

**Malvern Borough**

Financial Statements and  
Independent Auditor's Report

December 31, 2022

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**Malvern Borough**  
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December 31, 2022

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**Independent Auditor's Report**

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

**Opinions**

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Malvern Borough as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Malvern Borough and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Malvern Borough's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

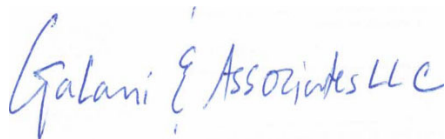
In performing an audit in accordance with generally accepted auditing standards, we:

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

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

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparisons, and pension plan information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 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.



Galani & Associates LLC  
Collegeville, Pennsylvania  
August 31, 2023

**Malvern Borough**  
Management's Discussion and Analysis (Unaudited)  
December 31, 2022

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**Background Information:**

The Borough of Malvern, located in southeastern Pennsylvania, in Chester County, is a small municipality with a population of 3,419, 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 St. and Warren Ave. to provide enhanced pedestrian access and the installation of a new sidewalk connection between the SEPTA station and Pennsylvania Ave. 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 Comprehensive Plan was updated and adopted in September 2022 and provides an overall vision and plan for Malvern Borough as required by the Pennsylvania Municipalities Act. Finally, an American Rescue Plan Act grant was obtained from Chester County in 2022, totaling \$725,100 with a 50% match requirement by the Borough, to address repairs to Old Lincoln Highway and the stabilization of the streambank on North Warren Avenue.

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.

**Malvern Borough**  
Management's Discussion and Analysis (Unaudited)  
December 31, 2022

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As part of the 2022 budgeting process, the Borough's real estate tax rate remained unchanged. The real estate tax rate for 2022 was 4.6700 mills. Borough Council approved an increase to the Borough's sewer rate in Year 2021 to be included as part of the 2022 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 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 Collective Bargaining Agreement was reached with the Malvern Police Officers' Association on November 19, 2019 and will cover January 1, 2020 to December 31, 2023. Borough Council is currently in negotiations to renew the Collective Bargaining Agreement with the Malvern Police Officers' Association.

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, a Craft and Mercantile Festival, Monster Mash to celebrate Halloween, 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 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.

**Malvern Borough**  
Management's Discussion and Analysis (Unaudited)  
December 31, 2022

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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, 2022. 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 2022. 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 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.

**Malvern Borough**  
**Management's Discussion and Analysis (Unaudited)**  
**December 31, 2022**

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:

	December 31, 2022			December 31, 2021		
	Governmental Activities	Business-Like Activities	Total	Governmental Activities	Business-Like Activities	Total
<b>Assets</b>						
Total current assets	\$ 5,312,162	\$ 2,458,713	\$ 7,770,875	\$ 5,457,038	\$ 2,515,045	\$ 7,972,083
Net position asset	537,399	-	537,399	2,313,556	-	2,313,556
Capital assets, net of depreciation	9,628,596	1,416,575	11,045,171	9,941,610	1,499,140	11,440,750
<b>Total assets</b>	<b>15,478,157</b>	<b>3,875,288</b>	<b>19,353,445</b>	<b>17,712,204</b>	<b>4,014,185</b>	<b>21,726,389</b>
<b>Deferred outflows of resources from pensions</b>	<b>1,132,454</b>	<b>154,425</b>	<b>1,286,879</b>	<b>505,170</b>	<b>66,898</b>	<b>572,068</b>
<b>Liabilities</b>						
Total current liabilities	267,329	-	267,329	579,593	15,082	594,675
Total non-current liabilities	107,491	-	107,491	146,829	-	146,829
<b>Total liabilities</b>	<b>374,820</b>	<b>-</b>	<b>374,820</b>	<b>726,422</b>	<b>15,082</b>	<b>741,504</b>
<b>Deferred inflows of resources from pensions</b>	<b>106,817</b>	<b>28,394</b>	<b>135,211</b>	<b>787,028</b>	<b>204,278</b>	<b>991,306</b>
<b>Net position</b>						
Invested in capital assets, net of related debt	9,596,596	1,416,575	11,013,171	9,638,610	1,499,140	11,137,750
Restricted for pensions	1,563,036	126,031	1,689,067	2,031,698	(137,380)	1,894,318
Unrestricted net position	4,969,342	2,458,713	7,428,055	5,033,616	2,499,963	7,533,579
<b>Total net position</b>	<b>\$ 16,128,974</b>	<b>\$ 4,001,319</b>	<b>\$ 20,130,293</b>	<b>\$ 16,703,924</b>	<b>\$ 3,861,723</b>	<b>\$ 20,565,647</b>

	Year Ended December 31, 2022			Year Ended December 31, 2021		
	Governmental Activities	Business-Like Activities	Total	Governmental Activities	Business-Like Activities	Total
<b>Revenue</b>						
Operating grants	\$ 91,928	\$ -	\$ 91,928	\$ 101,996	\$ -	\$ 101,996
Capital grants	283,696	-	283,696	380,175	-	380,175
Charges for services	13,650	1,015,069	1,028,719	8,550	978,919	987,469
<b>Total program revenue</b>	<b>389,274</b>	<b>1,015,069</b>	<b>1,404,343</b>	<b>490,721</b>	<b>978,919</b>	<b>1,469,640</b>
Taxes	3,897,655	-	3,897,655	3,660,939	-	3,660,939
All other revenues	476,254	11,211	487,465	365,757	6,872	372,629
Earnings on investments	26,858	-	26,858	13,448	-	13,448
Transfers, net	451	(451)	-	35,117	(35,117)	-
<b>Total general governmental revenue</b>	<b>4,401,218</b>	<b>10,760</b>	<b>4,411,978</b>	<b>4,075,261</b>	<b>(28,245)</b>	<b>4,047,016</b>
<b>Total revenue</b>	<b>4,790,492</b>	<b>1,025,829</b>	<b>5,816,321</b>	<b>4,565,982</b>	<b>950,674</b>	<b>5,516,656</b>
<b>Expenses</b>						
General government	1,340,635	-	1,340,635	1,223,805	-	1,223,805
Public safety	1,621,520	-	1,621,520	1,388,146	-	1,388,146
Highways and streets	1,227,727	-	1,227,727	494,178	-	494,178
Culture and recreation	106,448	-	106,448	91,982	-	91,982
Garbage collection	277,211	-	277,211	286,608	-	286,608
Civic contributions	27,500	-	27,500	25,000	-	25,000
Insurance and payroll taxes	59,276	-	59,276	-	-	-
Sewer services	-	935,008	935,008	-	985,992	985,992
Debt interest	3,043	-	3,043	7,312	-	7,312
<b>Total expenses</b>	<b>4,663,360</b>	<b>935,008</b>	<b>5,598,368</b>	<b>3,517,031</b>	<b>985,992</b>	<b>4,503,023</b>
<b>Change in net position</b>	<b>\$ 127,132</b>	<b>\$ 90,821</b>	<b>\$ 217,953</b>	<b>\$ 1,048,951</b>	<b>\$ (35,318)</b>	<b>\$ 1,013,633</b>



**Malvern Borough**  
Management's Discussion and Analysis (Unaudited)  
December 31, 2022

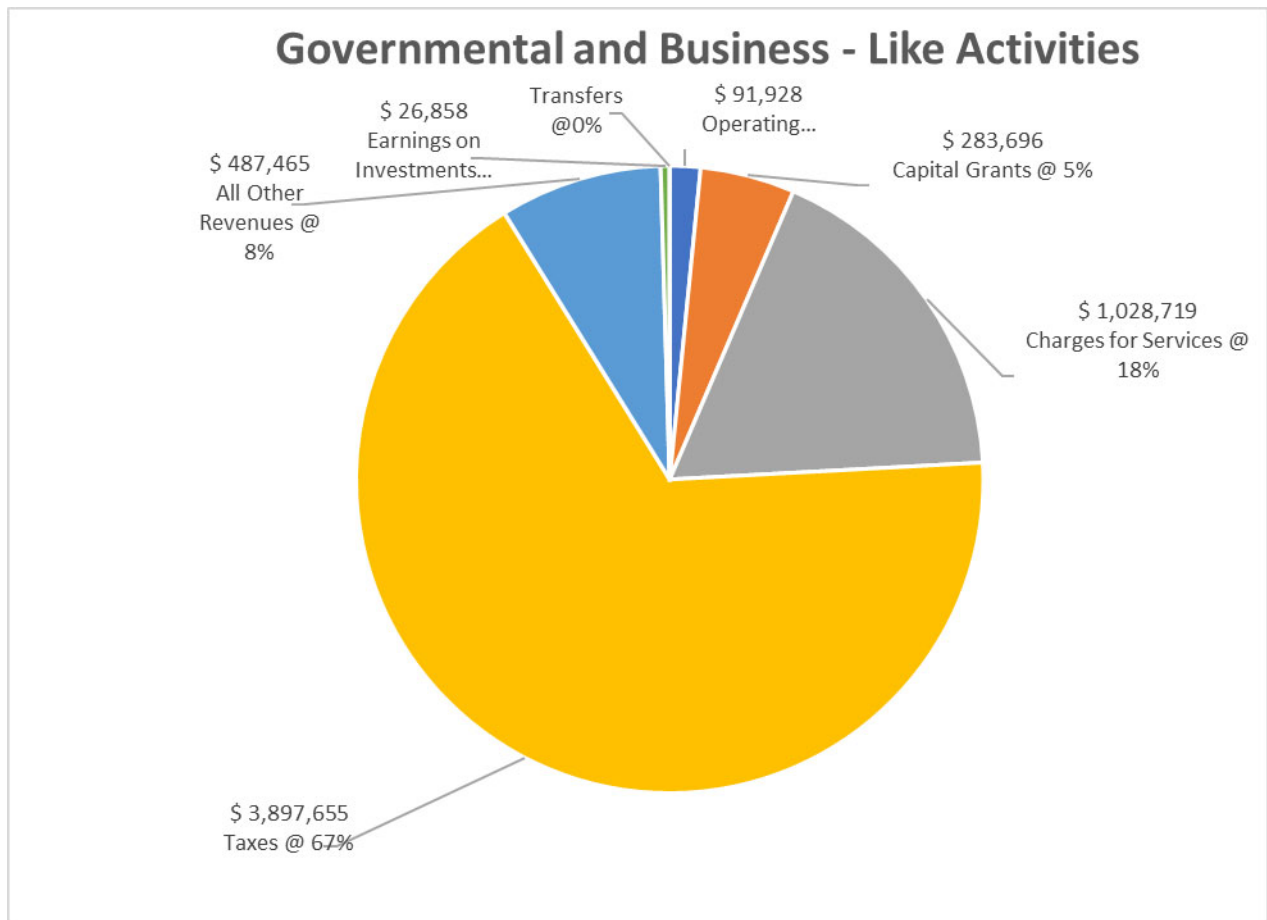
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**Revenues**

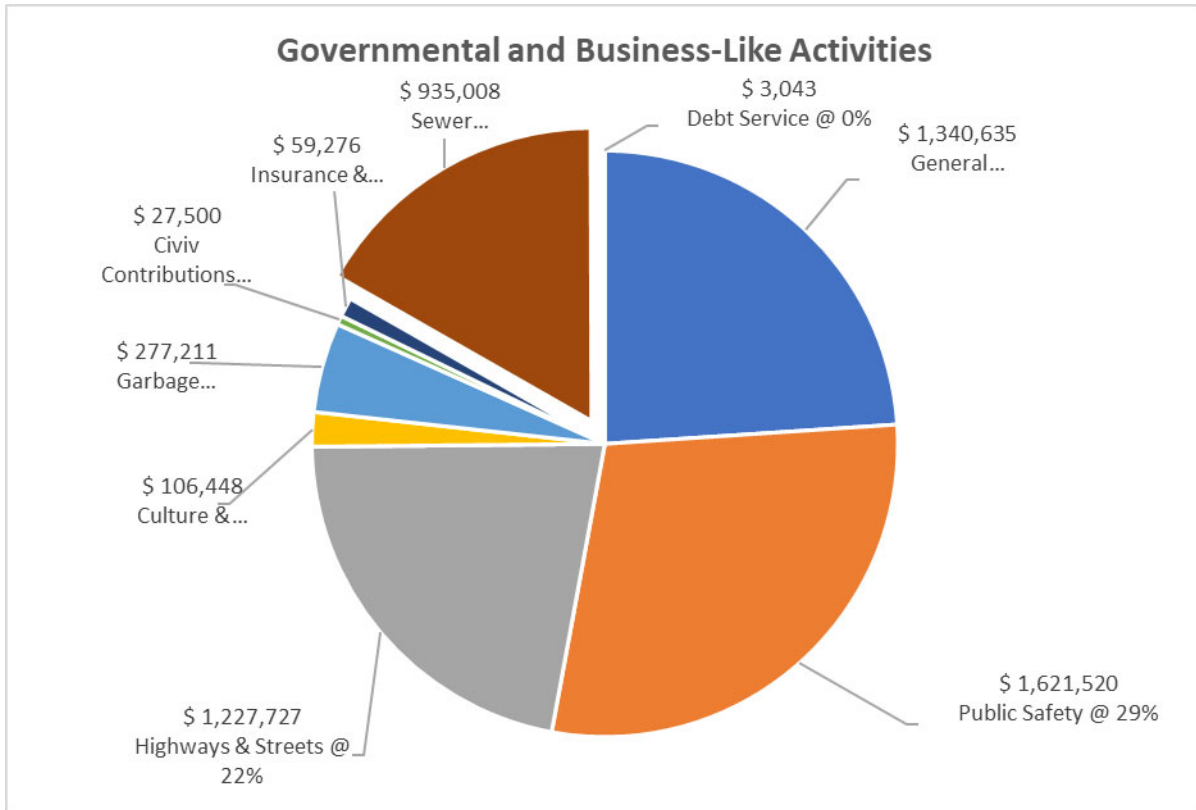
The real estate tax rate for the Borough was unchanged in 2022. Collection of current year real estate taxes in 2022 were under the budgeted projections by 2.6%.

Total Act 511 Tax collections witnessed a 23.2% increase in 2022. Revenue categories allocated in this grouping finished 2022 above budgeted projections in 2 out of the 4 categories. Earned Income Tax revenue witnessed a 20.1% increase in collections when comparing 2022 to 2021. Real Estate Transfer Tax revenue finished 44.8% over budgeted projections.

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 2022 at 2.4% higher than the projected budget. During 2022, 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.



**Malvern Borough**  
 Management's Discussion and Analysis (Unaudited)  
 December 31, 2022



**Expenditures**

The budgeted 2022 General Fund expenditures were higher to the budgeted 2021 expenditures due to the COVID-19 Pandemic.

The Borough completed five (5) paving projects in 2022. These included the paving of King Street, Quaker Lane, Roberts Lane to King Street, Raspberry Avenue, and a portion of Second Avenue. Contributions to local civic organizations were continued in 2022. Finally, Borough Council extended the existing trash and recycling collection contract by exercising the final option year. The trash contract is up for renewal as of June 30, 2023.

The Sewer Fund was under budgeted expenditures that were projected in the 2022 budget.

Capital projects in 2022 included improvements make to Quann Park partially funded by a grant from the Pennsylvania Department of Conservation & Natural Resources, public storm drainage improvements located at the Post Office, revision and adoption of the Comprehensive Plan, street lighting upgrades to King Street to switch over to LED technology, and the pacing of Borough Streets.

**Capital Expenses and Debt Service**

The Borough has outstanding debt of \$32,000 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 31<sup>st</sup>) 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.

**Malvern Borough**  
Management's Discussion and Analysis (Unaudited)  
December 31, 2022

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**FOR REFERENCE ONLY**

FINANCIAL HIGHLIGHTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**Assets**

Total Current Assets decreased by \$201,208.

Noncurrent assets decreased by \$2,171,736. This was because of a decrease of \$1,776,157 for Net Pension Asset, and \$395,579 for current year depreciation.

**Liabilities**

Current liabilities decreased by \$327,346. This was due to a decrease in accounts payable and accrued expenses of \$88,346, and a decrease in bonds and notes of \$5,000 and an increase in escrow liabilities payable of \$107,502.

Non-Current liabilities decreased by \$39,338. This was due to a decrease in compensated absences of \$7,338 and a decrease in bonds & notes payable of \$32,000.

**Deferred Outflows/Inflow of Resources**

Deferred outflows from pensions increased by \$714,811 and Deferred inflows from pensions decreased by \$856,095.

**Total Net Position**

The Borough's total net position decreased by \$435,354, which was a result of current year activity.

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

REVENUE

Total revenue increased by \$299,665 compared to the prior year. Operating Grants decreased by \$10,068; Capital Grants decreased by \$96,479, Charges for Service increased by \$41,250, Taxes increased by \$236,716, and earnings on investments and all other revenue increased by \$128,246.

EXPENDITURE

Total expenditure increased by \$1,095,345, compared to the prior year. General Government increased by \$116,830; Public Safety decreased by \$233,374; Highways & Streets increased by \$733,549; Culture & Recreation increased by \$14,468; Garbage Collection decreased by \$9,397; Civic Contributions increased by \$2,500; Insurance and payroll increased by \$59,276; Sewer Services decreased by \$50,984 and Debt Interest decreased by \$4,269.

## **Basic Financial Statements**

**Malvern Borough**  
Statement of Net Position  
December 31, 2022

	<b>Governmental Activities</b>	<b>Business-Like Activities</b>	<b>Total</b>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 5,295,200	\$ 2,259,130	\$ 7,554,330
Taxes Receivable	16,962	-	16,962
Sewer receivables	-	199,583	199,583
Total current assets	<u>5,312,162</u>	<u>2,458,713</u>	<u>7,770,875</u>
Net pension assets	537,399	-	537,399
Capital assets, net of depreciation	9,628,596	1,416,575	11,045,171
Total assets	<u>\$ 15,478,157</u>	<u>\$ 3,875,288</u>	<u>\$ 19,353,445</u>
Deferred outflows of resources from pensions	<u>\$ 1,132,454</u>	<u>\$ 154,425</u>	<u>\$ 1,286,879</u>
<b>Liabilities and Net Position</b>			
Current liabilities:			
Accounts payable and accrued expenses	\$ 34,798	\$ -	\$ 34,798
Bonds and notes payable	32,000	-	32,000
Escrow liabilities payable	200,531	-	200,531
Total current liabilities	<u>267,329</u>	<u>-</u>	<u>267,329</u>
Compensated absences	107,491	-	107,491
Total liabilities	<u>\$ 374,820</u>	<u>\$ -</u>	<u>\$ 374,820</u>
Deferred inflows of resources from pensions	<u>\$ 106,817</u>	<u>\$ 28,394</u>	<u>\$ 135,211</u>
Net position:			
Invested in capital assets, net of related debt	\$ 9,596,596	\$ 1,416,575	\$ 11,013,171
Restricted for pensions	1,563,036	126,031	1,689,067
Unrestricted net position	4,969,342	2,458,713	7,428,055
Total net position	<u>\$ 16,128,974</u>	<u>\$ 4,001,319</u>	<u>\$ 20,130,293</u>

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

**Malvern Borough**  
Statement of Activities  
Year Ended December 31, 2022

	Program Revenues			Primary Government			
	Expenses	Charges for Services	Operating Grants	Capital Grants	Governmental Activities	Business-Like Activities	Total
<b>Governmental Activities</b>							
General government	\$ 1,340,635	\$ -	\$ -	\$ -	\$ (1,340,635)	\$ -	\$ (1,340,635)
Public safety	1,621,520	13,650	-	-	(1,607,870)	-	(1,607,870)
Highways and streets	1,227,727	-	91,928	283,696	(852,103)	-	(852,103)
Culture and recreation	106,448	-	-	-	(106,448)	-	(106,448)
Garbage collection	277,211	-	-	-	(277,211)	-	(277,211)
Civic contributions	27,500	-	-	-	(27,500)	-	(27,500)
Insurance and payroll taxes	59,276	-	-	-	(59,276)	-	(59,276)
Debt service - interest	3,043	-	-	-	(3,043)	-	(3,043)
Total governmental activities	4,663,360	13,650	91,928	283,696	(4,274,086)	-	(4,274,086)
<b>Business-Like Activities</b>							
Sewer services	935,008	1,015,069	-	-	-	80,061	80,061
Total assets	<u>\$ 5,598,368</u>	<u>\$ 1,028,719</u>	<u>\$ 91,928</u>	<u>\$ 283,696</u>	<u>\$ (4,274,086)</u>	<u>\$ 80,061</u>	<u>\$ (4,194,025)</u>

General Government Revenues			
Taxes	\$ 3,897,655	\$ -	\$ 3,897,655
Earnings on investments	26,858	11,211	38,069
All other revenues	476,254	-	476,254
Transfers, net	451	(451)	-
Total	<u>4,401,218</u>	<u>10,760</u>	<u>4,411,978</u>
Change in net assets	<u>127,132</u>	<u>90,821</u>	<u>217,953</u>
Net position, beginning of year, <i>previously stated</i>	16,703,924	3,861,723	20,565,647
Prior period adjustments	<u>(702,082)</u>	<u>48,775</u>	<u>(653,307)</u>
Net position, beginning of year, <i>restated</i>	<u>16,001,842</u>	<u>3,910,498</u>	<u>19,912,340</u>
Net position, end of year	<u>\$ 16,128,974</u>	<u>\$ 4,001,319</u>	<u>\$ 20,130,293</u>

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

**Malvern Borough**  
Reconciliation of Net Position of Governmental Activities to  
Total Net Position of Governmental Activities  
December 31, 2022

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Unrestricted net position of governmental activities	\$ 4,969,342
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financing resources and therefore are not reported as assets in governmental fund.	9,628,596
Net position assets (liability) incurred by governmental activities are not financing and therefore are not reported as assets in governmental fund.	1,563,036
Short-term liabilities due and payable within one year.	<u>(32,000)</u>
Total net position of governmental activities	<u><u>\$ 16,128,974</u></u>

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

## **Fund Financial Statements**



**Malvern Borough**  
Balance Sheet - Governmental Funds and Proprietary Fund  
December 31, 2022

	<b>Governmental Funds</b>				<b>Proprietary Fund</b>
	<b>General Fund</b>	<b>Capital Project Fund</b>	<b>Highway Aid Fund</b>	<b>Total</b>	<b>Sewer Fund</b>
<b>Assets</b>					
Cash and cash equivalents	\$ 4,183,055	\$ 895,172	\$ 216,973	\$ 5,295,200	\$ 2,446,254
Taxes receivable	16,962	-	-	16,962	-
Sewer receivables	-	-	-	-	199,583
Total assets	<u>\$ 4,200,017</u>	<u>\$ 895,172</u>	<u>\$ 216,973</u>	<u>\$ 5,312,162</u>	<u>\$ 2,645,837</u>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 34,798	\$ -	\$ -	\$ 34,798	\$ -
Escrow liabilities payable	200,531	-	-	200,531	-
Total liabilities	<u>235,329</u>	<u>-</u>	<u>-</u>	<u>235,329</u>	<u>-</u>
Fund balances:					
Reserved for capital projects	-	895,172	-	895,172	-
Unreserved	3,964,688	-	216,973	4,181,661	2,645,837
Total fund balances	<u>3,964,688</u>	<u>895,172</u>	<u>216,973</u>	<u>5,076,833</u>	<u>2,645,837</u>
Total liabilities and fund balances	<u>\$ 4,200,017</u>	<u>\$ 895,172</u>	<u>\$ 216,973</u>	<u>\$ 5,312,162</u>	<u>\$ 2,645,837</u>

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

**Malvern Borough**  
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds and Proprietary Fund  
Year Ended December 31, 2022

	Governmental Funds			Total	Proprietary Fund
	General Fund	Capital Project Fund	Highway Aid Fund		Sewer Fund
<b>Operating revenues</b>					
Taxes	\$ 3,897,655	\$ -	\$ -	\$ 3,897,655	\$ -
Licenses and permits	196,901	-	-	196,901	-
Fines, forfeits, and costs	20,534	-	-	20,534	-
Interest, rents, and franchise fees	98,155	3,558	604	102,317	11,211
Intergovernmental revenues	359,587	-	91,728	451,315	-
Charges for services/fees	116,639	-	-	116,639	1,015,069
Miscellaneous revenue	4,680	-	-	4,680	-
Total operating revenues	<u>4,694,151</u>	<u>3,558</u>	<u>92,332</u>	<u>4,790,041</u>	<u>1,026,280</u>
<b>Operating expenditures</b>					
General government	817,801	11,907	-	829,708	16,533
Public safety	1,620,243	-	1,277	1,621,520	-
Public works - sewer and garbage collection	277,211	-	-	277,211	812,161
Public works - highways and streets	461,983	765,744	-	1,227,727	-
Civic contributions	27,500	-	-	27,500	-
Culture and recreation	106,448	-	-	106,448	-
Insurance, employee benefits, and payroll taxes	59,276	-	-	59,276	23,749
Debt service - principal	-	271,369	-	271,369	-
Debt service - interest	-	3,043	-	3,043	-
Total operating expenditures	<u>3,370,462</u>	<u>1,052,063</u>	<u>1,277</u>	<u>4,423,802</u>	<u>852,443</u>
Excess (deficiency) of revenues over expenditures	<u>1,323,689</u>	<u>(1,048,505)</u>	<u>91,055</u>	<u>366,239</u>	<u>173,837</u>
<b>Other financing sources (uses)</b>					
Transfers in	15,744	707,980	-	723,724	-
Transfers out	<u>(707,980)</u>	<u>-</u>	<u>(15,293)</u>	<u>(723,273)</u>	<u>(451)</u>
Total other financing sources (uses)	<u>(692,236)</u>	<u>707,980</u>	<u>(15,293)</u>	<u>451</u>	<u>(451)</u>
Net change in fund balances	<u>631,453</u>	<u>(340,525)</u>	<u>75,762</u>	<u>366,690</u>	<u>173,386</u>
Fund balance, beginning of year, <i>previously stated</i>	3,756,780	1,235,697	139,934	5,132,411	2,507,859
Prior period adjustments	<u>(423,545)</u>	<u>-</u>	<u>1,277</u>	<u>(422,268)</u>	<u>(35,408)</u>
Fund balance, beginning of year, <i>restated</i>	<u>3,333,235</u>	<u>1,235,697</u>	<u>141,211</u>	<u>4,710,143</u>	<u>2,472,451</u>
Fund balance, end of year	<u>\$ 3,964,688</u>	<u>\$ 895,172</u>	<u>\$ 216,973</u>	<u>\$ 5,076,833</u>	<u>\$ 2,645,837</u>

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

**Malvern Borough**  
 Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances to  
 Total Statement of Activities  
 December 31, 2022

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Net changes in fund balances - total governmental funds	\$	366,690
Amounts reported for governmental activities in the statement of activities are different because:		
Decrease (increase) in accounts payable and accrued expenses		76,877
Increase (decrease) in receivables		(41,233)
Increase (decrease) in prepaid insurance		(21,419)
Principal payments on bonds and notes payable		271,369
Decrease (increase) in accrual for compensated absences		(7,338)
Additional pension expense claimed on GAAP statement of activities		(205,251)
Depreciation expense claimed on GAAP statement of activities		(313,014)
Equity transfers to business-like funds		<u>451</u>
Change in net assets in governmental funds	\$	<u><u>127,132</u></u>

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

**Malvern Borough**  
Statement of Proprietary Fund Cash Flow, Business-Like Funds  
Year Ended December 31, 2022

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Cash flows from operating activities:		
Cash collected from customers	\$ 1,071,401	
Payments to suppliers for goods and services	(667,529)	
Payments to employees for services	(227,959)	
Net cash provided (consumed) by operating activities		175,913
Cash flows from non-capital financing activities:		
Transfer in	-	
Transfer out	-	
Net cash provided (consumed) by non-capital financing activities		-
Cash flows from capital and related financing activities:		
Acquisition of capital assets (amounts paid)	-	
Net cash provided (consumed) by capital and related financing activities		-
Cash flows from investing activities:		
Interest of investments	11,211	
Net cash provided (consumed) by investing activities		11,211
Net increase in cash		187,124
Cash and cash equivalents, beginning of year		2,259,130
Cash and cash equivalents, end of year		\$ 2,446,254
Reconciliation of operating income (loss) to net cash provided (consumed) by operating activities:		
Operating income	\$ 173,386	
Decrease (increase) in accounts receivable	56,332	
(Decrease) increase in accounts payable	(42,594)	
Investment earnings	(11,211)	
Net cash provided (consumed) by operating activities		\$ 175,913

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

**Malvern Borough**  
Statement of Fiduciary Net Position (Cash Basis)  
December 31, 2022

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	<b>Police Plan</b>	<b>Non-Uniform Plan</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 95,530	\$ 142,259	\$ 237,789
Investments			
Fixed income	391,042	669,921	1,060,963
US equities	1,154,704	1,900,173	3,054,877
International equities	953,077	1,494,968	2,448,045
Total investments	2,498,823	4,065,062	6,563,885
Total assets	\$ 2,594,353	\$ 4,207,321	\$ 6,801,674
<b>Liabilities and Net Position</b>			
Liabilities	\$ -	\$ -	\$ -
Net position	2,594,353	4,207,321	6,801,674
Total liabilities and net position	\$ 2,594,353	\$ 4,207,321	\$ 6,801,674

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

**Malvern Borough**  
Statement of Changes in Fiduciary Net Position (Cash Basis)  
Year Ended December 31, 2022

	<b>Police Plan</b>	<b>Non-Uniform Plan</b>	<b>Total</b>
<b>Additions</b>			
Investments			
State aid	\$ -	\$ 29,120	\$ 29,120
Members' contributions	-	20,316	20,316
Total investments	-	49,436	49,436
Investment income			
Interest and dividends	64,490	103,730	168,220
Net appreciation (depreciation) in fair value of investments	(543,955)	(868,943)	(1,412,898)
Total investment income (loss)	(479,465)	(765,213)	(1,244,678)
Less: investment expenses	(9,930)	(15,864)	(25,794)
Net investment income (loss)	(489,395)	(781,077)	(1,270,472)
Total additions	\$ (489,395)	\$ (731,641)	\$ (1,221,036)
<b>Deductions</b>			
Pension benefit payments	132,164	172,990	305,154
Administrative expenses	1,150	3,950	5,100
Total deductions	133,314	176,940	310,254
Net increase	(622,709)	(908,581)	(1,531,290)
Net position, beginning of year	3,217,062	5,115,902	8,332,964
Net position, end of year	\$ 2,594,353	\$ 4,207,321	\$ 6,801,674

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

**Malvern Borough**  
Notes to Financial Statements  
December 31, 2022

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**1. Summary of 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.

**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.

**Government-wide and 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 nonfiduciary 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.

**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.

**Malvern Borough**  
Notes to Financial Statements  
December 31, 2022

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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.

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.

**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 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.



**Malvern Borough**  
Notes to Financial Statements  
December 31, 2022

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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.

**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, 2022 the liability for accrued vacation and sick time was \$107,491. This amount is reported in the government-wide statements.

**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 31 are turned over to the county for collection.

**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 reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Budget Policy and 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.

**Capital Assets**

Capital assets 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., Businesslike 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.

**Malvern Borough**  
Notes to Financial Statements  
December 31, 2022

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**2. Cash and Investments**

As of December 31, 2022, the carrying value of the Borough's deposits was \$7,554,330 (excluding fiduciary funds) and the bank balances totaled \$7,824,295. Of those bank balances, \$500,000 were covered by insurance provided by the FDIC and \$6,774,163 were covered by collateral held in pooled accounts.

	FDIC	Act 72 Pooling	Uninsured	Total
Category 1				
National Bank of Malvern	\$ 250,000	\$ 6,774,163	\$ -	\$ 7,024,163
Meridian Bank	250,000	-	79,619	329,619
PLIGIT	-	-	470,513	470,513
	500,000	6,774,163	550,132	7,824,295
Category 2	-	-	-	-
Category 3	-	-	-	-
Bank balances	\$ 500,000	\$ 6,774,163	\$ 550,132	\$ 7,824,295

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. Geographical Area and 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.

**4. Capital Assets**

Capital assets are recorded at cost. Changes in the capital asset accounts during the year ended December 31, 2022 were as follows:

**Malvern Borough**  
Notes to Financial Statements  
December 31, 2022

	Balance at January 1, 2022	Additions	Deletions	Balance at December 31, 2022
<b>General Fund</b>				
Land and buildings	\$ 12,246,619	\$ -	\$ -	\$ 12,246,619
Machinery and equipment	2,531,016	-	-	2,531,016
	<u>14,777,635</u>	<u>-</u>	<u>-</u>	<u>14,777,635</u>
Less: Accumulated depreciation	4,836,025	313,014	-	5,149,039
Net book value	<u>\$ 9,941,610</u>	<u>\$ (313,014)</u>	<u>\$ -</u>	<u>\$ 9,628,596</u>
<b>Sewer Fund</b>				
Improvements and equipment	\$ 3,963,615	\$ -	\$ -	\$ 3,963,615
Less: Accumulated depreciation	2,464,475	82,565	-	2,547,040
Net book value	<u>\$ 1,499,140</u>	<u>\$ (82,565)</u>	<u>\$ -</u>	<u>\$ 1,416,575</u>

Total depreciation expense for the year ended December 31, 2022 was \$395,579.

## 5. Long-Term Debt

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. All of this debt was repaid during the year ended December 31, 2022.

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. As of December 31, 2022, the remaining balance on this debt was \$32,000.

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 2022 was as follows:

	Balance at January 1, 2022	Additions	Deletions	Balance at December 31, 2022
Building renovation bonds	\$ 239,000	\$ -	\$ 239,000	\$ -
2013 GO Note payable	64,000	-	32,000	32,000
Total	<u>\$ 303,000</u>	<u>\$ -</u>	<u>\$ 271,000</u>	<u>\$ 32,000</u>

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.

**Malvern Borough**  
Notes to Financial Statements  
December 31, 2022

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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	\$ 41,860	\$ 62,080	\$ 103,940
Insured by SIPC	249	1,211	1,460
Total	\$ 42,109	\$ 63,291	\$ 105,400

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 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 Trust	Non-Uniform Pension Trust	Total
Cash and cash equivalents	\$ 95,530	\$ 142,259	\$ 237,789
Fixed income	391,042	669,921	1,060,963
US equities	1,154,704	1,900,173	3,054,877
International equities	953,077	1,494,968	2,448,045
Total	\$ 2,594,353	\$ 4,207,321	\$ 6,801,674

**Pension Plan Description and 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 1 of the year indicated) is as follows:

**Malvern Borough**  
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Table 1	Police Plan		Non-Uniform Plan	
	2022	2021	2022	2021
Active employees	5	6	10	13
Retirees and beneficiaries currently receiving benefits	5	4	6	5
Terminated employees entitled to benefits but not yet receiving	0	0	2	2
Total	10	10	18	20

**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 parttime 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.

(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 (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.

**Malvern Borough**  
Notes to Financial Statements  
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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.

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.

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Notes to Financial Statements  
December 31, 2022

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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, 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 2022.
- Non-Uniform Plan: 2% of monthly salary.

**Contributions and 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

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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 arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2022 are summarized in Table 2, below.

Table 2	Police Plan		Non-Uniform Plan	
	Taregt	Long-Term Expected Rate of Return	Taregt	Long-Term Expected Rate of Return
Domestic equity large cap	33%	5.72%	33%	5.72%
Domestic equity mid 2 cap	7%	6.77%	7%	6.77%
Domestic equity small cap	5%	6.77%	5%	6.77%
Internaltional equity	15%	6.55%	16%	6.55%
Fixed income	36%	2.18%	36%	2.18%
Eeal estate	0%	5.41%	0%	5.41%
Cash	4%	-0.33%	3%	-0.33%
Total	100%		100%	

Table 3	Police Pension Trust	Non-Uniform Pension Trust	Total
Total pension liability	\$ 2,205,994	\$ 4,058,281	\$ 6,264,275
Plan fiduciary net position	2,594,353	4,207,321	6,801,674
Net pension liability	<u>\$ (388,359)</u>	<u>\$ (149,040)</u>	<u>\$ (537,399)</u>
Plan fiduciary net position as a percentage of total pension liability	117.6%	103.7%	108.6%

**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, 2022, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was:

- Police Plan 15.5%
- Non-Uniform Plan 15.5%

**7. 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, 2022 were as follows.



**Malvern Borough**  
Notes to Financial Statements  
December 31, 2022

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(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)	\$ (89,846)	\$ (388,359)	\$ (635,176)
Non-uniform plan			
Net pension liability (asset)	\$ 175,382	\$ (149,040)	\$ (428,156)

*Changes in Net Position Liability*

The following table shows the changes in net position liability recognized over the year from January 1, 2022 to December 31, 2022:

	Police Plan - Increase / (Decrease)			Non-Uniform Plan - Increase / (Decrease)			Total
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Total Net Pension Liability
	(a)	(b)	(a) - (b)	(a)	(b)	(a) - (b)	
Balance at January 1, 2022	\$ 2,130,835	\$ 3,217,062	\$ (1,086,227)	\$ 3,888,573	\$ 5,115,902	\$ (1,227,329)	\$ (2,313,556)
Changes for the year:							
Service cost	78,715	-	78,715	108,088	-	108,088	186,803
Interest on total pension liability	128,608	-	128,608	234,610	-	234,610	363,218
Differences between expected and actual experience	-	-	-	-	-	-	-
Changes in assumptions	-	-	-	-	-	-	-
Contributions - employer	-	-	-	-	-	-	-
Contributions - state aid	-	-	-	-	29,120	(29,120)	(29,120)
Contributions - member	-	-	-	-	20,316	(20,316)	(20,316)
Net investment income (loss)	-	(489,395)	489,395	-	(781,077)	781,077	1,270,472
Benefit payments	(132,164)	(132,164)	-	(172,990)	(172,990)	-	-
Administrative expense	-	(1,150)	1,150	-	(3,950)	3,950	5,100
Net changes	75,159	(622,709)	697,868	169,708	(908,581)	1,078,289	1,776,157
Balance at December 31, 2022	<u>\$ 2,205,994</u>	<u>\$ 2,594,353</u>	<u>\$ (388,359)</u>	<u>\$ 4,058,281</u>	<u>\$ 4,207,321</u>	<u>\$ (149,040)</u>	<u>\$ (537,399)</u>

**Malvern Borough**  
Notes to Financial Statements  
December 31, 2022

	Police Plan	Non-Uniform Plan	Total
Service cost	\$ 78,715	\$ 108,088	\$ 186,803
Interest on total pension liability	128,608	234,610	363,218
Differences between expected and actual experience	36,326	(36,724)	(398)
Changes in assumptions	16,083	23,937	40,020
Contributions - employee	-	(20,316)	(20,316)
Projected earnings on pension plan investments	(189,024)	(302,692)	(491,716)
Difference between projected and actual earnings on investments	57,376	94,284	151,660
Administrative expense	1,150	3,950	5,100
Total pension expense	<u>\$ 129,234</u>	<u>\$ 105,137</u>	<u>\$ 234,371</u>

*Deferred Outflows and Deferred Inflows of Resources*

For the year ended December 31, 2022, Malvern Borough recognized a pension expense of \$129,234 and a pension expense of \$105,137 for Police Plan and Non-Uniformed Plan, respectively. At December 31, 2022, Malvern Borough reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Police Plan		Non-Uniform Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 266,275	\$ -	\$ -	\$ (135,211)
Changes in assumptions	45,198	-	184,249	-
Net difference between projected and actual earnings on invest	300,517	-	490,640	-
Total	<u>\$ 611,990</u>	<u>\$ -</u>	<u>\$ 674,889</u>	<u>\$ (135,211)</u>

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

Year Ended December 31,	Police Plan	Non-Uniform Plan
2023	\$ 62,989	\$ 2,793
2024	123,673	98,307
2025	169,038	169,357
2026	199,305	228,928
2027	20,592	12,956
Thereafter	36,393	27,337
Total	<u>\$ 611,990</u>	<u>\$ 539,678</u>

(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, 2022, using the Entry Age Normal cost method and the following actuarial assumptions based on the census data as of January 1, 2022:

**Malvern Borough**  
Notes to Financial Statements  
December 31, 2022

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Table 5	Police Plan	Non-Uniform Plan
<b>A. Economic Assuptions</b>		
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
Cost of living increases	3% per annum	Not stated
<b>B. Demographic Assumptions</b>		
Pre-retirement mortality	None assumed	PUBS-2010 Healthy retiree
Post-retirement mortality	PUBS-2010 Healthy retiree mortality projected 5 years past the valuation scale using Scale MP-2021	PUBS-2010 Healthy retiree mortality projected 5 years past the valuation scale using Scale MP-2021
Beneficiary mortality	PUBS-2010 Healthy retiree mortality projected 5 years past the valuation scale using Scale MP-2021	PUBS-2010 Healthy retiree mortality projected 5 years past the valuation scale using Scale MP-2021
Disabled mortality	PUBS-2010 Healthy retiree mortality projected 5 years past the valuation scale using Scale MP-2021	PUBS-2010 Healthy retiree mortality projected 5 years past the valuation scale using Scale MP-2021
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 and 50% survivor	Straight life

**8. Commitments**

As of December 31, 2022, the Borough has several major commitments underway:

- The Borough will be upgrading its Borough website.
- The Borough will be upgrading its Borough Hall security system.
- The Borough will be codifying the Ordinances of the Borough that will bring all codes up to local, state, and federal statutes.
- The renovation to Quann Park will be completed in early Spring of 2023. The Quann Park renovation project had a budget of \$326,334 in 2022 due to an amendment made to the budget by authorization of Borough Council in April 2022.
- The Borough adopted the Revised Comprehensive Plan as of September 2022 which is required every 10 years per the Pennsylvania Municipalities Planning Code and will overhaul the Zoning and Subdivision Land Development Codes pursuant to the Borough from the recommendations of this document.
- The following grants have been obtained and are in the process of being designed and going to construction and/or have been revoked that were part of the 2022 adopted budget:

1. Randolph Woods Nature Preserve - DCNR Grant received a total of \$250,000. 50% match required. A DCED grant was obtained that may be applied towards the 50% match totaling \$159,249. The remaining \$90,751 will be paid from Borough funds.

**Malvern Borough**  
Notes to Financial Statements  
December 31, 2022

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2. Chester County American Rescue Plan Act Grant that applies to the Old Lincoln Highway repairs and Warren Avenue Streambank Stabilization Capital Improvement Projects. A grant has been received for \$725,100. The total cost of the projects is \$1,450,200. The \$725,100 will be paid from Borough Funds.
3. First Avenue Bike Park Trail – Grant funds totaling \$91,677 have been revoked due to referendum being passed.

**9. Evaluation of Subsequent Events**

The Borough has evaluated all events through August 31, 2023, 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 except the following:

- The Borough has purchased Police and Dashboard cameras as part of the Capital Reserve budget that was authorized by Borough Council as a revision of the budget.
- The Quann Park renovations cost \$256,811 in 2022 and to close out the project \$95,283 was spent in 2023. A total of \$352,094 was spent for the Quann Park renovation. The project is \$25,760 over the original budget and the construction contract allows for a 10% contingency regarding fluctuating construction costs. The work and close out of the project carried over into 2023.

**Required Supplementary Information**

**Malvern Borough**  
 Budgetary Comparison Statement - General Fund  
 Year Ended December 31, 2022

	<b>Original and Final Appropriated Budget</b>	<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance</b>
<b>Revenues</b>			
Taxes	\$ 3,478,819	\$ 3,897,655	\$ 418,836
Licenses and permits	99,200	196,901	97,701
Fines, forfeits, and costs	28,000	20,534	(7,466)
Interest, rents, and franchise fees	169,000	98,155	(70,845)
Intergovernmental revenues	302,602	359,587	56,985
Charges for services/fees	11,000	116,639	105,639
Miscellaneous revenue	113,930	4,680	(109,250)
Total revenues	<u>4,202,551</u>	<u>4,694,151</u>	<u>491,600</u>
<b>Expenditures</b>			
General government	842,037	817,801	24,236
Public safety	1,635,165	1,620,243	14,922
Public works - sewer and garbage collection	303,500	277,211	26,289
Public works - highways and streets	587,775	461,983	125,792
Culture and recreation	106,998	133,948	(26,950)
All other expenses	119,096	59,276	59,820
Total expenditures	<u>3,594,571</u>	<u>3,370,462</u>	<u>224,109</u>
Excess of revenues (deficiency) over expenditures	<u>607,980</u>	<u>1,323,689</u>	<u>715,709</u>
Transfers in	50,000	15,744	(34,256)
Transfers out	(657,980)	(707,980)	(50,000)
Net transfers	<u>(607,980)</u>	<u>(692,236)</u>	<u>(84,256)</u>
Net change in fund balance	-	631,453	631,453
Fund balance, beginning	-	3,333,235	(3,333,235)
Fund balance, ending	<u>\$ -</u>	<u>\$ 3,964,688</u>	<u>\$ (2,701,782)</u>

*See accompanying notes to required supplementary information.*

**Malvern Borough**  
 Budgetary Comparison Statement - Capital Fund  
 Year Ended December 31, 2022

	<b>Original and Final Appropriated Budget</b>	<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance</b>
<b>Revenues</b>			
Interest	\$ 5,000	\$ 3,558	\$ (1,442)
Miscellaneous revenue	-	-	-
Total revenues	<u>5,000</u>	<u>3,558</u>	<u>(1,442)</u>
<b>Expenditures</b>			
General government	77,000	11,907	65,093
Public works - highways and streets	1,720,000	765,744	954,256
Debt service	274,856	274,412	444
Total expenditures	<u>2,071,856</u>	<u>1,052,063</u>	<u>(1,019,793)</u>
Excess of revenues (deficiency) over expenditures	<u>(2,066,856)</u>	<u>(1,048,505)</u>	<u>1,018,351</u>
Transfers in	657,980	707,980	50,000
Transfers out	-	-	-
Net transfers	<u>657,980</u>	<u>707,980</u>	<u>50,000</u>
Net change in fund balance	(1,408,876)	(340,525)	1,068,351
Fund balance, beginning	<u>1,618,648</u>	<u>1,235,697</u>	<u>382,951</u>

*See accompanying notes to required supplementary information.*

**Malvern Borough**  
 Budgetary Comparison Statement - Liquid Fuel Fund  
 Year Ended December 31, 2022

	<b>Original and Final Appropriated Budget</b>	<b>Actual Amounts (Budgetary Basis)</b>	<b>Variance</b>
<b>Revenues</b>			
Interest	\$ 1,000	\$ 604	\$ (396)
Miscellaneous revenue	84,646	91,728	7,082
Total revenues	<u>85,646</u>	<u>92,332</u>	<u>6,686</u>
<b>Total expenditures</b>			
	-	1,277	(1,277)
Excess of revenues (deficiency) over expenditures	<u>85,646</u>	<u>91,055</u>	<u>7,963</u>
Transfers in	-	-	-
Transfers out	(50,000)	(15,293)	34,707
Net transfers	<u>(50,000)</u>	<u>(15,293)</u>	<u>34,707</u>
Net change in fund balance	35,646	75,762	42,670
Fund balance, beginning	<u>136,511</u>	<u>141,211</u>	<u>(4,700)</u>
Fund balance, ending	<u>\$ 172,157</u>	<u>\$ 216,973</u>	<u>\$ 37,970</u>

*See accompanying notes to required supplementary information.*



**Malvern Borough**  
 Schedule of Investment Returns  
 December 31, 2022

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	2015	2016	2017	2018	2019	2020	2021	2022
<b>Police Plan</b>								
Annual money-weighted rate of return, net of investment expenses	-0.4%	6.4%	15.3%	-5.6%	19.2%	14.5%	11.1%	-15.5%

*Notes to schedules : None*

<b>Non-Uniform Plan</b>								
Annual money-weighted rate of return, net of investment expenses	40.0%	6.1%	14.4%	-5.6%	19.1%	14.6%	11.1%	-15.5%

*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**  
Schedule of Changes in Net Pension Liability and Related Ratios  
December 31, 2022

	2015		2016		2017		2018		2019		2020		2021		2022	
	Police Plan	Non-Uniform Plan	Police Plan	Non-Uniform Plan	Police Plan	Non-Uniform Plan	Police Plan	Non-Uniform Plan	Police Plan	Non-Uniform Plan	Police Plan	Non-Uniform Plan	Police Plan	Non-Uniform Plan	Police Plan	Non-Uniform Plan
<b>Total Pension Liability</b>																
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	\$ 78,715	\$ 108,088
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	128,608	234,610
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 in 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)	(132,164)	(172,990)
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	75,159	169,708
Total pension liability, beginning of year	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	2,130,835	3,888,573
Total pension liability, end of year	\$ 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	\$ 2,205,994	\$ 4,058,281
<b>Plan Fiduciary Net Position</b>																
Contributions - employer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 167	\$ -	\$ 8,457	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions - state aid	-	66,791	-	30,471	-	33,394	-	15,119	-	11,995	-	15,745	-	28,289	-	29,120
Contributions - members	-	13,499	-	16,909	-	16,336	-	17,787	-	18,623	-	20,587	-	20,620	-	20,316
Net income (loss)	(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	(489,395)	(781,077)
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)	(132,164)	(172,990)
Administrative expenses	-	-	(1,650)	(1,600)	(2,875)	(2,875)	-	-	-	-	-	-	-	-	(1,150)	(3,950)
	(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	(622,709)	(908,581)
Plan net position, beginning of year	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	3,217,062	5,115,902
Plan net position, end of year	\$ 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	\$ 2,594,353	\$ 4,207,321
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)	\$ (388,359)	\$ (149,040)
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%	117.6%	103.7%
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	\$ 608,388	\$ 1,059,702
Municipality's net position 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%	-63.8%	-14.1%

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**  
Schedule of Employer Contributions to Pension Plans  
December 31, 2022

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Police Plan</b>															
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	\$ 608,388
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%	0.0%

*Notes to schedules* : For each year 2008 through 2022, the net assets exceed the present value of benefits; therefore, no contribution was required.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Non-Uniform Plan</b>															
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	\$ 23,394
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	29,120
Contribution deficiency (excess)	\$ (4,761)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (4,140)	\$ (406)	\$ (4,450)	\$ (728)	\$ -	\$ -	\$ -	\$ (9,564)	\$ (5,726)
Covered employee payroll	\$ 536,827	\$ 479,630	\$ 497,662	\$ 544,495	\$ 544,495	\$ 598,096	\$ 556,479	\$ 669,275	\$ 677,220	\$ 772,700	\$ 818,324	\$ 890,190	\$ 558,004	\$ 996,172	\$ 1,059,702
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%	2.8%	2.8%	2.7%

*Notes to schedules* : None.

**Malvern Borough**  
Notes to Required Supplementary Information  
December 31, 2022

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**1. 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.

**2. 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.

**3. Excess of Expenditures over Appropriations**

For the year ended December 31, 2022, revenues fell short of budgeted amounts in the following General Fund department levels (the legal level of budgetary control):

Fines, forfeits, and costs	\$	7,466
Interest, rents, and franchise fees		70,845
Miscellaneous revenue		109,250

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

Culture and recreation	\$	26,950
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The revenue shortfalls were offset in part by each general fund department having spent less than budgeted in total.