumption of the Fire Company.

The Borough is served by the Malvern Public Library that is housed in the Malvern Municipal Building. Along with a yearly contribution to the Library for operating expenses, the Borough provides

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in-kind services for their 4,069 sq. ft. of space that includes janitorial services, utilities and maintenance and repairs. The Library is currently revising their lease with the Borough and planning a major renovation of their space. This will be a wonderful benefit to the Community to par-take in upon the renovations being completed.

In 1999 the Borough of Malvern purchased the site of the *Paoli Massacre* from Malvern Preparatory School. Although the Borough owns and is responsible for the maintenance of this 40-acre parcel of ground, the land is leased to the Paoli Battlefield Preservation Fund “PBPF”, a non-profit organization. The PBPF hosts Revolutionary War re-enactments and other educational programs at the site. In 2015, Borough Council approved assistance for the PBPF in their efforts to attain National Historic Landmark Status.

As management of the Borough of Malvern (“the Borough”), we offer readers of the Borough's financial statements this narrative overview and analysis of the financial activities for the year ended December 31, 2021. This discussion and analysis is intended to serve as an introduction to the Borough's basic financial statements, which are comprised of 1.) government-wide financial statements, 2.) fund financial statements and 3.) notes to the financial statements.

Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement Number 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments issued June 1999.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the Borough's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Borough's assets and liabilities. The difference between assets and liabilities is reported as net position. When assets increase over a period of time without a corresponding increase to liabilities, there is an increase in net position, which may indicate that the financial position of the Borough is improving. Conversely, a decrease in net position over time may indicate that the financial position of the Borough is declining.

The statement of activities presents information showing how the Borough's net position changed during 2020. All changes in net position are reported as soon as the event occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures are reported for some items that will only result in cash flows in future periods, such as prepaid expenses or accrued payroll taxes.

The government-wide statements distinguish revenues of the Borough that are principally supported by the state, county and local government from revenue-generating activities which recover a portion of their costs through user charges, fees, and fines.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

The fund financial statements distinguish the financial activities of the governmental funds of the Borough of Malvern. The fund financial statements focus on individual parts of the Borough's operations

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MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)
DECEMBER 31, 2021

in more detail than the government-wide statements. The governmental fund statements tell how the Borough's general services were financed in the short term, as well as what remains for future spending.

The Borough has four (4) main funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been earmarked for specific activities or objectives. The Borough's four funds include the General Fund that funds the day to day operations of the government; the Sewer Fund that funds all general and capital expenses for the operation of the sanitary sewer system; the Capital Reserve Fund that funds capital improvements and is funded from excess yearly income over expenses from the General Fund; and, the Highway Aid Fund. The sole source of revenue for the Highway Aid Fund is from the State of Pennsylvania in the form of a pro-rata share of the state liquid fuels tax. Monies from this fund are used to purchase roadway equipment for upkeep of dedicated streets within the Borough.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

FINANCIAL HIGHLIGHTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The following tables summarize the Borough's net position and changes in net position:

Summary of Net Position - December 31, 2021 & 2020

	<u>Governmental</u>	<u>Business-Like</u>	<u>Total</u>	<u>Governmental</u>	<u>Business-Like</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	<u>(2021)</u>	<u>Activities</u>	<u>Activities</u>	<u>(2020)</u>
ASSETS:						
Total Current Assets	\$ 5,457,038	\$ 2,515,045	\$ 7,972,083	\$ 4,647,275	\$ 2,511,615	\$ 7,158,890
Net Pension Asset	2,313,556	-	2,313,556	2,173,722	-	2,173,722
Capital Assets, net of Depreciation	9,941,610	1,499,140	11,440,750	10,076,466	1,558,902	11,635,368
TOTAL ASSETS	\$ 17,712,204	\$ 4,014,185	\$ 21,726,389	\$ 16,897,463	\$ 4,070,517	\$ 20,967,980
DEFERRED OUTFLOWS of RESOURCES						
Deferred outflows from pensions	\$ 505,170	\$ 66,898	\$ 572,068	\$ 304,468	\$ 4,442	\$ 308,910
LIABILITIES:						
Total Current Liabilities	\$ 579,593	\$ 15,082	\$ 594,675	\$ 455,925	\$ 14,004	\$ 469,929
Total Non-Current Liabilities	146,829	-	146,829	430,339	-	430,339
TOTAL LIABILITIES	\$ 726,422	\$ 15,082	\$ 741,504	\$ 886,264	\$ 14,004	\$ 900,268
DEFERRED INFLOWS of RESOURCES						
Deferred inflows from pensions	\$ 787,028	\$ 204,278	\$ 991,306	\$ 660,694	\$ 163,914	\$ 824,608
NET POSITION						
Invested in Capital Assets, Net of Related Debt	\$ 9,638,610	\$ 1,499,140	\$ 11,137,750	9,507,466	1,558,902	\$ 11,066,368
Restricted for Pensions	2,031,698	(137,380)	1,894,318	1,817,496	(159,472)	1,658,024
Unrestricted Net Position (Deficit)	5,033,616	2,499,963	7,533,579	4,330,011	2,497,611	6,827,622
TOTAL NET POSITION	\$ 16,703,924	\$ 3,861,723	\$ 20,565,647	\$ 15,654,973	\$ 3,897,041	\$ 19,552,014

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Changes in Net Position - Years Ended December 31, 2021 & 2020

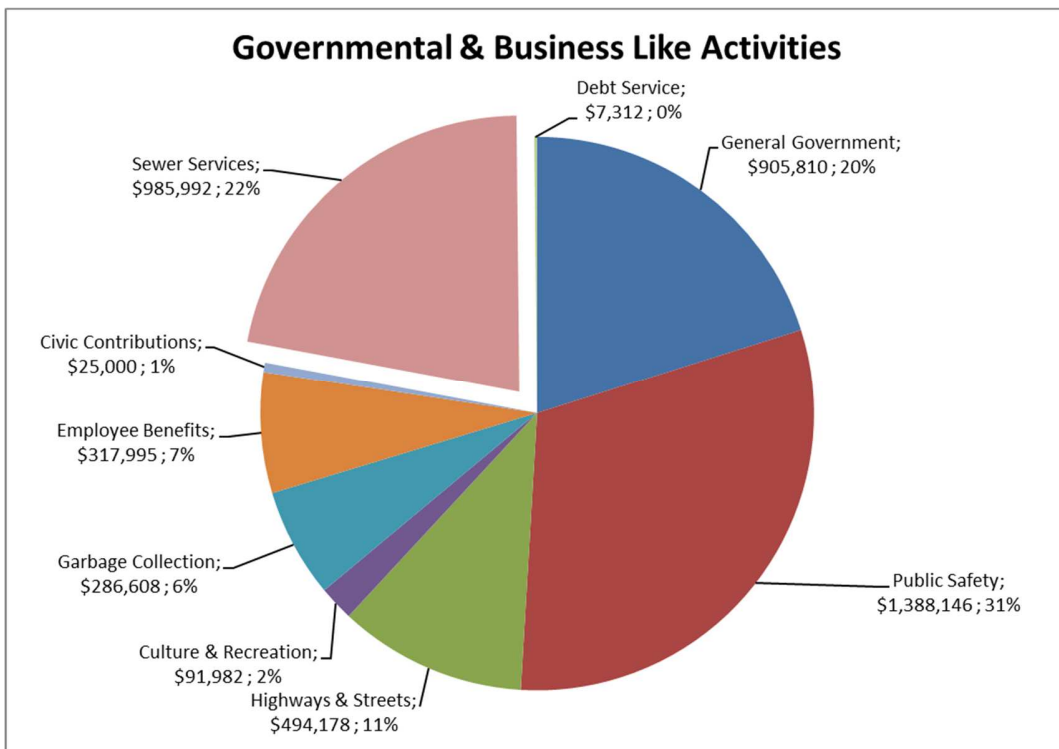
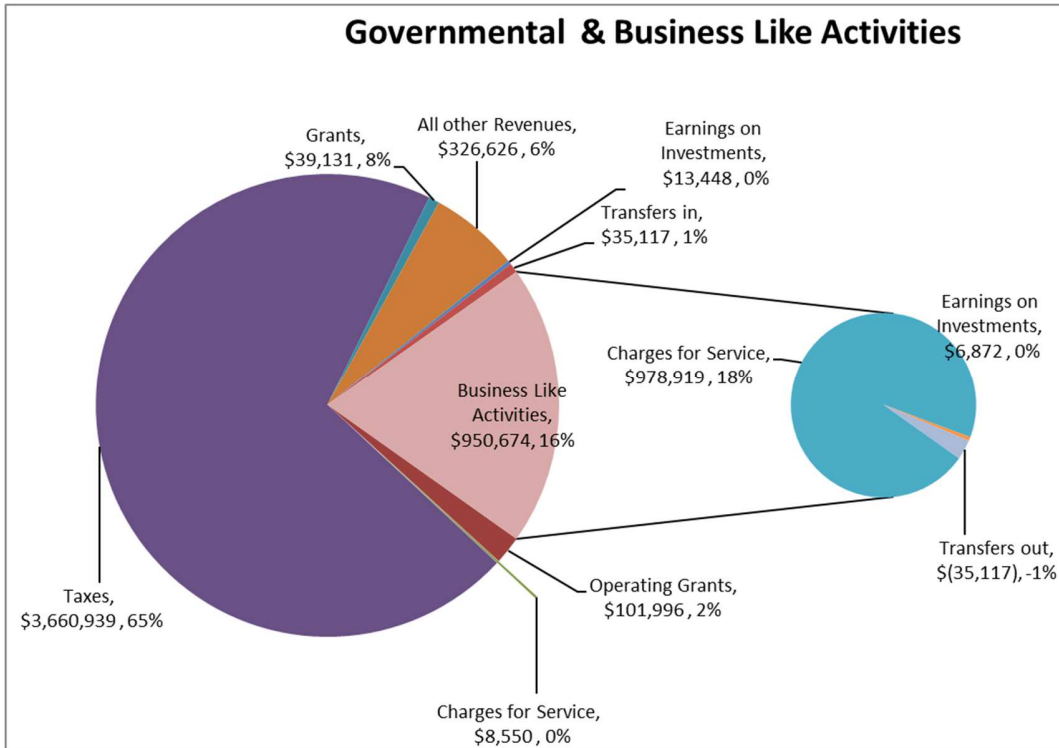
	Governmental Activities	Business-Like Activities	Total (2021)	Governmental Activities	Business-Like Activities	Total (2020)
PROGRAM REVENUE:						
Operating Grants	\$ 101,996	\$ -	\$ 101,996	\$ 91,984	\$ -	\$ 91,984
Capital Grants	380,175		380,175	361,385		361,385
Charges for Service	8,550	978,919	987,469	8,805	955,548	964,353
	\$ 490,721	\$ 978,919	\$ 1,469,640	\$ 462,174	\$ 955,548	\$ 1,417,722
GENERAL GOV'T REVENUE						
Taxes	\$ 3,660,939	\$ -	\$ 3,660,939	\$ 3,467,749	\$ -	\$ 3,467,749
Grants - other	39,131	-	39,131	50,235	-	50,235
All other Revenues	326,626	-	326,626	343,546	-	343,546
Earnings on Investments	13,448	6,872	20,320	33,298	15,860	49,158
Transfers, net	35,117	(35,117)	-	107,568	(107,568)	-
	\$ 4,075,261	\$ (28,245)	\$ 4,047,016	\$ 4,002,396	\$ (91,708)	\$ 3,910,688
TOTAL REVENUE	\$ 4,565,982	\$ 950,674	\$ 5,516,656	\$ 4,464,570	\$ 863,840	\$ 5,328,410
PROGRAM EXPENSES:						
General Government	905,810		905,810	804,835		804,835
Public Safety	1,388,146		1,388,146	1,480,317		1,480,317
Highways & Streets	494,178		494,178	476,646		476,646
Culture & Recreation	91,982		91,982	112,000		112,000
Garbage Collection	286,608		286,608	265,097		265,097
Employee Benefits	317,995		317,995	261,118		261,118
Civic Contributions	25,000		25,000	41,000		41,000
Sewer Services		985,992	985,992		967,072	967,072
Debt Interest	7,312		7,312	11,140		11,140
TOTAL EXPENSES	\$ 3,517,031	\$ 985,992	\$ 4,503,023	\$ 3,452,153	\$ 967,072	\$ 4,419,225
CHANGE IN NET POSITION	\$ 1,048,951	\$ (35,318)	\$ 1,013,633	\$ 1,012,417	\$ (103,232)	\$ 909,185

Revenues –

The real estate tax rate for the Borough was unchanged in 2021. Collection of current year real estate taxes in 2021 exceed budgeted projections by 2%. The Borough witnessed a modest increase in its assessed value, which resulted in the increased revenue.

Total Act 511 Tax collections witnessed a 7.5% increase in 2021. Revenue categories allocated in this grouping finished 2021 above budgeted projections in three (3) out of the seven (7) categories. Earned Income Tax revenue witnessed a 6.4% increase in collections when comparing 2021 to 2021. Real Estate Transfer Tax revenue finished 66% over budgeted projections. Overall, collection from Act 511 Taxes ended 2021 at 17% above budgeted projections.

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MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)
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MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)
DECEMBER 31, 2021

Revenues (cont'd) –

The COVID-19 pandemic resulted in certain revenue sources being negatively impacted. Most notably, permit revenue finished under budget by 7%. Overall, permit revenue declined by 4.4% compared to 2020. Building permit revenue saw a decline compared to 2020, which may be primarily attributed to the completion of major development projects and the impact of the COVID-19 pandemic. The COVID-19 pandemic has also contributed to an increased cost for building supplies and a supply shortage, which may have impacted building permit revenue. Additionally, the Borough has continued to see a reduction in franchise fee revenue. This may be attributed to consumers shifting from traditional television services to streaming platforms. The Borough may continue to see this revenue source decline.

The Sewer Fund is supported by income from Sewer Rents, Tapping & Connection Fees, Interest on Investments, and grant funding. Revenue from the Sewer Fund is considered a “user fee”. The minimum sewer rate was \$95.60/\$6.00 per quarter in 2021. Borough Council approved a rate increase as part of the 2022 budget. This was previously discussed. Revenue from Sewer Rents finished 2021 at 1.2% higher than the projected budget. During 2021, the Borough worked diligently to collect on delinquent accounts; however, the Borough was not as aggressive as in past years due to the COVID-19 pandemic.

Expenditures –

The budgeted 2021 General Fund expenditures were comparable to the budgeted 2020 expenditures. Several expenditures outlined in the General Fund for 2021 were either delayed or cancelled as the Borough worked to reduce expenditures due to the COVID-19 pandemic.

The Borough completed three (3) paving projects in 2021. These included the paving of Malvern Avenue, Karen Avenue, and Green Street. Contributions to local civic organizations were continued in 2021. Finally, Borough Council extended the existing trash and recycling collection contract by exercising the first option year.

The actual expenditures for the Sewer Fund were less than those budgeted expenditures as projected in the 2021 budget.

Capital projects in 2021 were placed on hold due to the COVID-19 pandemic. The only major capital project completed was the N. Warren Avenue Transit Project. This project was funded through grants received from the PA Department of Transportation and the PA Department of Community and Economic Development. The Borough also undertook several planning efforts in 2021, including beginning the process of revising its Comprehensive Plan and Quann Park Improvements. Engineering work for underground drainage improvements on Old Lincoln Highway and the stabilization of Warren Avenue continued in 2021. This is estimated to be significant costs.

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MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)
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Capital Expenses and Debt Service

The Borough has outstanding debt of \$474,000 at an interest rate of 1.45% through 2022 for renovations to the municipal building made in 2002 and \$95,000 at an interest rate of 1.512% through 2023 for the pole barn and salt shed purchased in 2013.

At the end of the fiscal year (December 31st) all monies not spent from the General Fund are transferred to the Capital Reserve Fund. The Capital Reserve Fund finances all capital projects within the Borough; i.e., traffic calming, streetscape revitalization projects, development or purchase of public parks, etc.

BOROUGH of MALVERN

**Statement of Net Position
as of December 31, 2021**

	Governmental Activities	Business-Like Activities	Total
ASSETS			
Current Assets:			
Cash & Cash Equivalents	\$ 5,377,424	\$ 2,259,130	\$ 7,636,554
Taxes/Accounts Receivable	19,472	249,599	269,071
Other Receivables	38,723	-	38,723
Prepaid Expenses	21,419	6,316	27,735
Total Current Assets	\$ 5,457,038	\$ 2,515,045	\$ 7,972,083
Non-Current Assets:			
Net Pension Asset	2,313,556	-	2,313,556
Capital Assets, net of Depreciation	9,941,610	1,499,140	11,440,750
TOTAL ASSETS	\$ 17,712,204	\$ 4,014,185	\$ 21,726,389
DEFERRED OUTFLOWS of RESOURCES			
Deferred Outflows From Pensions	\$ 505,170	\$ 66,898	\$ 572,068
LIABILITIES & NET POSITION			
Current Liabilities:			
Accounts Payable & Accrued Expenses	\$ 108,062	\$ 15,082	\$ 123,144
Bonds & Notes Payable	271,000	-	271,000
Escrow Liabilities Payable	200,531	-	200,531
Total Current Liabilities	579,593	15,082	594,675
Non-Current Liabilities:			
Compensated Absences	114,829	-	114,829
Bonds & Notes Payable	32,000	-	32,000
Total Non-Current Liabilities	146,829	-	146,829
TOTAL LIABILITIES	\$ 726,422	\$ 15,082	\$ 741,504
DEFERRED INFLOWS of RESOURCES			
Deferred Inflows From Pensions	\$ 787,028	\$ 204,278	\$ 991,306
NET POSITION			
Invested in Capital Assets, Net of Related Debt	9,638,610	1,499,140	11,137,750
Restricted for Pensions	2,031,698	(137,380)	1,894,318
Unrestricted Net Position	5,033,616	2,499,963	7,533,579
Total Net Position	\$ 16,703,924	\$ 3,861,723	\$ 20,565,647

The accompanying notes are an integral part of these financial statements

BOROUGH of MALVERN

**Statement of Activities
for the year ended December 31, 2021**

	Expenses	Program Revenues			Primary Government		Total
		Charges for Services	Operating Grants	Capital Grants	Governmental Activities	Business-Like Activities	
<i><u>Governmental Activities:</u></i>							
General Government	\$ 905,810	\$ -	\$ -	\$ -	\$ (905,810)	\$ -	\$ (905,810)
Public Safety	1,388,146	8,550			(1,379,596)		(1,379,596)
Highways & Streets	494,178		85,938	380,175	(28,065)		(28,065)
Culture & Recreation	91,982				(91,982)		(91,982)
Garbage Collection	286,608		16,058		(270,550)		(270,550)
Employee Benefits	317,995				(317,995)		(317,995)
Civic Contributions	25,000				(25,000)		(25,000)
Debt Service	7,312				(7,312)		(7,312)
Total Governmental Activities	3,517,031	8,550	101,996	380,175	(3,026,310)	-	(3,026,310)
<i><u>Business-Like Activities</u></i>							
Sewer Services	985,992	978,919	-	-	-	(7,073)	(7,073)
Total Primary Government	\$ 4,503,023	\$ 987,469	\$ 101,996	\$ 380,175	\$ (3,026,310)	\$ (7,073)	\$ (3,033,383)

General Government Revenues			
Taxes	\$ 3,660,939	\$ -	\$ 3,660,939
Grants	39,131		39,131
Earnings on Investments	13,448	6,872	20,320
All other Revenues	326,626	-	326,626
Transfers, net	35,117	(35,117)	-
Total	4,075,261	(28,245)	4,047,016
Change in Net Assets	1,048,951	(35,318)	1,013,633
Net Position, Beginning of Year	15,654,973	3,897,041	19,552,014
Net Position, End of Year	\$ 16,703,924	\$ 3,861,723	\$ 20,565,647

The accompanying notes are an integral part of these financial statements

BOROUGH of MALVERN

**Reconciliation of Net Position of Governmental Activities to
Total Net Position of Governmental Activities, December 31, 2021**

Unrestricted Net Position of Governmental Activities (p.10)	\$ 5,033,616
Amounts Reported for governmental activities in the Statement of Net Assets are different because:	
Capital Assets used in governmental activities are not financial resources and therefore, are not reported as assets in gov't funds	9,941,610
Net Pension Asset (Liability) incurred by governmental activities are not financial resources and therefore, are not reported as assets in gov't funds	2,031,698
Short term liabilities due & payable within one year.	(271,000)
Long term liabilities not due & payable within one year. Bonds & Notes Payable	<u>(32,000)</u>
Total Net Position of Governmental Activities (p.11)	<u>\$ 16,703,924</u>

The accompanying notes are an integral part of these financial statements

BOROUGH of MALVERN

**Balance Sheet - Governmental Funds & Proprietary Funds
as of December 31, 2021**

	Governmental Funds			Totals	Proprietary Funds 2021
	General Fund	Capital Projects Fund	Highway Aid Fund	2021	Sewer Fund
ASSETS					
Cash & Cash Equivalents	\$ 3,990,610	\$ 1,246,880	\$ 139,934	\$ 5,377,424	\$ 2,259,130
Taxes Receivable	23,267			23,267	-
Other Receivables	-			-	249,599
Fixed Assets				-	-
TOTAL ASSETS	\$ 4,013,877	\$ 1,246,880	\$ 139,934	\$ 5,400,691	\$ 2,508,729
LIABILITIES & FUND BALANCES					
LIABILITIES					
Accounts Payable	56,566	11,183	-	67,749	870
Escrow Liabilities Payable	200,531			200,531	
Deferred Revenue				-	
TOTAL LIABILITIES	257,097	11,183	-	268,280	870
FUND BALANCES					
Reserved for Capital Projects	-	1,235,697	-	1,235,697	-
Unreserved (Deficit)	3,756,780		139,934	3,896,714	2,507,859
TOTAL FUND BALANCES	3,756,780	1,235,697	139,934	5,132,411	2,507,859
TOTAL LIABILITIES & FUND BAL.	\$ 4,013,877	\$ 1,246,880	\$ 139,934	\$ 5,400,691	\$ 2,508,729

The accompanying notes are an integral part of these financial statements

BOROUGH of MALVERN

**Statement of Revenues, Expenditures, & Changes in Fund Balances
Governmental Funds & Proprietary Funds for the year ended December 31, 2021**

	Governmental Funds			Totals	Proprietary Funds 2021
	General Fund	Capital Projects Fund	Highway Aid Fund	2021	Sewer Fund
OPERATING REVENUES					
Taxes	\$ 3,646,651	\$ -	\$ -	\$ 3,646,651	\$ -
Licenses & Permits	173,622			173,622	
Fines, Forfeits, & Costs	21,721			21,721	
Interest, Rents, & Franchise Fees	84,899	1,959	324	87,182	6,872
Intergovernmental Revenues	461,779		85,938	547,717	
Charges for Services/Fees	25,635			25,635	978,920
Miscellaneous Revenue	15,422	-		15,422	
TOTAL OPERATING REVENUES	4,429,729	1,959	86,262	4,517,950	985,792
OPERATING EXPENDITURES					
General Government	759,075	71,335		830,410	14,436
Public Safety	1,543,505			1,543,505	
Public Works - Sewer & Garbage Collection	284,389			284,389	968,718
Public Works - Highways & Streets	533,682	157,928	58,093	749,703	
Civic Contributions	25,000			25,000	
Culture & Recreation	103,130			103,130	
Insurance, Employee Benefits, P/R Taxes, &c	57,451			57,451	-
subtotal OPERATING EXPDS.	3,306,232	229,263	58,093	3,593,588	983,154
EXPENDITURES - Debt Service					
Principal	-	266,000		266,000	-
Interest	-	7,312		7,312	-
TOTAL EXPENDITURES	3,306,232	502,575	58,093	3,866,900	983,154
EXCESS (DEFICIENCY) of REVENUES OVER EXPENDITURES	1,123,497	(500,616)	28,169	651,050	2,638
OTHER FINANCING SOURCES (USES)					
Transfers In	43,308	473,100	-	516,408	-
Transfers Out	(473,100)		(43,308)	(516,408)	-
TOTAL OTHER FINANCING SOURCES (USES)	(429,792)	473,100	(43,308)	-	-
Prior Period Adjustments					(1,740,128)
NET CHANGE IN FUND BALANCES	693,705	(27,516)	(15,139)	651,050	(1,737,490)
FUND BALANCES, BEGINNING of YEAR	3,063,075	1,263,213	155,073	4,481,361	4,245,349
FUND BALANCES, END of YEAR	\$ 3,756,780	\$ 1,235,697	\$ 139,934	\$ 5,132,411	\$ 2,507,859

The accompanying notes are an integral part of these financial statements

BOROUGH of MALVERN

**Reconciliation of the Statement of Revenues, Expenditures, & Changes
in Fund Balances of Governmental Funds to the Statement of Activities
as of December 31, 2021**

Amounts reported for the governmental activities in the statement of activities are different because:

Net Changes in Fund Balances - total governmental funds (p.14)	\$ 651,050
Decrease (Increase) in Accounts Payable and Accrued Expenses	43,095
Increase (Decrease) in Receivables	(7,434)
Increase (Decrease) in Prepaid Insurance	4,384
Principal Payments on Bonds & Notes Payable	266,000
Issuance of New Debt	-
Expenditures for Capital Assets	190,038
Decrease (Increase) in Accrual for Compensated Absences	12,510
Additional Pension Expense claimed on GAAP Statement of Activities	179,085
Depreciation Expense claimed on GAAP Statement of Activities	(324,894)
Equity Transfers to Business-Like Funds	<u>35,117</u>
Change in Net Position of Governmental Funds (p.9)	<u>\$ 1,048,951</u>

BOROUGH of MALVERN

**Statement of Proprietary Fund Cash Flows, Business-Like Funds
for the year ended December 31, 2021**

	<u>Sewer Fund</u>	
Cash Flow from operating activities		
Cash collected from customers	\$ 978,920	
Payments to suppliers for goods and services	(703,529)	
Payments to employees for services	<u>(271,238)</u>	
Net cash provided (consumed) by operating activities		<u>4,153</u>
Cash flow from non-capital financing activities		
Transfer In	-	
Transfer Out	<u>-</u>	
Net cash provided (consumed) by non-capital financing activities		<u>-</u>
Cash flow from capital and related financing activities		
Acquisition of capital assets (amounts paid)	<u>(23,070)</u>	
Net cash provided (consumed) by capital and related financing activities		<u>(23,070)</u>
Cash flow from investing activities		
Interest on investments	<u>6,872</u>	
Net cash provided (consumed) by investing activities		<u>6,872</u>
Net decrease in cash		(12,045)
Cash Balance, BEGINNING of YEAR		<u>2,271,175</u>
Cash Balance, END of YEAR		<u>\$ 2,259,130</u>
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating Income	\$ 2,638	
Add: Decrease (Increase) in Accounts Receivables		(15,553)
Add: (Decrease) Increase in Accounts Payables		870
Investment Earnings		(6,872)
Purchase of Capital Assets		<u>23,070</u>
Net Cash provided by Operating Activities		<u>\$ 4,153</u>

The accompanying notes are an integral part of these financial statements

BOROUGH of MALVERN

**Statement of Fiduciary Net Position (cash basis)
as of December 31, 2021**

	Police Plan	Non-Uniform Plan	Total
Assets			
Cash & cash equivalents	\$ 85,890	\$ 175,511	\$ 261,401
Member Contributions Receivable			-
Employer Contributions Receivable			-
Investments			
Fixed Income	1,152,754	1,808,118	2,960,872
US Equities	1,324,928	2,104,056	3,428,984
International Equities	653,490	1,028,217	1,681,707
Total Investments	3,131,172	4,940,391	8,071,563
Total Assets	\$ 3,217,062	\$ 5,115,902	\$ 8,332,964
Liabilities			
Accrued administrative expenses	\$ -	\$ -	\$ -
Benefits payable			-
Total Liabilities	-	-	-
Net Position	\$ 3,217,062	\$ 5,115,902	\$ 8,332,964

**Statement of Changes in Fiduciary Net Position (cash basis)
as of December 31, 2021**

	Police Plan	Non-Uniform Plan	Total
Additions			
Contributions			
State Aid	\$ -	\$ 28,289	\$ 28,289
Members' Contributions		20,620	20,620
Employer Contribution		-	-
Total Contributions	-	48,909	48,909
Investment Income			
Interest & Dividends	68,965	107,983	176,948
Net Appreciation (Depreciation) in fair value of investments	270,224	423,725	693,949
Total Investment Income	339,189	531,708	870,897
Less Investment Expenses			-
Net Investment Income	339,189	531,708	870,897
Total Additions	339,189	580,617	919,806
Deductions			
Pension Benefit Payments	122,493	133,002	255,495
Administrative Expenses	10,851	16,972	27,823
Total Deductions	133,344	149,974	283,318
Net Increase (Decrease)	205,845	430,643	636,488
Net Position			
Net Position (cash basis), January 1 st	3,011,217	4,685,259	7,696,476
Net Position (cash basis), December 31 st	\$ 3,217,062	\$ 5,115,902	\$ 8,332,964

The accompanying notes are an integral part of these financial statements

BOROUGH of MALVERN
NOTES to FINANCIAL STATEMENTS
DECEMBER 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES.

The accounting policies of the Borough of Malvern conform to accounting principles generally accepted in the United States as applicable to government units. The Government Accounting Standards Board is the accepted standard-setting body for establishing government accounting and financial reporting principles. The more significant of the Borough's accounting policies are described below.

A. Reporting Entity. In evaluating how to define the Borough for financial reporting purposes, management has considered all potential component units. The basic, but not the only, criterion for including a potential unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant element of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the designation of management, the ability to significantly influence operations, and the existence of special financing relationships. Based on the application of these criteria, it has been determined that no component units exist.

B. Government-wide & Fund Financial Statements. The government-wide and fund financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. Government activities are normally supported by taxes and intergovernmental revenues. The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to customers or applicants who purchase or directly benefit from the services or privileges provided by a given function, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues. Separate financial statements are provided for governmental funds and business-type funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Fund Accounting. The accounts of the Borough are organized on the basis of funds or account groups, each of which is considered to be a separate reporting entity. The following funds and groups of accounts are used by the Borough:

Governmental Funds: Most of the Borough's basic services are accounted for in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flows in and out, and (2) the balances left at year-end that are available for spending in subsequent years. Consequently, the governmental funds statements provide a detailed, short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs following the completion of a fiscal year. The Borough maintains three Governmental Funds:

General Fund - This is the general operating fund of the Borough. All financial resources, except those required to be accounted for in another fund, are accounted for in the general fund.

Highway Aid Fund - The annual grant received from the Commonwealth of Pennsylvania to be used for its stated purposes is required to be accounted for separately, and is done so in this fund. This is considered a major special revenue fund.

BOROUGH of MALVERN
NOTES to FINANCIAL STATEMENTS
DECEMBER 31, 2021

Capital Projects Fund - The financial resources to be used for the acquisition or construction of major capital facilities are accounted for in this fund.

Proprietary Fund (Sewer Fund): A Proprietary Fund is used to account for operations that are (a) financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. A proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing activity. The Borough's Sewer Fund is a Proprietary Fund.

Sewer Fund. The principal operating revenues for the Borough's Sewer Fund are charges to customers for sales and services. Operating expenses include cost of sales and service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties Outside the government. These funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the Borough's own programs. These private-purpose trust funds account for the revenues and expenditures of independent associations supporting youth athletic programs.

Pension Trust Funds - The Pension Trust Funds are Fiduciary Funds. They account for the activities of the Police and Non-Uniformed Pension Plans, which accumulate resources for pension benefit payments to qualified retirees.

D. Basis of Accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the proprietary fund financial statement. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are billed. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

Government fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. "Measurable" means that the amount of the transaction can be determined and "available" means that the amount of the transaction is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Also, under the modified accrual basis of accounting, expenditures are recorded when the related

BOROUGH of MALVERN
NOTES to FINANCIAL STATEMENTS
DECEMBER 31, 2021

fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due. The major revenue source susceptible to accrual is property taxes.

Proprietary fund (i.e., sewer fund) financial statements are reported using the economic resources measurement focus and the modified accrual basis of accounting. All assets and liabilities associated with proprietary funds activities are included on its balance sheet.

Fiduciary Funds (or Trust Funds) are used to account for assets held by the Borough in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds, including Pension Trust Funds. Fiduciary Funds are reported using the economic resources measurement focus and the modified accrual basis of accounting.

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

E. Compensated Absences. The Borough allows employees to accumulate up to 28 days of earned vacation time, which is payable upon termination. Certain employees are entitled to payment for unused sick pay at termination. As of December 31, 2021 the liability for accrued vacation and sick time was \$114,829. This amount is reported in the government-wide statements.

F. Property Taxes. Property taxes are billed in February of each year and are due and payable at that time. Discounts and penalties follow a set schedule. Any taxes remaining unpaid by December 31st are turned over to the county for collection.

G. Budget Policy & Practice. The Borough manager presents a proposed cash basis budget of revenues and expenditures for the ensuing year to the Borough Council in accordance with the Commonwealth of Pennsylvania's Borough Code. In December, Council adopts the annual budgets for the Borough's governmental and business-like fund (i.e., sewer fund). Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personal services, other operating expenditures, capital outlay, transfers and debt service. The policy is to not make periodic budget transfers. Appropriations for annually budgeted funds lapse at the end of the year. Encumbrances are not recorded.

H. Fixed Assets & Depreciation. Property, plant, and equipment of all funds are stated at historical cost. Donated fixed assets are stated at their fair value on the date donated. Governmental fund fixed assets are recorded in the General Fixed Asset Account Group. Fixed assets of the Enterprise Funds (i.e., Business-like Funds) are recorded in that fund and are depreciated using the straight line method over the estimated useful lives of the assets. These useful lives range from 5 to 50 years.

I. Use of Estimates in the Preparation of Financial Statements. The preparation of 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 expenses during the reporting period. Actual results could differ from those estimates.

BOROUGH of MALVERN
NOTES to FINANCIAL STATEMENTS
DECEMBER 31, 2021

2. CASH & INVESTMENTS.

As of December 31, 2021, the carrying value of the Borough's deposits was \$7,636,254 (excluding fiduciary funds) and the bank balances totaled \$7,691,926. Of those bank balances, \$500,000 were covered by insurance provided by the FDIC and \$6,941,926 were covered by collateral held in pooled accounts.

	FDIC	Act 72 Pooling	Uninsured	Total
Category 1				
National Bank of Malvern	\$ 250,000	\$ 6,844,708	\$ -	\$ 7,094,708
Meridian Bank	250,000		82,621	332,621
PLIGIT			264,597	264,597
<i>subtotal</i>	500,000	6,844,708	347,218	7,691,926
Category 2	-	-	-	-
Category 3	-	-	-	-
<i>Bank Balances</i>	\$ 500,000	\$ 6,844,708	\$ 347,218	\$ 7,691,926

The Borough Code authorizes the Borough to invest in United States Treasury Bills, short term obligations of the U. S. Government, its agencies and instrumentalities, passbook and money market accounts, and certificates of deposit purchased from institutions insured by the FDIC. The Borough considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

The Borough's investments are categorized to give an indication of the level of risk assumed by the Borough at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Borough or its agent in the Borough's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Borough's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the Borough's name. The Borough's investments are Category 1 investments.

3. GEOGRAPHIC AREA & CONCENTRATION of CUSTOMERS.

All Borough residences and commercial buildings are connected to the sewer system; there are no other participants, making the Borough's Sewer Fund 100% reliant on its customers within the geographic confines of the Borough. There are no plans to expand the system beyond its current boundaries.

BOROUGH of MALVERN
NOTES to FINANCIAL STATEMENTS
DECEMBER 31, 2021

4. CAPITAL ASSETS.

Capital assets are recorded at cost. Changes in the capital asset accounts during the year were as follows:

General Fund	Balance, Beginning of Year	Additions	Deletions	Balance, End of Year
Land & Buildings	\$ 12,085,028	\$ 161,591	\$ -	\$ 12,246,619
Machinery & Equipment	2,502,569	28,447		2,531,016
Total	14,587,597	190,038	-	14,777,635
<i>less:</i>				
Accumulated Depreciation	4,511,131	324,894	-	4,836,025
Net Book Value	\$ 10,076,466	\$ (134,856)	\$ -	\$ 9,941,610

Changes in the Sewer Fund capital asset accounts during the year were as follows:

Sewer Fund				
Improvements & Equipment	\$ 3,940,545	\$ 23,070	\$ -	\$ 3,963,615
<i>less:</i>				
Accumulated Depreciation	2,381,643	82,832	-	2,464,475
Net Book Value	\$ 1,558,902	\$ (59,762)	\$ -	\$ 1,499,140

Total depreciation expense recorded for 2021 was \$ 407,277.

5. NON-CURRENT LIABILITIES (LONG-TERM DEBT).

As of December 31, 2021 the outstanding non-current liabilities (i.e., long-term debt) were as follows:

Ordinance 2002-7, dated October 15, 2002, authorized the incurring of non-electoral debt in the amount of \$2,500,000 (Building Renovation Bonds). The proceeds were used for renovations to the Municipal Building. The bonds have staggered redemption dates between September 15, 2004 and September 15, 2022. Optional prepayments may be made at any time with 30 days written notice. The loan bears interest at a floating rate and is paid monthly.

Ordinance 2012-7 dated December 18, 2012, authorized the incurring of non-electoral debt in the amount of \$300,000 (2013 General Obligation Note Payable). The proceeds were used for New Pole Barn and HVAC upgrades. The bonds have staggered redemption dates between 2014 and 2023. Optional prepayments may be made at any time with 30 days written notice. The loan bears interest at a floating rate and is paid monthly.

These debt issues are considered part of the Borough's Capital Projects Fund; there is no allocation or otherwise assignment of these debts or the interest expenses thereof, to any other funds.

Bonds & Notes Payable activity for the year 2021 was as follows:

BOROUGH of MALVERN
NOTES to FINANCIAL STATEMENTS
DECEMBER 31, 2021

	Balance, Beginning of Year	Additions	Deletions	Balance, End of Year
Building Renovation Bonds	\$ 474,000	\$ -	\$ 235,000	\$ 239,000
2013 GO Note Payable	95,000	-	31,000	64,000
Total	\$ 569,000	\$ -	\$ 266,000	\$ 303,000

As of December 31, 2021, the annual principal payment requirements of the outstanding long-term debt of the Borough were as follows:

	----- Principal Payments -----			----- Interest Payments -----		
	Building Renovation Bonds	2013 GO Note Payable	Total	Building Renovation Bonds	2013 GO Note Payable	Total
	Year					
2022	239,000	32,000	271,000	2,888	968	3,856
2023	-	32,000	32,000	-	484	484
2024	-	-	-	-	-	-
	\$ 239,000	\$ 64,000	\$ 303,000	\$ 2,888	\$ 1,452	\$ 4,340

General obligation bonds issued by the Borough for municipal improvements are backed by the full faith and credit of the Borough of Malvern. The Borough has no debt outstanding that exceeds its borrowing base.

6. PENSION BENEFIT TRUSTS.

The Borough Code authorizes the Borough, including its two Pension Trusts, to invest in United States Treasury Bills, short term obligations of the U. S. Government, its agencies and instrumentalities, passbook and money market accounts, and certificates of deposit purchased from institutions insured by the FDIC. These are considered highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

	Police Pension Trust	Non-Uniform Pension Trust	Total
Insured by FDIC	\$ 85,890	\$ 687	\$ 86,577
Insured by SIPC		174,824	174,824
	\$ 85,890	\$ 175,511	\$ 261,401

The investments of the Pension Trusts are categorized to give an indication of the level of risk assumed by the holder at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Pension Trusts or its agent in the Pension Trust's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Pension Trust's name. Category 3 includes uninsured and unregistered

BOROUGH of MALVERN
NOTES to FINANCIAL STATEMENTS
DECEMBER 31, 2021

investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the Pension Trust's name. **All assets of both Pension Trusts are classified as Category 1 investments.**

	----- Category 1 Assets -----		
	Police Pension	Non-Uniform	Total
	Trust	Pension Trust	
Cash & Cash Equivalents	\$ 85,890	\$ 175,511	\$ 261,401
Fixed Income	1,152,754	1,808,118	2,960,872
US Equities	1,324,928	2,104,056	3,428,984
International Equities	653,490	1,028,217	1,681,707
Total Investments	\$ 3,217,062	\$ 5,115,902	\$ 8,332,964

Pension Plan Description & Administration. The Borough of Malvern maintains two single-employer defined benefit pension plans, namely its Police Pension Plan (covering all uniformed police officers), and its Non-Uniform Plan (covering all other covered employees). These plans are controlled by the provisions of Codified Ordinances. These plans are governed by the Borough of Malvern which may amend plan provisions, and which is responsible for the management of plan assets. The Borough of Malvern has delegated the authority to manage certain plan assets to CBIZ InR, a funds advisory firm in media Pennsylvania. The plan documents can be found in the Codification of Ordinances, Section 32, Article II.

The Borough of Malvern has filed actuarial valuation report Form 201C with the Public Employee Retirement Commission. The report dated January 1, 2021, was the most recently certified by the municipality's chief administrative officer. This report indicated the municipality maintains a pension plan to provide pension benefits for Police and non-uniform employees as described above.

Current membership in the plan (as of January 1st of the year indicated) is as follows:

Table 1	Police Plan		Non-Uniform Plan	
	2020	2021	2020	2021
active employees	6	6	12	13
retirees & beneficiaries currently receiving benefits	4	4	5	5
terminated employees entitled to benefits but not yet receiving them	0	0	1	2
total	10	10	17	19

Benefits Provided.

A covered employee is an employee who receives a regular salary or wages from Malvern Borough provided, however, that an employee shall not be considered in covered employment if they are a part-time or seasonal employee who is not regularly employed for more than 120 working days in any calendar year. Cost-of-living adjustments (COLA) are provided at the discretion of the Borough Council. The Borough has authority to establish and amend benefit provisions of the plan. Covered payroll refers to all compensation by the Borough to active employees covered by the plan.

BOROUGH of MALVERN
NOTES to FINANCIAL STATEMENTS
DECEMBER 31, 2021

(i.) Eligibility.

- Police Plan - Each full-time officer shall be a member of the Police Plan after the completion of one hour of service.
- Non-Uniformed Plan – All regular, full-time employees of Malvern Borough, except policemen, elected officials, and employees hired after their 60th birthday shall be members of the Non-Uniform Plan.

(ii.) Retirement Dates

Police Plan.

- A. Normal Retirement Date - The first day of the month following the member's fifty-fifth (55th) birthday and completion of twenty-five (25) years of continuous service.
- B. Disability Retirement Date - The council shall determine if a member is eligible to receive a disability benefit under the Plan after securing the opinion of one or more physicians licensed to practice medicine. The disability income shall commence on the first day of the month next following the termination of the member's Borough salary or next following the termination of member's worker's compensation benefit or Borough sponsored disability insurance benefit, if any, whichever occurs last.

Non-Uniform Plan.

- A. Normal Retirement Date - The last day of the month in which the member attains age sixty-five (65).
- B. Early Retirement Date - The first day of the month following the member's fifty-fifth (55th) birthday and completion of twenty-five (25) years of service; or following the member's sixty-second (62nd) birthday and completion of ten (10) years of service.
- C. Postponed Retirement Date – By mutual consent of the employee and the Borough, a member may continue in employment beyond the Normal Retirement Date, in which case the Postponed Retirement Date shall be the 1st day of the month following actual termination of employment.

(iii.) Retirement Benefits.

Police Plan.

- A. Normal Retirement Benefit - One-half ($\frac{1}{2}$) of the member's Average Monthly Salary at the earliest age he/she is eligible for such benefit, whether he/she applies for it, or not.
- B. Disability Retirement Benefit - In the event of a permanent service-related injury, the benefit shall be equal to fifty percent (50%) of the Salary of the member. The benefit would be payable as if the date of disability had been his normal retirement date.

Non-Uniform Plan.

- C. Normal Retirement Benefit - Two percent (2%) for each year of continuous service (to a maximum of sixty percent (60%), multiplied by the average monthly pay rate.
- D. Early Retirement Benefit - Shall equal the accrued benefit payable on Normal Retirement Date, or, if elected, reduced by one-half ($\frac{1}{2}$) of one percent (1%) for each month the early retirement date precedes the Normal Retirement Date. The benefit is payable immediately.
- E. Deferred Retirement Benefit - Calculated in the same manner as the Normal Retirement Benefit.

(iv.) Accrued Benefits

Police Plan.

BOROUGH of MALVERN
NOTES to FINANCIAL STATEMENTS
DECEMBER 31, 2021

The Normal Retirement Benefit multiplied by the fraction of years of service to date over total expected years of service to retirement.

Non-Uniform Plan.

The Normal Retirement Benefit calculated as of the date of determination.

(v.) Vested Benefits.

Non-Vested Benefit - Any member, who for any reason shall be ineligible to receive a pension after having contributed, shall be entitled to a refund of the contributions plus interest at the rate of

(a.) five percent (5%) per annum for Police Plan participants and six percent (7%) per annum thereafter, upon discontinuance of his/her employment.

(b.) four percent (4%) per annum for Non-Uniform Plan participants through the end of 1982 and seven percent (7%) per annum through the end of 2017, and six percent (6%) per annum thereafter.

Vested Benefit, Police Plan - After completing twelve (12) years of service, a member will be entitled to one hundred percent (100%) vesting in his accrued benefit payable at Normal Retirement Date.

Vested Benefit, Non-Uniform Plan - After completing five (5) years of service, a member will be entitled to one hundred percent (100%) vesting in his accrued benefit payable at Normal Retirement Date. Nevertheless, a member shall be 100% vested in his/her accrued benefit upon the attainment of age 65.

(vi.) Death Benefits.

A. Police Plan, Pre-Retirement:

(a.) Non-Vested Benefit - The beneficiary of a deceased officer who was non-vested in the accrued benefit at the date of death, shall be entitled to the refund of employee contributions, if any, plus interest at the rate of five percent (5%) per annum through the end of 1982 and seven percent (7%) per annum, thereafter.

(b.) Vested Benefit - The spouse of a deceased member, who was vested in the accrued benefit at the date of death, shall receive during the spouse's lifetime, fifty percent (50%) of the accrued benefit of the member commencing on the expected normal retirement date of the member. If no such spouse survives, or if the spouse survives and subsequently dies, then the children under the age of eighteen (18) [or are attending college and have not yet attained age twenty three (23)], shall be entitled to the same benefit described above.

B. Police Plan, Post-Retirement Survivors Benefit: The widow of a member who has attained eligibility for retirement, or a member who retired on pension, shall receive during the spouse's lifetime, fifty percent (50%) of the pension the member was receiving or would have been receiving had he been retired at the time of his death. If no such widow survives, or if the spouse survives and subsequently dies or remarries, then the children under the age of eighteen (18), or are attending college and have not yet attained age twenty three (23), shall be entitled to the same benefit described above.

C. Non-Uniform Plan: If a member dies prior to retirement, the Trustee shall pay to the designated beneficiary(ies) an amount equal to his/her employee contributions plus interest at the rate of four percent (4%) through the end of 1982, plus seven percent (7%) through the end of 2017, and 6% thereafter, compounded annually. Upon the death of a retired participant, additional payments, if any,

BOROUGH of MALVERN
NOTES to FINANCIAL STATEMENTS
DECEMBER 31, 2021

will be paid subject to the retirement payment election(s) chosen by the participant at time of retirement.

D. Non-Uniform Plan, Post-Retirement Benefit: this is subject to the provisions of the form of payment elected by the member.

(vi.) Deferred Retirement Option Program (DROP). The Police Pension Plan has a two (2) year DROP option. The Non-Uniform plan does not provide a Deferred Retirement Option Program.

(vii.) Employee Contributions. Employee contributions are calculated according to the following schedule:

- Police Plan: Provided that the Funded Percentage of the plan is less than 110% (as calculated in the Biennial Actuarial Report), and other terms of the collectible bargaining agreement are fulfilled, employee contributions would be 3.5% of monthly salary, up to the social security wage base for the calendar year plus 5% of the monthly salary in excess of the social security wage base for the calendar year. There were no such employee contributions during 2021.
- Non-Uniform Plan: 2% of monthly salary.

Contributions & Funding Policy. Act 205 requires that annual contributions to these plans be based upon plan's calculated Minimum Municipal Obligation (MMO), which is based on the plan's biennial actuarial valuation. The plan may also be eligible to receive an allocation of state aid from the General Municipal Pension System State Aid Program which must be used for pension funding. Any funding requirements established by the MMO in excess of employee contributions and state aid must be paid by the municipality in accordance with Act 205. Investment expenses, including investment manager and custodial services, are funded through investment earnings. Administrative expenses, including actuarial and consultant services, are funded through investment earnings and/or contributions.

Basis of Accounting. These pension trusts use the accrual basis of accounting. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans. Administrative costs are financed through investment earnings. Assets of each plan are valued and reported at fair market value.

Investment Policy.

The allocation of invested assets for each/both pension plans is established and may be amended by the Pension Board. The investment policy of the Plan is to maximize the total rate of return over the long term, subject to preservation of capital, by diversifying the allocation of capital among various investments in domestic equity securities, international equity securities, domestic fixed income instruments and other asset classes as may be deemed prudent. The plans' investment policy(s) establish that the portfolio may be invested in the following asset classes with target asset allocations as listed in Table 2, below.

Long-Term Expected Rate of Return.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation of 2.24%) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation. Best estimates of

BOROUGH of MALVERN
NOTES to FINANCIAL STATEMENTS
DECEMBER 31, 2021

arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2021 are summarized in Table 2, below.

Table 2	Police Plan		Non-Uniform Plan	
	Target	Long-Term Expected Rate of Return	Target	Long-Term Expected Rate of Return
Domestic Equity Large Cap	31%	5.72%	31%	5.72%
Domestic Equity Mid 2Cap	5%	6.77%	5%	6.77%
Domestic Equity Small Cap	5%	6.77%	5%	6.77%
International Equity	20%	6.55%	20%	6.55%
Fixed Income	36%	2.18%	36%	2.18%
Real Estate	0%	5.41%	0%	5.41%
Cash	3%	-.33%	3%	-.33%
Total	100%		100%	

Table 3	Police Plan	Non-Uniform Plan	Total
Total Pension Liability	\$ 2,130,835	\$ 3,888,573	\$ 6,019,408
Plan Fiduciary Net Position	\$ 3,217,062	\$ 5,115,902	\$ 8,332,964
Net Pension Liability	\$ (1,086,227)	\$ (1,227,329)	\$ (2,313,556)

Plan Fiduciary Net Position as a Percentage of the Total Pension Liability 151.0% 131.6% 138.4%

Rate of Return.

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the year ended December 31, 2021, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was

- Police Plan 11.13%
- Non-Uniformed Plan 11.09%

BOROUGH of MALVERN
NOTES to FINANCIAL STATEMENTS
DECEMBER 31, 2021

Pension Liability, Pension Expense and Deferred Outflows of Resources Related to Pensions.

(i.) Net Pension Liability. The components of the net pension liability of the plans as of December 31, 2021 were as follows:

(ii.) Net Pension Liability Sensitivity. The following is a sensitivity analysis of the net pension liability to changes in the discount rate. The table below presents the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower and 1 percentage point higher than the current rate.

Table 4	1% Decrease 5.00%	Current Discount Rate 6.00%	1% Increase 7.00%
Police Plan			
Net Pension Liability (Asset)	\$ (802,771)	\$ (1,086,227)	\$ (1,320,441)
Non-Uniformed Plan			
Net Pension Liability (Asset)	\$ (906,487)	\$ (1,227,329)	\$ (1,504,665)

Malvern Borough
Notes to Financial Statements, Note #6 Continued
December 31, 2021

Changes in Net Pension Liability

The following table shows the changes in net pension liability recognized over the year January 1, 2021 to December 31, 2021.

	Police Plan			Non-Uniform Plan			Total
	Increase / (Decrease)			Increase / (Decrease)			
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	
Balances at December 31, 2020	\$ 1,947,766	\$ 3,011,217	\$ (1,063,451)	\$ 3,574,988	\$ 4,685,259	\$ (1,110,271)	\$ (2,173,722)
Changes for the year:							
Service Cost	76,237	-	76,237	104,686	-	104,686	180,923
Interest on Total Pension Liability	124,080	-	124,080	223,872	-	223,872	347,952
Changes in Benefit Terms	-	-	-	-	-	-	-
Differences Between Expected and Actual Experience	49,657	-	49,657	(118,702)	-	(118,702)	(69,045)
Changes of Assumptions	55,588	-	55,588	236,731	-	236,731	292,319
Contributions - Employer	-	-	-	-	-	-	-
Contributions - State Aid	-	-	-	-	28,289	(28,289)	(28,289)
Contributions - Member	-	-	-	-	20,620	(20,620)	(20,620)
Net Investment Income	-	328,338	(328,338)	-	514,736	(514,736)	(843,074)
Benefit Payments	(122,493)	(122,493)	-	(133,002)	(133,002)	-	-
Administrative Expense	-	-	-	-	-	-	-
Other Changes	-	-	-	-	-	-	-
Net Changes	\$ 183,069	\$ 205,845	\$ (22,776)	\$ 313,585	\$ 430,643	\$ (117,058)	\$ (139,834)
Balances at December 31, 2021	\$ 2,130,835	\$ 3,217,062	\$ (1,086,227)	\$ 3,888,573	\$ 5,115,902	\$ (1,227,329)	\$ (2,313,556)

Malvern Borough
Notes to Financial Statements, Note #6 Continued
December 31, 2021

Pension Expense for Fiscal Year Ended December 31, 2021

	Police Plan	Non-Uniformed Plan	Total
Service Cost	\$ 76,237	\$ 104,686	\$ 180,923
Interest on Total Pension Liability	124,080	223,872	347,952
Changes in Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	32,118	(36,724)	(4,606)
Changes of Assumptions	18,155	23,937	42,092
Employee Contributions	-	(20,620)	(20,620)
Projected Earnings on Pension Plan Investments	(176,998)	(278,168)	(455,166)
Differences Between Projected and Actual Earnings on Investments	(119,189)	(179,391)	(298,580)
Administrative Expense	-	-	-
Other Changes in Fiduciary Net Position	-	-	-
Total Pension Expense	\$ (45,597)	\$ (162,408)	\$ (208,005)

Malvern Borough
Notes to Financial Statements, Note #6 Continued
December 31, 2021

Deferred Outflows and Deferred Inflows of Resources

For the year ended December 31, 2021, Malvern Borough recognized a negative pension expense (pension income) of \$45,597 and a negative pension expense (pension income) of \$165,408 for Police Plan and Non-Uniformed Plan, respectively. At December 31, 2021, Malvern Borough reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Police Plan</u>		<u>Non-Uniformed Plan</u>	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 302,601			\$ (171,935)
Changes in Assumptions	61,281		208,186	
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		(320,526)		(498,845)
Total	\$ 363,882	\$ (320,526)	\$ 208,186	\$ (670,780)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

	<u>Police Plan</u>	<u>Non-Uniformed Plan</u>
Year Ended December 31:		
2022	(25,899)	(135,257)
2023	(72,695)	(213,961)
2024	(12,011)	(118,447)
2025	33,354	(47,397)
2026	63,622	12,175
Thereafter	56,985	40,293
	\$ 43,356	\$ (462,594)

BOROUGH of MALVERN
NOTES to FINANCIAL STATEMENTS
DECEMBER 31, 2021

(iii.) Actuarial Assumptions. Plan Assets are valued at Market Values, except for insurance holdings, which, if any, are valued at reported contract values. The total pension liability for each plan was determined by a biennial actuarial valuation as of January 1, 2021, using the Entry Age Normal cost method and the following actuarial assumptions based on the census data as of January 1, 2021:

Table 5	Police Plan	Non-Uniform Plan
A. Economic Assumptions		
Investment Return	6% per annum, net of investment expenses	6% per annum, net of investment expenses
Salary Increases	3.25%, compounded annually	3.25%, compounded annually
Social Security Increase	3% per annum	not stated
B. Demographic Assumptions		
Pre-Retirement Mortality	None assumed	PUBS-2010 Healthy Retiree Mortality projected 5 years past the valuation scale using Scale MP-2020
Post-Retirement Mortality	PUBS-2010 Healthy Retiree Mortality projected 5 years past the valuation scale using Scale MP-2020	
Beneficiaries Mortality		
Disabled Mortality		
Termination	None assumed	None assumed
Disability	None assumed	None assumed
Retirement Age	Normal retirement age, or age on valuation date if greater.	Normal retirement age, or age on valuation date if greater.
Marital Status	100% of active members are assumed to be married; female spouse is assumed to be 3 years younger than male spouse	not stated
Form of Annuity	Joint & 50% Survivor	Straight Life

BOROUGH of MALVERN
NOTES to FINANCIAL STATEMENTS
DECEMBER 31, 2021

7. COMMITMENTS.

As of December 31, 2020, the Borough has several major commitments underway:

- As of December 31, 2021, the Ruthland Avenue Pump Station Force Main Upgrade project remains in the 18-month maintenance bond period. There are still some remaining expenditures associated with this project.
- As of December 31, 2021 the Borough is in the process of revising the Comprehensive Plan which is required every 10 years per the Pennsylvania Municipalities Planning Code.
- The North Warren Avenue Transit Project work was substantially completed in October 2020. The project is now in the 18-month maintenance bond period. The Borough received \$360,641 in grant funding reimbursements from the Commonwealth of Pennsylvania in 2020; The remaining grant funding for this project was received by the Borough in the first half of 2021.
- As of December 31, 2021 the street lighting located on King Street has been approved to be updated, contracted through PECO, to LED efficient lighting.

8. SUBSEQUENT EVENTS.

The Borough has evaluated all events through May 10, 2022, which is the date these financial statements were available to be issued, and has determined that there are no subsequent events that require recognition or disclosure.

BOROUGH of MALVERN

REQUIRED SUPPLEMENTAL INFORMATION

**Budgetary Comparison Statement - General Fund
for the year ended December 31, 2021**

	Original & Final Appropriated Budget	Actual Amounts (Budgetary Basis)	<i>variance</i>
REVENUES:			
Taxes	\$ 3,294,635	\$ 3,646,651	\$ 352,016
Licenses & Permits	199,400	173,622	(25,778)
Fines, Forfeits, & Costs	28,400	21,721	(6,679)
Interest & Rents	98,000	84,899	(13,101)
Intergovernmental Revenues	633,833	461,779	(172,054)
Charges For Sevices & Fees	58,250	25,635	(32,615)
Sale of Assets	50,000	-	(50,000)
Miscellaneous Revenue	17,000	15,422	(1,578)
TOTAL BUDGETED REVENUES	4,379,518	4,429,729	50,211
EXPENDITURES			
General Government	713,619	759,075	(45,456)
Public Safety	1,624,363	1,543,505	80,858
Public Works: Highways & Streets	838,718	533,682	305,036
Public Works: Garbage Collection	270,000	284,389	(14,389)
Culture & Recreation	127,820	103,130	24,690
All Other Expenses	88,283	82,451	5,832
TOTAL EXPENDITURES - CURRENT	3,662,803	3,306,232	356,571
TOTAL EXPENDITURES	3,662,803	3,306,232	356,571
EXCESSS of REVENUES OVER EXPENDITURES	716,715	1,123,497	406,782
Transfers In	125,000	43,308	(81,692)
Transfers Out	(841,716)	(473,100)	368,616
NET TRANSFERS	(716,716)	(429,792)	286,924
NET CHANGE in FUND BALANCE	\$ (1)	\$ 693,705	\$ 693,706

Reconciliation of Net Change in Fund Balance to Change In Net Assets (GAAP Basis)

Net Changes in Fund Balances - total governmental funds	\$ 693,705
Decrease (Increase) in Accounts Payable and Accrued Expenses	41,425
Increase (Decrease) in Receivables	(7,434)
Increase (Decrease) in Prepaid Insurance	4,384
Principal Payments on Bonds & Notes Payable	
Expenditures for Capital Assets	28,447
Decrease (Increase) in Accrual for Compensated Absences	12,510
Additional Pension Expense claimed on GAAP Statement of Activities	179,085
Depreciation Expense claimed on GAAP Statement of Activities	(324,894)
Equity Transfers to Business-Like Funds	35,117
Change in Net Assets (GAAP Basis)	\$ 662,345

See notes to required supplementary information.

BOROUGH of MALVERN

REQUIRED SUPPLEMENTAL INFORMATION

**Budgetary Comparison Statement - Capital Fund
for the year ended December 31, 2021**

	Original & Final Appropriated Budget	Actual Amounts (Budgetary Basis)	<i>variance</i>
REVENUES:			
Interest & Rents	\$ 6,000	\$ 1,959	\$ (4,041)
Miscellaneous Revenue	-	-	-
TOTAL BUDGETED REVENUES	<u>6,000</u>	<u>1,959</u>	<u>(4,041)</u>
EXPENDITURES			
General Government	231,200	71,335	159,865
Public Works: Highways & Streets	2,330,000	157,928	2,172,072
Debt Service	273,569	273,312	257
TOTAL EXPENDITURES - CURRENT	<u>2,834,769</u>	<u>502,575</u>	<u>2,331,937</u>
EXCESS of REVENUES OVER EXPENDITURES	(2,828,769)	(500,616)	(2,335,978)
Transfers In	841,716	473,100	(368,616)
Transfers Out	-	-	-
NET TRANSFERS	<u>841,716</u>	<u>473,100</u>	<u>(368,616)</u>
NET CHANGE in FUND BALANCE	<u>\$ (1,987,053)</u>	<u>\$ (27,516)</u>	<u>\$ (2,704,594)</u>

Reconciliation of Net Change in Fund Balance to Change In Net Assets (GAAP Basis)

NET CHANGE in FUND BALANCE	\$ (27,516)
Reconciling Items	<u>429,261</u>
Change in Net Assets (GAAP Basis)	<u>\$ 401,745</u>

See notes to required supplementary information.

BOROUGH of MALVERN

REQUIRED SUPPLEMENTAL INFORMATION

**Budgetary Comparison Statement - Liquid Fuel Fund (a Special Major Revenue Fund)
for the year ended December 31, 2021**

	Original & Final Appropriated Budget	Actual Amounts (Budgetary Basis)	<i>variance</i>
REVENUES:			
Interest & Rents	\$ 1,000	\$ 324	\$ (676)
Intergovernmental Revenues	90,716	85,938	(4,778)
TOTAL BUDGETED REVENUES	<u>91,716</u>	<u>86,262</u>	<u>(5,454)</u>
EXPENDITURES			
TOTAL EXPENDITURES - CURRENT	<u>85,000</u>	<u>58,093</u>	<u>26,907</u>
EXCESS of REVENUES OVER EXPENDITURES	6,716	28,169	(32,361)
Transfers Out	<u>(125,000)</u>	<u>(43,308)</u>	<u>81,692</u>
NET TRANSFERS	<u>(125,000)</u>	<u>(43,308)</u>	<u>81,692</u>
NET CHANGE in FUND BALANCE	<u>\$ (118,284)</u>	<u>\$ (15,139)</u>	<u>\$ 49,331</u>

Reconciliation of Net Change in Fund Balance to Change In Net Assets (GAAP Basis)

NET CHANGE in FUND BALANCE	\$ (15,139)
Reconciling Items	<u>-</u>
Change in Net Assets (GAAP Basis)	<u>\$ (15,139)</u>

See notes to required supplementary information.

**Malvern Borough
Required Supplemental Information
Schedule of Investment Returns
December 31, 2021**

Police Plan

	2015	2016	2017	2018	2019	2020	2021
Annual Money-Weighted Rate of Return, Net of Investment Expenses	-0.40%	6.39%	15.26%	-5.60%	19.22%	14.52%	11.13%

Notes to schedules: none

Non-Uniform Plan

	2015	2016	2017	2018	2019	2020	2020
Annual Money-Weighted Rate of Return, Net of Investment Expenses	-0.37%	6.13%	14.37%	-5.56%	19.05%	14.60%	11.09%

Notes to schedules: none

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information is presented for as many years as is available.

Malvern Borough
Required Supplemental Information
Schedule of Changes in Net Pension Liability & Related Ratios
December 31, 2021

	Police Plan 2015	Non-Uniformed Plan 2015	Police Plan 2016	Non-Uniformed Plan 2016	Police Plan 2017	Non-Uniformed Plan 2017	Police Plan 2018	Non-Uniformed Plan 2018	Police Plan 2019	Non-Uniformed Plan 2019	Police Plan 2020	Non-Uniformed Plan 2020	Police Plan 2021	Non-Uniformed Plan 2021
Total Pension Liability														
Service Cost	\$ 35,615	\$ 62,386	\$ 37,396	\$ 65,505	\$ 22,554	\$ 72,451	\$ 23,287	\$ 74,806	\$ 26,575	\$ 83,350	\$ 31,978	\$ 86,059	\$ 76,237	\$ 104,686
Interest on Total Pension Liability	73,656	169,368	79,217	178,436	67,482	182,417	70,322	191,541	98,692	196,200	112,349	206,058	124,080	223,872
Changes of Benefit Terms	-	-	-	-	-	-	-	-	-	-	171,078	-	-	-
Differences Between Expected and Actual Experience	-	-	-	-	(153,646)	(66,583)	-	-	441,044	(92,068)	-	-	49,657	(118,702)
Changes of Assumptions	-	-	-	-	75,688	(12,804)	-	-	-	-	-	-	55,588	236,731
Benefit Payments, Including Refunds of Member Contributions	(32,435)	(62,308)	(30,785)	(105,160)	(30,785)	(105,160)	(56,073)	(105,160)	(74,135)	(105,160)	(74,136)	(130,755)	(122,493)	(133,002)
Net Change in Total Pension Liability	76,836	169,446	85,828	138,781	(18,707)	70,321	37,536	161,187	492,176	82,322	241,269	161,362	183,069	313,585
Total Pension Liability - Beginning	1,032,828	2,791,569	1,109,664	2,961,015	1,195,492	3,099,796	1,176,785	3,170,117	1,214,321	3,331,304	1,706,497	3,413,626	1,947,766	3,574,988
Total Pension Liability - Ending	\$ 1,109,664	\$ 2,961,015	\$ 1,195,492	\$ 3,099,796	\$ 1,176,785	\$ 3,170,117	\$ 1,214,321	\$ 3,331,304	\$ 1,706,497	\$ 3,413,626	\$ 1,947,766	\$ 3,574,988	\$ 2,130,835	\$ 3,888,573
Plan Fiduciary Net Position														
Contributions - Employer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 167	\$ -	\$ 8,457	\$ -	\$ -	\$ -	\$ -
Contributions - State Aid	-	66,791	-	30,471	-	33,394	-	15,119	-	11,995	-	15,745	-	28,289
Contributions - Member	-	13,499	-	16,909	-	16,336	-	17,787	-	18,623	-	20,587	-	20,620
Net Investment Income	(8,603)	(12,196)	134,400	199,204	336,863	487,821	(140,051)	(212,308)	441,115	673,568	386,530	602,781	328,338	514,736
Benefit Payments, Including Refunds of Member Contributions	(32,435)	(62,308)	(30,785)	(105,160)	(30,785)	(105,160)	(56,073)	(105,160)	(74,135)	(105,160)	(74,136)	(130,755)	(122,493)	(133,002)
Administrative Expense	-	-	(1,650)	(1,600)	(2,875)	(2,875)	-	-	-	-	-	-	-	-
	(41,038)	5,786	101,965	139,824	303,203	429,516	(196,124)	(284,395)	366,980	607,483	312,394	508,358	205,845	430,643
Plan Net Position - Beginning	2,163,837	3,278,687	2,122,799	3,284,473	2,224,764	3,424,297	2,527,967	3,853,813	2,331,843	3,569,418	2,698,823	4,176,901	3,011,217	4,685,259
Plan Net Position - Ending	\$ 2,122,799	\$ 3,284,473	\$ 2,224,764	\$ 3,424,297	\$ 2,527,967	\$ 3,853,813	\$ 2,331,843	\$ 3,569,418	\$ 2,698,823	\$ 4,176,901	\$ 3,011,217	\$ 4,685,259	\$ 3,217,062	\$ 5,115,902
Municipality's Net Pension Liability (Asset)	\$ (1,013,135)	\$ (323,458)	\$ (1,029,272)	\$ (324,501)	\$ (1,351,182)	\$ (683,696)	\$ (1,117,522)	\$ (238,114)	\$ (992,326)	\$ (763,275)	\$ (1,063,451)	\$ (1,110,271)	\$ (1,086,227)	\$ (1,227,329)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	191.3%	110.9%	186.1%	110.5%	214.8%	121.6%	192.0%	107.1%	158.1%	122.4%	154.6%	131.1%	151.0%	131.6%
Covered Employee Payroll	\$ 323,461	\$ 669,275	\$ 293,850	\$ 677,220	\$ 260,210	\$ 772,700	\$ 369,762	\$ 819,324	\$ 379,500	\$ 890,190	\$ 542,529	\$ 955,621	\$ 558,004	\$ 996,172
Municipality's Net Pension Liability as a Percentage of Covered Employee Payroll	-313.2%	-48.3%	-350.3%	-47.9%	-519.3%	-88.5%	-302.2%	-29.1%	-261.5%	-85.7%	-196.0%	-116.2%	-194.7%	-123.2%

Notes to schedules: none

Ultimately, this schedule should present information for the last ten years. However, until ten years of information can be compiled, information is presented for as many years as is available.

**Malvern Borough
Required Supplemental Information
Schedule of Employer Contributions to Pension Plans
December 31, 2021**

Police Plan

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Actuarially Determined Contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in Relation to the Actuarially Determined Contribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ -	\$ -	\$ -	\$ -	\$ 349,727	\$ 292,734	\$ 309,630	\$ 323,461	\$ 293,850	\$ 260,210	\$ 369,762	\$ 379,500	\$ 542,529	\$ 558,004
Contributions as a Percentage of Covered Employee Payroll	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Notes to schedules:

For each year 2008 through 2021, the net assets exceed the present value of benefits; therefore, no contribution was required.

Non-Uniform Plan

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Actuarially Determined Contribution	\$ 33,074	\$ 31,400	\$ 33,378	\$ 35,982	\$ 69,370	\$ 76,495	\$ 55,296	\$ 66,385	\$ 26,021	\$ 32,666	\$ 15,286	\$ 20,452	\$ 15,745	\$ 18,725
Contributions in Relation to the Actuarially Determined Contribution	37,835	31,400	33,378	35,982	69,370	76,495	59,436	66,791	30,471	33,394	15,286	20,452	15,745	28,289
Contribution Deficiency (Excess)	\$ (4,761)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (4,140)	\$ (406)	\$ (4,450)	\$ (728)	\$ -	\$ -	\$ -	\$ (9,564)
Covered Employee Payroll	\$ 536,827	\$ 479,630	\$ 497,662	\$ 544,495	\$ 544,495	\$ 598,096	\$ 556,479	\$ 669,275	\$ 677,220	\$ 772,700	\$ 819,324	\$ 890,190	\$ 558,004	\$ 996,172
Contributions as a Percentage of Covered Employee Payroll	7.0%	6.5%	6.7%	6.6%	12.7%	12.8%	10.7%	10.0%	4.5%	4.3%	1.9%	2.3%	1.6%	2.8%

Notes to schedules: none

BOROUGH of MALVERN
NOTES to REQUIRED SUPPLEMENTAL INFORMATION
DECEMBER 31, 2021

NOTE A - BUDGETARY POLICY

The Malvern Borough Council annually adopts the budget for the General Fund of the Borough. Borough Management may not amend the budget without the approval of the Borough Council. Uncommitted appropriations lapse at year-end.

NOTE B - BUDGETARY BASIS of ACCOUNTING

The Budget for the General Fund was adopted on the cash basis of accounting; revenues reflect those funds actually expected to be received and expenditures reflect those funds actually expected to be spent.

NOTE C - EXCESS of EXPENDITURES OVER APPROPRIATIONS

For the year ended December 31, 2021, revenues fell short of budgeted amounts in the following General Fund department levels (the legal level of budgetary control):

Licenses & Permits	\$ 25,778
Fines, Forfeits, & Costs	6,679
Interest & Rents	13,101
Intergovernmental Revenues	172,054
Charges For Services & Fees	32,833
Sale of Assets	50,000
Miscellaneous Revenue	1,360

Expenditures for the same period was more than the budgeted amounts in the following General Fund department levels (the legal level of budgetary control):

General Government	\$ 45,456
Public Works: Garbage Collection	14,389

These revenue shortfalls were offset in part by each general fund department having spent less than budgeted in total.