

Borough of Malvern
Chester County, Pennsylvania
Annual Audit & Financial Report
for the year ended December 31, 2019

This condensed presentation is published in accordance with § 1043 of the Borough Code. A complete copy of the audit report and financial statements are on file and available for public inspection in the Borough office.

Fund Balances, beginning of year		\$9,025,901
Revenues & Other Financing Sources		
Taxes	\$ 3,315,205	
Licenses & Permits	229,227	
Fines & Forfeits	40,630	
Interest, Rents, & Royalties	139,069	
Grants	288,905	
Charges for Services	1,029,167	
Inter-Governmental Transfers	993,164	
Miscellaneous Revenues	29,065	
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Total Revenues & Other Financing Sources		6,064,432
Expenditures (Expenses) & Other Financing Uses		
General Government	806,894	
Public Safety	1,438,443	
Public Works - Sanitation	1,441,509	
Public Works - Highway & Streets	1,009,103	
Culture & Recreation	148,947	
Insurance, Employee Benefits, P/R Taxes, &c	48,055	
Debt Service	273,891	
Inter-Governmental Transfers	993,164	
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Total Expenditures or Expenses and Other Financing Uses		<hr/> 6,160,006
Excess (Deficiency) of Revenues & Other Financing Sources over Expenditures (Expenses) & Other Financing Uses		<hr/> (95,574)
Fund Balances, end of year		<hr/> \$ 8,930,327 <hr/>

Other Required Information:

Outstanding Debt of the Borough	<i>as of 31 Dec 2019</i>	\$ 831,000
Assessed Valuation of the Borough	<i>as of 1 Jan'y 2019</i>	\$ 242,700,880

A complete copy of the audit report & fin'l statements is available during regular business hours at the Malvern Borough Hall, 1st & Warren Avenues, Malvern, Pennsylvania.

Peterson, Fieo & Co. LLP

Certified Public Accountants

Richard M. Peterson, CPA
Giorgio E. Fieo, CPA*, CFE
**also licensed in New Jersey*

103 Chesley Drive, Suite #102
Media, Penna. 19063-1757
(610) 565-6307 office / (610) 565-6920 fax

2nd June 2020

To the Hon. Mayor & Borough Council
Malvern Borough, Pennsylvania

We have audited the financial statements of Malvern Borough as of and for the year ended 31st December 2019, and have issued our report thereon dated 2nd June 2020. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated 2nd November 2019, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of Malvern Borough solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, and others in our firm, have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Malvern Borough is included in Note No. 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2019.

No matters have come to our attention that would require us, under professional standards, to inform you about (1st) the methods used to account for significant unusual transactions and (2nd) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are found in calculations regarding pension expense, depreciation expense. Management's estimate of the pension expense and related pension deferred assets is based on professional calculations provided by its actuary. Management's estimate of the depreciation expense is based on applying the straight line method of depreciation expense using customary and/or expected useful life of long-lived assets.

We evaluated the key factors and assumptions used to develop the [describe the accounting estimate] and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting Malvern Borough's financial statements relate to pension expense & liabilities, and depreciation expense.

Identified or Suspected Fraud

We have neither identified nor obtained information that indicates that fraud may have occurred.

Significant Difficulties Encountered during the Audit

We encountered one significant difficulty during the audit. Some of the Borough's cash accounts and certificates of deposit were not (a.) reflected in the general ledger software, nor (b.) was there a summary register or recap in any subsidiary ledger, or any format, or any report. Maintaining cash accounts off-balance-sheet is not a good business practice, is a serious deficiency in internal controls, and delayed our completion of the audit. We have discussed this issue with the Borough Manager, who assured us that the accounts in question would immediately be entered into the ledger software, and the activity thereof, however minimal, would be reflected therein.

Uncorrected & Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole, whether material or not. We have found no such misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. See the attached listing of journal entries that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant

to Malvern Borough's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated 2nd June 2020.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with Malvern Borough, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Malvern Borough's auditors.

Noncompliance with Laws & Regulations

There were no matters involving noncompliance with laws and regulations that came to our attention during the course of the audit.

Other Information in Documents Containing Audited Financial Statements

Pursuant to professional standards, our responsibility as auditors for other information in documents containing Malvern Borough's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information. However, in accordance with such standards, we have applied limited:

We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

This report is intended solely for the information and use of the Mayor, Borough Council, and management of Malvern Borough and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



George Fieo, CPA
for: Peterson, Fieo & Co.

**2019 MUNICIPAL ANNUAL AUDIT
AND
FINANCIAL REPORT**

150993 MALVERN BORO, CHESTER COUNTY

Richard M. Peterson, CPA
Giorgio E. Fieo, CPA*, CFE
*also licensed in New Jersey

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INDEPENDENT AUDITORS' REPORT

To the Mayor & Borough Council of
Malvern Borough, Chester County, Pennsylvania

We have audited the Borough of Malvern's Municipal Annual Audit & Financial Report, Form DCED-CLGS-30 as of 31st December 2019 and for the year ended.

Management's Responsibility. Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting practices prescribed or permitted by the Pennsylvania Department of Economic Development (DCED). Management is also responsible for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility. The auditors' responsibility is to express an opinion on the financial statements based on the audit. We conducted our audit in accordance with auditing standards generally accepted in the United States, which require that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. Risk assessments involve consideration of internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control, and accordingly, no such opinion is expressed. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient & appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles. The financial report was prepared in conformity with accounting practices prescribed or permitted by the Pennsylvania Department of Community & Economic Development. Malvern Borough prepares its financial report on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial report of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles. In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial report referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of Malvern Borough as of 31st December 2019, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting. In our opinion, the accompanying financial report referred to above presents fairly, in all material respects, the cash balances of each fund of Malvern Borough as of 31st December 2019, and the revenues it received and the expenditures it paid for the year then ended in accordance with the basis of accounting described above and on the basis of the financial reporting provisions of the Pennsylvania Department of Community & Economic Development as noted above.

Restriction on Use. This report is intended solely for the use of the members of council and management of the Borough of Malvern, and for filing with the Pennsylvania Department of Community & Economic Development, and for filing with the Chester County Clerk of Courts. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Peterson, Fieo & Co.
Peterson, Fieo & Co.
2nd June 2020

MALVERN BORO, CHESTER County

BALANCE SHEET

December 31, 2019

		Governmental Funds				Proprietary Funds		Fid. Fund	Account Groups		Total
		General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long Term Debt	Memorandum Only
Liabilities and Other Credits											
260-269	Long-Term-Liabilities										
240-259	Current Portion of Long-Term Debt and Other Credits										
Total Liabilities and Other Credits		62,412									62,412
Fund and Account Group Equity											
281-284	Contributed Capital										
290.00	Investment in General Fixed Assets										
270-289	Fund Balance / Retained Earnings on 12/31	2,803,108	234,410	1,653,182		4,239,627		6,875,724			15,806,051
291-299	Other Equity										
Total Fund and Account Group Equity		2,803,108	234,410	1,653,182		4,239,627		6,875,724			15,806,051
TOTAL LIABILITIES AND FUND AND ACCOUNT GROUP EQUITY											15,868,463

MALVERN BORO, CHESTER County
STATEMENT OF REVENUES AND EXPENDITURES

December 31, 2019

Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	Memorandum Only

REVENUES

Taxes

301.00	Real Estate Taxes	1,134,101						1,134,101
305.00	Occupation Taxes (levied under municipal code)							
308.00	Residence Taxes (levied by cities of the 3rd Class)							
309.00	Regional Asset District Sales Tax (Allegheny County municipalities only)							
310.00	Per Capita Taxes	14,908						14,908
310.10	Real Estate Transfer Taxes	115,724						115,724
310.20	Earned Income Taxes / Wage Taxes	1,898,888						1,898,888
310.30	Business Gross Receipts Taxes							
310.40	Occupation Taxes (levied under Act 511)							
310.50	Local Services Tax **	151,584						151,584
310.60	Amusement / Admission Taxes							
310.70	Mechanical Device Taxes							
310.90	Other: _____							
	Other: _____							
Total Taxes		3,315,205						3,315,205

Licenses and Permits

320-322	All Other Licenses and Permits	141,531						141,531
321.80	Cable Television Franchise Fees	87,696						87,696
Total Licenses and Permits		229,227						229,227

Fines and Forfeits

330-332	Fines and Forfeits	40,630						40,630
Total Fines and Forfeits		40,630						40,630

MALVERN BORO, CHESTER County
STATEMENT OF REVENUES AND EXPENDITURES

December 31, 2019

Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	Memorandum Only

REVENUES

State								
355.00	All Other State Shared Revenues and Entitlements							
356.00	State Payments in Lieu of Taxes							
Total State		53,399	95,109					148,508

Local Government Units								
357.03	Highways and Streets							
357.00	All Other Local Governmental Units Capital and Operating Grants	140,397						140,397
358.00	Local Government Unit Shared Payments for Contracted Intergovernmental Services							
359.00	Local Governmental Units and Authorities Payments in Lieu of Taxes							
Total Local Government Units		140,397						140,397

Charges for Service								
361.00	General Government	36,967						36,967
362.00	Public Safety	19,899						19,899
363.20	Parking							
363.00	All Other Charges for Highway & Street Services							
364.10	Wastewater / Sewage (including connection / tapping fees, sewer usage charges, reserve capacity fee, etc.)				971,163			971,163
364.30	Solid Waste Collection and Disposal Charge (trash)							
364.60	Host Municipality Benefit Fee for Solid Waste Facility							
364.00	All Other Charges for Sanitation Services	945						945
365.00	Health							
366.00	Human Services							
367.00	Culture and Recreation	193						193
368.00	Airports							

MALVERN BORO, CHESTER County
STATEMENT OF REVENUES AND EXPENDITURES

December 31, 2019

Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	Memorandum Only

REVENUES

Charges for Service								
369.00	Bars							
370.00	Cemeteries							
372.00	Electric System							
373.00	Gas System							
374.00	Housing System							
375.00	Markets							
377.00	Transit Systems							
378.00	Water System							
379.00	All Other Charges for Service							
Total Charges for Service		58,004			971,163			1,029,167

Unclassified Operating Revenues								
383.00	Special Assessments							
386.00	Escheats (sale of personal property)							
387.00	Contributions and Donations from Private Sectors					18,623		18,623
388.00	Fiduciary Fund Pension Contributions					11,995		11,995
389.00	All Other Unclassified Operating Revenues	15,260				8,457		23,717
Total Unclassified Operating Revenues		15,260				39,075		54,335

Other Financing Sources								
391.00	Proceeds of General Fixed Asset Disposition	12,325						12,325
392.00	Interfund Operating Transfers	80,066		913,098				993,164
393.00	Proceeds of General Long-Term Debt							
394.00	Proceeds of Short Term-Debt							

MALVERN BORO, CHESTER County
STATEMENT OF REVENUES AND EXPENDITURES

December 31, 2019

Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	Memorandum Only

REVENUES

Other Financing Sources								
395.00	Refunds of Prior Year Expenditures	1,480						1,480
Total Other Financing Sources		93,871		913,098				1,006,969

TOTAL REVENUES

4,043,686	96,521	919,929		1,004,296		1,175,939	7,240,371
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EXPENDITURES

General Government								
400.00	Legislative (Governing) Body	6,600						6,600
401.00	Executive (Manager or Mayor)	112,501						112,501
402.00	Auditing Services / Financial Administration	12,550				22,181		34,731
403.00	Tax Collection	23,703						23,703
404.00	Solicitor / Legal Services	148,525						148,525
405.00	Secretary / Clerk	55,344						55,344
406.00	Other General Government Administration	178,646	89,500		8,102			276,248
407.00	IT-Networking Services-Data Processing							
408.00	Engineering Services	58,871	15,692		9,045			83,608
409.00	General Government Buildings and Plant	87,815						87,815
Total General Government		684,555	105,192		17,147	22,181		829,075

Public Safety

410.00	Police	1,215,985						1,215,985
411.00	Fire	112,562						112,562
412.00	Ambulance / Rescue							
413.00	UCC and Code Enforcement	109,896						109,896

MALVERN BORO, CHESTER County
STATEMENT OF REVENUES AND EXPENDITURES

December 31, 2019

Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	Memorandum Only

EXPENDITURES

Public Safety								
414.00	Planning and Zoning							
415.00	Emergency Management and Communications							
416.00	Militia and Armories							
417.00	Examination of Licensed Occupations							
418.00	Public Scales (weights and measures)							
419.00	Other Public Safety							
Total Public Safety		1,438,443						1,438,443

Health and Human Services								
420.00-425.00	Health and Human Services							
Total Health and Human Services								

Public Works - Sanitation								
426.00	Recycling Collection and Disposal							
427.00	Solid Waste Collection and Disposal (garbage)	235,763						235,763
428.00	Weed Control							
429.00	Wastewater / Sewage Treatment and Collection				1,205,746			1,205,746
Total Public Works - Sanitation		235,763			1,205,746			1,441,509

Public Works - Highways and Streets								
430.00	General Services - Administration	387,698						387,698
431.00	Cleaning of Streets and Gutters							
432.00	Winter Maintenance – Snow Removal	13,838						13,838
433.00	Traffic Control Devices	8,368						8,368
434.00	Street Lighting	58,046						58,046

MALVERN BORO, CHESTER County
STATEMENT OF REVENUES AND EXPENDITURES

December 31, 2019

Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	Memorandum Only

EXPENDITURES

Public Works - Highways and Streets

435.00	Sidewalks and Crosswalks			77,820				77,820
436.00	Storm Sewers and Drains	3,827						3,827
437.00	Repairs of Tools and Machinery	1,366						1,366
438.00	Maintenance and Repairs of Roads and Bridges	144,392						144,392
439.00	Highway Construction and Rebuilding Projects			313,748				313,748
Total Public Works - Highways and Streets		617,535		391,568				1,009,103

Other Public Works Enterprises

440.00	Airports							
441.00	Cemeteries							
442.00	Electric System							
443.00	Gas System							
444.00	Markets							
445.00	Parking							
446.00	Storm Water and Flood Control							
447.00	Transit System							
448.00	Water System							
449.00	Water Transport and Terminals							
Total Other Public Works Enterprises								

Culture and Recreation

451.00	Culture-Recreation Administration							
452.00	Participant Recreation	19,155						19,155
453.00	Spectator Recreation							
454.00	Parks	61,373						61,373

MALVERN BORO, CHESTER County
STATEMENT OF REVENUES AND EXPENDITURES

December 31, 2019

Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	Memorandum Only

EXPENDITURES

Culture and Recreation								
455.00	Shade Trees	16,739						16,739
456.00	Libraries	12,180						12,180
457.00	Civil and Military Celebrations	39,500						39,500
458.00	Senior Citizens' Centers							
459.00	All Other Culture and Recreation							
Total Culture and Recreation		148,947						148,947

Community Development								
461.00	Conservation of Natural Resources							
462.00	Community Development and Housing							
463.00	Economic Development							
464.00	Economic Opportunity							
465-469	All Other Community Development							
Total Community Development								

Debt Service								
471.00	Debt Principal (short-term and long-term)			258,000				258,000
472.00	Debt Interest (short-term and long-term)			15,891				15,891
475.00	Fiscal Agent Fees							
Total Debt Service				273,891				273,891

Employer Paid Benefits and Withholding Items								
481.00	Employer Paid Withholding Taxes and Unemployment Compensation							
482.00	Judgments and Losses							
483.00	Pension / Retirement Fund Contributions	20,452						20,452

MALVERN BORO, CHESTER County
STATEMENT OF REVENUES AND EXPENDITURES

December 31, 2019

Governmental Funds				Proprietary Funds		Fiduciary Fund	Total
General Fund	Special Revenue (Including State Liquid Fuels)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	Memorandum Only

EXPENDITURES

Employer Paid Benefits and Withholding Items								
484.00	Worker Compensation Insurance							
487.00	Other Group Insurance Benefits							
Total Employer Paid Benefits and Withholding Items		20,452						20,452

Insurance								
486.00	Insurance, Casualty, and Surety	27,603						27,603
Total Insurance		27,603						27,603

Unclassified Operating Expenditures								
488.00	Fiduciary Fund Benefits and Refunds Paid						179,295	179,295
489.00	All Other Unclassified Expenditures							
Total Unclassified Operating Expenditures							179,295	179,295

Other Financing Uses								
491.00	Refund of Prior Year Revenues							
492.00	Interfund Operating Transfers	913,098	80,066					993,164
493.00	All Other Financing Uses							
Total Other Financing Uses		913,098	80,066					993,164

TOTAL EXPENDITURES	4,086,396	80,066	770,651		1,222,893		201,476	6,361,482
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EXCESS/DEFICIT OF REVENUES OVER EXPENDITURES	-42,710	16,455	149,278		-218,597		974,463	878,889
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MALVERN BORO
December 31, 2019

DEBT STATEMENT

OUTSTANDING BONDS AND NOTES

Listed below are all currently outstanding bond and note issues according to our files, excluding bond issues redeemed or refunded and defeased. Please show the principal payments and make any other necessary corrections and additions.

Purpose	Bond (B) Capital Lease (C) Lease Rental (L) Note (N)	Issue Year (yyyy)	Maturity Year (yyyy)	Original Amount of Issue	Outstanding Beginning of Year (1)	Principal Incurred This Year	Principal Paid This Year	Current Year Accretion on Compound Interest Bonds	Outstanding at Year End (1)	Plus (less) Unamortized Premium (Discount)	Total Balance
General Obligation Bonds and Notes											
GO Note 2013	Note	2013	2023	300,000	156,000		30,000		126,000		126,000
Non-Electoral	Note	2002	2022	2,500,000	933,000		228,000		705,000		705,000
Revenue Bonds and Notes											
Lease Rental Debt											
Other											

(1) - excludes unamortized premium/discount

Total bonds and notes outstanding	831,000
Capitalized lease obligations	0
Net debt	831,000

MALVERN BORO, CHESTER County
STATEMENT OF CAPITAL EXPENDITURES

December 31, 2019

Category	Capital Purchases	Capital Construction	Total
Community Development			
Electric			
Fire			
Gas System			
General Government	24,834	44,934	69,768
Health			
Housing			
Libraries			
Mass Transit			
Parks	14,166		14,166
Police			
Recreation			
Sewer		349,358	349,358
Solid Waste			
Streets / Highways	31,710	306,948	338,658
Water			
Other: _____			
TOTAL CAPITAL EXPENDITURES	70,710	701,240	771,950

EMPLOYEE COMPENSATION

Total salaries, wages, commissions, etc. paid this year (including all employees and elected officials)

1,614,445

December 31, 2019

NOTES / COMMENTS

BOROUGH of MALVERN, CHESTER COUNTY, PENNSYLVANIA

Note to the DCED Annual Audit & Financial Report
31st December 2019

Note 1: Summary of Significant Accounting Policies

Nature of Operations. The Borough of Malvern was incorporated in 1889 and operates as a Borough under the Commonwealth of Pennsylvania Borough Code. The Borough operates under a mayor/council form of government with seven council members. The Borough provides the following services: public safety (police & fire), health, highways & streets, sanitation (trash), recreation, planning & zoning, and general administrative services.

Reporting Entity. In evaluating how to define the Borough, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in U.S. Generally Accepted Accounting Principles (GAAP). The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Borough is able to exercise oversight responsibilities. Based upon the application of these criteria, the Borough of Malvern has no component units.

Basis of Accounting. The Borough's policy is to prepare its report for the DCED on the modified cash basis of accounting, which is a comprehensive basis of accounting other than GAAP. This basis of accounting differs from GAAP in that revenues and the related assets are recognized when received rather than when earned, and expenses are recognized when paid rather than when obligations are incurred.

BOROUGH of MALVERN
AUDITED FINANCIAL STATEMENTS
31st DECEMBER 2019

BOROUGH of MALVERN

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Borough of Malvern (a Pennsylvania Municipality) as of 31st December 2019 and for the year then ended, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

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

Auditors' Responsibility. The auditors' responsibility is to express an opinion on the financial statements based on the audit. We conducted our audit in accordance with auditing standards generally accepted in the United States, which require that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. Risk assessments involve consideration of internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control, and accordingly, no such opinion is expressed. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Borough of Malvern as of 31st December 2019, and the results of operations and changes in fund balances for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters.

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

Peterson, Fieo & Co.

Peterson, Fieo & Co.
2nd June 2020

BOROUGH of MALVERN
MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)
DECEMBER 31, 2019

Background Information:

The Borough of Malvern, located in southeastern Pennsylvania, in Chester County, is a small municipality with a population of 2,998, according to the 2010 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.

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 of our community.

There were no significant changes to personnel in 2019. A temporary summer intern was hired for the summer of 2019. This temporary position lasted from May 2019 until August 2019.

BOROUGH of MALVERN
MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)
DECEMBER 31, 2019

As part of the 2019 budgeting process, the Borough's real estate tax rate remained unchanged. The real estate tax rate for 2019 was 4.6700 mills.

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.

Services:

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

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

The Borough sponsors or contributes to recreational or event programs for its residents that include a Memorial Day parade, Halloween Parade, an annual Christmas celebration, a Malvern Blooms Festival, a Fall Arts and Crafts Festival, a community Fall Fest event, an Easter Egg Hunt 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 located in the Borough and is made up primarily of volunteers. 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. Both the Borough and the Library feel they are "getting a good deal".

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

BOROUGH of MALVERN
MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)
DECEMBER 31, 2019

organization. The PBPB hosts Revolutionary War re-enactments and other educational programs at the site. In 2015, Borough Council approved assistance for the PBPB 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, 2019. 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 2019. 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

BOROUGH of MALVERN
MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)
DECEMBER 31, 2019

from the General Fund; and, the Highway Aid Fund. The sole source of revenue for the Highway Aid Fund is from the State of Pennsylvania in the form of a pro-rata share of the state liquid fuels tax. Monies from this fund are used to purchase roadway equipment for upkeep of dedicated streets within the Borough.

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

FINANCIAL HIGHLIGHTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

Summary of Net Position - December 31, 2019 & 2018

	<u>Governmental</u>	<u>Business-</u>	<u>Total</u>	<u>Governmental</u>	<u>Business-</u>	<u>Total</u>
	<u>Activities</u>	<u>Like</u>	<u>(2019)</u>	<u>Activities</u>	<u>Like</u>	<u>(2018)</u>
	<u>Activities</u>	<u>Activities</u>	<u>(2019)</u>	<u>Activities</u>	<u>Activities</u>	<u>(2018)</u>
ASSETS:						
Total Current Assets	\$ 4,783,960	\$ 2,499,499	\$ 7,283,459	\$ 4,713,078	\$ 2,718,096	\$ 7,431,174
Net Pension Asset	1,755,601	-	1,755,601	1,355,636	-	1,355,636
Capital Assets, net of Depreciatio	9,279,479	1,621,988	10,901,467	9,104,827	1,341,421	10,446,248
TOTAL ASSETS	\$ 15,819,040	\$ 4,121,487	\$ 19,940,527	\$ 15,173,541	\$ 4,059,517	\$ 19,233,058
DEFERRED OUTFLOWS of RESOURCES						
Deferred outflows from pensions	\$ 344,905	\$ 4,442	\$ 349,347	\$ 347,208	\$ 71,069	\$ 418,277
LIABILITIES:						
Total Current Liabilities	\$ 451,000	\$ 22,669	\$ 473,669	\$ 545,089	\$ 12,134	\$ 557,223
Total Non-Current Liabilities	685,827	-	685,827	940,821	-	940,821
TOTAL LIABILITIES	\$ 1,136,827	\$ 22,669	\$ 1,159,496	\$ 1,485,910	\$ 12,134	\$ 1,498,044
DEFERRED INFLOWS of RESOURCES						
Deferred inflows from pensions	\$ 384,562	\$ 102,987	\$ 487,549	\$ 137,737	\$ 17,274	\$ 155,011
NET POSITION						
Invested in Capital Assets, Net of Related Debt	\$ 8,448,479	\$ 1,621,988	\$ 10,070,467	8,015,827	1,341,421	\$ 9,357,248
Restricted for Pensions	1,715,944	(98,545)	1,617,399	1,565,107	53,795	1,618,902
Unrestricted Net Position (Deficit)	4,478,133	2,476,830	6,954,963	4,316,168	2,705,962	7,022,130
TOTAL NET POSITION	\$ 14,642,556	\$ 4,000,273	\$ 18,642,829	\$ 13,897,102	\$ 4,101,178	\$ 17,998,280

BOROUGH of MALVERN
MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)
DECEMBER 31, 2019

Changes in Net Position - Years Ended December 31, 2019 & 2018

	Governmental	Business-	Total	Governmental	Business-	Total
	Activities	Like	(2019)	Activities	Like	(2018)
	Activities	Activities		Activities	Activities	
PROGRAM REVENUE:						
Operating Grants	\$ 107,800	\$ -	\$ 107,800	\$ 92,238		\$ 92,238
Capital Grants	126,318		126,318	-		-
Charges for Service	19,899	971,164	991,063	17,935	871,984	889,919
	\$ 254,017	\$ 971,164	\$ 1,225,181	\$ 110,173	\$ 871,984	\$ 982,157
GENERAL GOV'T REVENUE						
Taxes	\$ 3,353,451	\$ -	\$ 3,353,451	\$ 3,230,322	\$ -	\$ 3,230,322
Grants - other	42,537	-	42,537	459,693	-	459,693
All other Revenues	440,417	-	440,417	369,595	238,656	608,251
Earnings on Investments	50,520	33,133	83,653	28,160	18,754	46,914
Transfers, net	157,548	(157,548)	-	(142,586)	142,586	-
	\$ 4,044,473	\$ (124,415)	\$ 3,920,058	\$ 3,945,184	\$ 399,996	\$ 4,345,180
TOTAL REVENUE	\$ 4,298,490	\$ 846,749	\$ 5,145,239	\$ 4,055,357	\$ 1,271,980	\$ 5,327,337
PROGRAM EXPENSES:						
General Government	867,533		867,533	929,421		929,421
Public Safety	1,468,491		1,468,491	1,200,575		1,200,575
Highways & Streets	545,955		545,955	504,620		504,620
Culture & Recreation	101,543		101,543	113,462		113,462
Garbage Collection	254,284		254,284	236,263		236,263
Employee Benefits	259,839		259,839	226,044		226,044
Civic Contributions	39,500		39,500	26,500		26,500
Sewer Services		947,654	947,654		863,872	863,872
Debt Service	15,891		15,891	18,644		18,644
TOTAL EXPENSES	\$ 3,553,036	\$ 947,654	\$ 4,500,690	\$ 3,255,529	\$ 863,872	\$ 4,119,401
CHANGE IN NET POSITION	\$ 745,454	\$ (100,905)	\$ 644,549	\$ 799,828	\$ 408,108	\$ 1,207,936

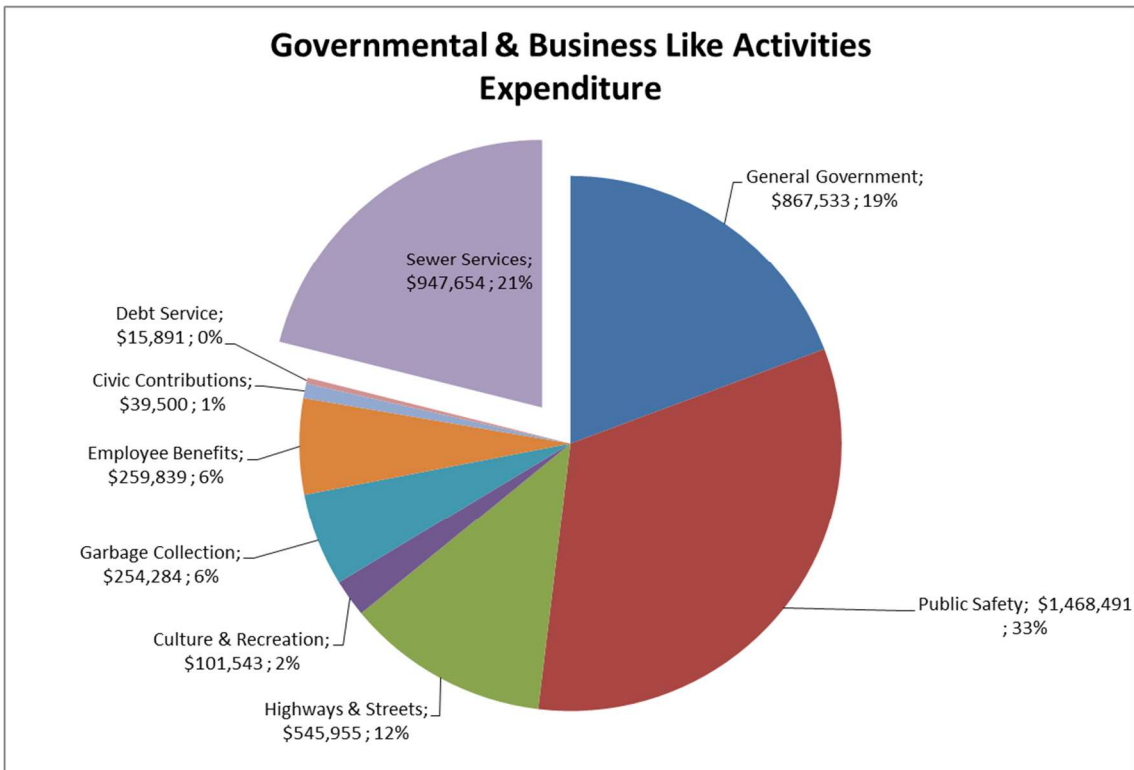
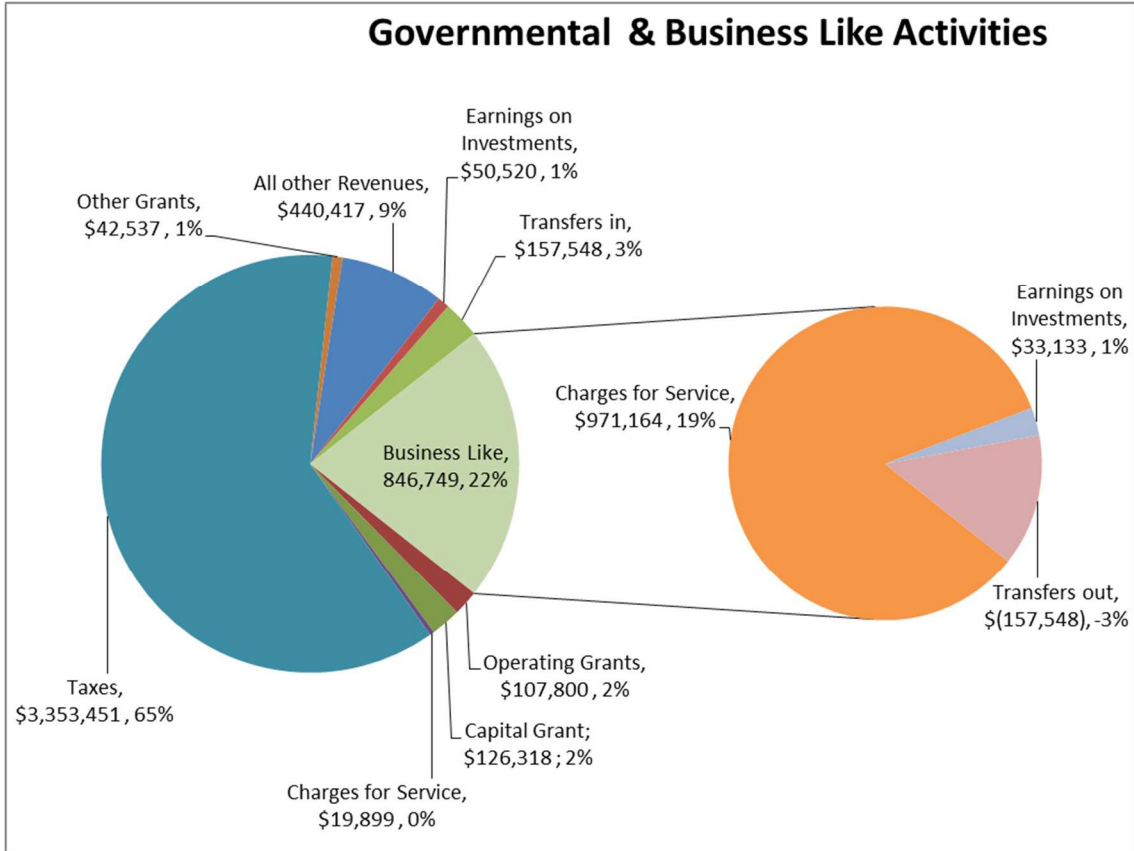
Revenues –

The real estate tax rate for the Borough was unchanged in 2019. Collection of current year real estate taxes in 2019 exceed budgeted projections by 3%. The Borough witnessed a modest increase in its assessed value, which resulted in the increased revenue.

Total Act 511 Tax collections witnessed a 5% increase in 2019. Revenue categories allocated in this grouping finished 2019 above budgeted projections in six (6) out of the seven (7) categories. Earned Income Tax revenue witnessed a 3% increase in collections when comparing 2019 to 2018. Real Estate Transfer Tax revenue finished 23% over budgeted projections and witnessed a 36% increase compared to actual collections in 2018. Overall, collection from Act 511 Taxes ended 2019 at 1% above budgeted projections.

In 2019, Borough Council continued taking steps to increase the Borough's revenue from investment earnings. This including placing funds in CDs and adjusting the types of accounts that were utilized with approved depositories. Investment opportunities are reviewed by the Borough administration and recommended by the Finance & Administration Committee. While action may not be required if an approved depository is utilized, any investments are announced and discussed at a regular public meeting.

BOROUGH of MALVERN
MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)
DECEMBER 31, 2019



BOROUGH of MALVERN
MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)
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Revenues (cont'd) –

Revenues from Motor Vehicle Code Violations finished 50% over budget and showed a modest increase from 2018. This may be primarily attributed to the continued enforcement by the dedicated Traffic Enforcement Unit in the Malvern Police Department. False Alarm Penalties witnessed an 85% increase in 2019; however, this category still finished 23% under budget. Because of the fees associated with false alarms, we have found employees/employers are being more aware of their codes and alarm systems. Building Permits and Registrations finished 2019 65% above budgeted projections and showed a 3% increase and Plumbing Permits and Registrations showed a 14% decrease compared to 2018. Permit activity was higher in 2019 compared to previous years. Overall, total revenue from construction permits exceeded budgeted projections by 15% and revenue was comparable to 2018.

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 to \$95.60/\$4.00 per quarter in 2019. This is the same rate as in 2018. Revenue from Sewer Rents finished 2019 at 106% of budget; this was a 4% increase compared to 2018. During 2019, the Borough worked diligently to collect on delinquent accounts. Additionally, tapping fee revenue witnessed a 60% due to the large number of approved projects that connected to the system in 2019. Overall, revenue in the Sewer Fund finished 14% above budgeted projections, primarily due to a large refund received from the Valley Forge Sewer Authority as a result of their annual audit (\$58,090 – received on July 30, 2019).

Expenditures –

The budgeted 2019 General Fund Expenditures decreased by 6% compared to the budgeted 2018 expenditures. This reduction in projected expenditures was due to a decrease in anticipated interfund transfers to the Capital Reserve Fund. Actual year-end expenditures in the General Fund finished 7% under budget, but were approximately 16% higher compared to 2018.

The Borough completed several paving projects in 2019. These included the paving of Green Street (from First Avenue to Church Street) and Church Street (from First Avenue to Second Avenue). New vehicles were purchased for the Police and Public Works Departments. The Borough also completed upgrades its IT infrastructure, including a new server. Finally, contributions to the Malvern Fire Company were increased by 41% compared to 2018.

The Sewer Fund increased by 2% in budgeted expenditures over the 2018 budget. This may be primarily attributed to increased costs related to sewage disposal, additional personnel expenditures, and increased maintenance costs. Actual expenditures finished 2019 4% under budgeted projections. Actual expenditures in 2019 increased by 11% compared to the 2018 actual expenditures. This increase was due primarily to increased costs for the treatment and disposal of sewage in the Borough. The Sewer Capital Reserve Fund saw significantly more activity as the Borough completed a long-planned upgrade to the Ruthland Ave. Pump Station Force Main. Final costs for this project finished 47% over budget due to additional engineering work that was required, the installation of a new flow meter pit, and the replacement of a manhole.

Capital projects in 2019 included engineering work related to the Borough’s project on N. Warren Ave., final payments for the construction of an improvement to streetscape of Woodland Ave., completion of mold remediation work in the Police Department in Borough Hall, the installation of

BOROUGH of MALVERN
MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)
DECEMBER 31, 2019

pedestrian crossing signals on E. King Street, repaving of two (2) Borough-owned parking facilities, and the repaving of the trail network in Burke Park. Engineering work for underground drainage improvements on Old Lincoln Highway also began in 2019. This is estimated to be a significant cost.

Capital Expenses and Debt Service

The Borough has outstanding debt of \$705,000 at an interest rate of 1.45% through 2022 for renovations to the municipal building made in 2002 and \$126,000 at an interest rate of 1.512% through 2023 for the pole barn and salt shed purchased in 2013.

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

BOROUGH of MALVERN**Statement of Net Position
as of December 31, 2019**

	Governmental Activities	Business-Like Activities	Total
ASSETS			
Current Assets:			
Cash & Cash Equivalents	\$ 4,753,114	\$ 2,267,873	\$ 7,020,987
Taxes/Accounts Receivable	30,846	231,626	262,472
Other Receivables	-	-	-
Prepaid Expenses	-	-	-
Total Current Assets	\$ 4,783,960	\$ 2,499,499	\$ 7,283,459
Non-Current Assets:			
Net Pension Asset	1,755,601	-	1,755,601
Capital Assets, net of Depreciation	9,279,479	1,621,988	10,901,467
TOTAL ASSETS	\$ 15,819,040	\$ 4,121,487	\$ 19,940,527
DEFERRED OUTFLOWS of RESOURCES			
Deferred Outflows From Pensions	\$ 344,905	\$ 4,442	\$ 349,347
LIABILITIES & NET POSITION			
Current Liabilities:			
Accounts Payable & Accrued Expenses	\$ 135,326	\$ 22,669	\$ 157,995
Bonds & Notes Payable	262,000	-	262,000
Escrow Liabilities Payable	53,674	-	53,674
Total Current Liabilities	451,000	22,669	473,669
Non-Current Liabilities:			
Compensated Absences	116,827	-	116,827
Bonds & Notes Payable	569,000	-	569,000
Total Non-Current Liabilities	685,827	-	685,827
TOTAL LIABILITIES	\$ 1,136,827	\$ 22,669	\$ 1,159,496
DEFERRED INFLOWS of RESOURCES			
Deferred Inflows From Pensions	\$ 384,562	\$ 102,987	\$ 487,549
NET POSITION			
Invested in Capital Assets, Net of Related Debt	8,448,479	1,621,988	10,070,467
Restricted for Pensions	1,715,944	(98,545)	1,617,399
Unrestricted Net Position	4,478,133	2,476,830	6,954,963
Total Net Position	\$ 14,642,556	\$ 4,000,273	\$ 18,642,829

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

BOROUGH of MALVERN

**Statement of Activities
for the year ended December 31, 2019**

	Expenses	Program Revenues			Primary Government		Total
		Charges for Services	Operating Grants	Capital Grants	Governmental Activities	Business-Like Activities	
<i><u>Governmental Activities:</u></i>							
General Government	\$ 867,533	\$ -	\$ -	\$ -	\$ (867,533)	\$ -	\$ (867,533)
Public Safety	1,468,491	19,899			(1,448,592)		(1,448,592)
Highways & Streets	545,955		95,109	126,318	(324,528)		(324,528)
Culture & Recreation	101,543				(101,543)		(101,543)
Garbage Collection	254,284		12,691		(241,593)		(241,593)
Employee Benefits	259,839				(259,839)		(259,839)
Civic Contributions	39,500				(39,500)		(39,500)
Debt Service	15,891				(15,891)		(15,891)
Total Governmental Activities	3,553,036	19,899	107,800	126,318	(3,299,019)		(3,299,019)
<i><u>Business-Like Activities</u></i>							
Sewer Services	947,654	971,164	-	-	-	23,510	23,510
Total Primary Government	\$ 4,500,690	\$ 991,063	\$ 107,800	\$ 126,318	\$ (3,299,019)	\$ 23,510	\$ (3,275,509)
General Government Revenues							
Taxes					\$ 3,353,451	\$ -	\$ 3,353,451
Grants					42,537		42,537
Earnings on Investments					50,520	33,133	83,653
All other Revenues					440,417	-	440,417
Transfers, net					157,548	(157,548)	-
Total					4,044,473	(124,415)	3,920,058
Change in Net Assets					745,454	(100,905)	644,549
Net Position, Beginning of Year					13,897,102	4,101,178	17,998,280
Net Position, End of Year					\$ 14,642,556	\$ 4,000,273	\$ 18,642,829

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

BOROUGH of MALVERN

**Reconciliation of Net Position of Governmental Activities to
Total Net Position of Governmental Activities, December 31, 2019**

Unrestricted Net Position of Governmental Activities (p.8)	\$ 4,478,133
Amounts Reported for governmental activities in the Statement of Net Assets are different because:	
Capital Assets used in governmental activities are not financial resources and therefore, are not reported as assets in gov't funds	9,279,479
Net Pension Asset (Liability) incurred by governmental activities are not financial resources and therefore, are not reported as assets in gov't funds	1,715,944
Short term liabilities due & payable within one year.	(262,000)
Long term liabilities not due & payable within one year. Bonds & Notes Payable	<u>(569,000)</u>
Total Net Position of Governmental Activities (p.9)	<u><u>\$ 14,642,556</u></u>

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

BOROUGH of MALVERN

Balance Sheet - Governmental Funds & Business-Like Funds as of December 31, 2019

	Governmental Funds			Totals	Business-Like Funds 2019
	General Fund	Capital Projects Fund	Highway Aid Fund	2019	Sewer Fund
ASSETS					
Cash & Cash Equivalents	\$ 2,865,520	\$ 1,653,182	\$ 234,410	\$ 4,753,112	\$ 2,267,873
Taxes Receivable	-	-	-	-	-
Other Receivables	-	-	-	-	231,626
Fixed Assets	-	-	-	-	1,740,128
TOTAL ASSETS	\$ 2,865,520	\$ 1,653,182	\$ 234,410	\$ 4,753,112	\$ 4,239,627
LIABILITIES & FUND BALANCES					
LIABILITIES					
Accounts Payable	8,738	-	-	8,738	-
Escrow Liabilities Payable	53,674	-	-	53,674	-
Deferred Revenue	-	-	-	-	-
TOTAL LIABILITIES	62,412	-	-	62,412	-
FUND BALANCES					
Reserved for Capital Projects	-	1,653,182	-	1,653,182	-
Unreserved (Deficit)	2,803,108	-	234,410	3,037,518	4,239,627
TOTAL FUND BALANCES	2,803,108	1,653,182	234,410	4,690,700	4,239,627
TOTAL LIABILITIES & FUND BALS.	\$ 2,865,520	\$ 1,653,182	\$ 234,410	\$ 4,753,112	\$ 4,239,627

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

BOROUGH of MALVERN

Statement of Revenues, Expenditures, & Changes in Fund Balances Governmental Funds & Business-Like Funds for the year ended December 31, 2019

	General Fund	Capital Reserve Fund	Highway Aid Fund	Totals 2019	Sewer Fund
OPERATING REVENUES					
Taxes	\$ 3,315,205	\$ -	\$ -	\$ 3,315,205	\$ -
Licenses & Permits	229,227			229,227	
Fines, Forfeits, & Costs	40,630			40,630	
Interest, Rents, & Franchise Fees	97,693	6,831	1,412	105,936	33,133
Intergovernmental Revenues	193,796		95,109	288,905	
Charges for Services/Fees	58,004			58,004	971,163
Sale of Assets	12,325			12,325	-
Miscellaneous Revenue	16,740			16,740	
TOTAL OPERATING REVENUES	3,963,620	6,831	96,521	4,066,972	1,004,296
OPERATING EXPENDITURES					
General Government	684,555	105,192		789,747	17,147
Public Safety	1,438,443			1,438,443	
Sewer & Garbage Collection	235,763			235,763	1,205,746
Public Works - Highways & Streets	617,535	391,568		1,009,103	
Health & Welfare				-	
Civic Contributions	39,500			39,500	
Community Development				-	
Culture & Recreation	109,447			109,447	
Taxes, &c	48,055			48,055	-
Miscellaneous Expenses				-	
subtotal OPERATING EXPDS.	3,173,298	496,760	-	3,670,058	1,222,893
EXPENDITURES - Debt Service					
Principal	-	258,000		258,000	-
Interest	-	15,891		15,891	-
TOTAL EXPENDITURES	3,173,298	770,651	-	3,943,949	1,222,893
EXCESS (DEFICIENCY) of REVENUES OVER EXPENDITURES	790,322	(763,820)	96,521	123,023	(218,597)
OTHER FINANCING SOURCES (USES)					
Transfers In	80,066	913,098	-	993,164	-
Transfers Out	(913,098)		(80,066)	(993,164)	-
TOTAL OTHER FINANCING SOURCES (USES)	(833,032)	913,098	(80,066)	-	-
NET CHANGE IN FUND BALANCES	(42,710)	149,278	16,455	123,023	(218,597)
FUND BALANCES (DEFICIT), BEGINNING of YEAR	2,845,818	1,503,904	217,955	4,567,677	4,458,224
FUND BALANCES (DEFICIT), END of YEAR	\$ 2,803,108	\$ 1,653,182	\$ 234,410	\$ 4,690,700	\$ 4,239,627

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

BOROUGH of MALVERN

**Reconciliation of the Statement of Revenues, Expenditures, & Changes
in Fund Balances of Governmental Funds to the Statement of Activities
as of December 31, 2019**

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

Net Changes in Fund Balances - total governmental funds (p.12)	\$ 123,023
Decrease (Increase) in Accounts Payable and Accrued Expenses	48,331
Increase (Decrease) in Receivables	(2,383)
Principal Payments on Bonds & Notes Payable	258,000
Expenditures for Capital Assets	437,814
Decrease (Increase) in Accrual for Compensated Absences	(7,006)
Additional Pension Expense claimed on GAAP Statement of Activities	(6,711)
Depreciation Expense claimed on GAAP Statement of Activities	(263,162)
Equity Transfers to Business-Like Funds	<u>157,548</u>
Change in Net Position of Governmental Funds (p.9)	<u><u>\$ 745,454</u></u>

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

BOROUGH of MALVERN

**Statement of Proprietary Fund Cash Flows, Business-Like Funds
for the year ended December 31, 2019**

	<u>Sewer Fund</u>	
Cash Flow from operating activities		
Cash collected from customers	\$ 970,323	
Payments to suppliers for goods and services	(622,634)	
Payments to employees for services	(246,693)	
Net cash provided (consumed) by operating activities		<u>100,996</u>
Cash flow from non-capital financing activities		
Transfer In	-	
Transfer Out	-	
Net cash provided (consumed) by non-capital financing activities		<u>-</u>
Cash flow from capital and related financing activities		
Acquisition of capital assets (amounts paid)	(352,329)	
Net cash provided (consumed) by capital and related financing activities		<u>(352,329)</u>
Cash flow from investing activities		
Interest on investments	33,133	
Net cash provided (consumed) by investing activities		<u>33,133</u>
Net decrease in cash		(218,200)
Cash Balance, BEGINNING of YEAR		<u>2,486,073</u>
Cash Balance, END of YEAR		<u>\$ 2,267,873</u>
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating Income	\$ (218,597)	
Add: Decrease (Increase) in Accounts Receivables	397	
Investment Earnings	(33,133)	
Purchase of Capital Assets	352,329	
Net Cash provided by Operating Activities	\$ 100,996	

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

BOROUGH of MALVERN

Statement of Fiduciary Net Position (cash basis) as of December 31, 2019

	Police Plan	Non-Uniform Plan	Total
Assets			
Cash & cash equivalents	\$ 74,926	\$ 146,610	\$ 221,536
Member Contributions Receivable			-
Employer Contributions Receivable			-
Investments			
Fixed Income	963,801	1,472,449	2,436,250
US Equities	1,089,432	1,682,201	2,771,633
International Equities	570,664	875,641	1,446,305
Total Investments	<u>2,623,897</u>	<u>4,030,291</u>	<u>6,654,188</u>
Total Assets	<u>2,698,823</u>	<u>4,176,901</u>	<u>6,875,724</u>
Liabilities			
Accrued administrative expenses	-	-	-
Benefits payable			-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Net Position	<u>\$ 2,698,823</u>	<u>\$ 4,176,901</u>	<u>\$ 6,875,724</u>

**Statement of Changes in Fiduciary Net Position (cash basis)
for the year ended December 31, 2019**

	Police Plan	Non-Uniform Plan	Total
Additions			
Contributions			
State Aid	\$ -	\$ 11,995	\$ 11,995
Members' Contributions		18,623	18,623
Employer Contribution		8,457	8,457
Total Contributions	<u>-</u>	<u>39,075</u>	<u>39,075</u>
Investment Income			
Interest & Dividends	62,771	96,308	159,079
Net Appreciation (Depreciation) in fair value of investments	387,097	590,688	977,785
Total Investment Income	<u>449,868</u>	<u>686,996</u>	<u>1,136,864</u>
Less Investment Expenses			
Net Investment Income	449,868	686,996	1,136,864
Total Additions	449,868	726,071	1,175,939
Deductions			
Pension Benefit Payments	74,135	105,160	179,295
Administrative Expenses	8,753	13,428	22,181
Total Deductions	<u>82,888</u>	<u>118,588</u>	<u>201,476</u>
Net Increase (Decrease)	366,980	607,483	974,463
Net Position			
Net Position (cash basis), January 1 st	<u>2,331,843</u>	<u>3,569,418</u>	<u>5,901,261</u>
Net Position (cash basis), December 31 st	<u>\$ 2,698,823</u>	<u>\$ 4,176,901</u>	<u>\$ 6,875,724</u>

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

BOROUGH of MALVERN
NOTES to FINANCIAL STATEMENTS
31st DECEMBER 2019

1. SIGNIFICANT ACCOUNTING POLICIES.

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

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

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

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

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

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

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

BOROUGH of MALVERN
NOTES to FINANCIAL STATEMENTS
31st DECEMBER 2019

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

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

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

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

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

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

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

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

BOROUGH of MALVERN
NOTES to FINANCIAL STATEMENTS
31st DECEMBER 2019

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

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

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

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

E. Compensated Absences. The Borough allows employees to accumulate up to 28 days of earned vacation time, which is payable upon termination. Certain employees are entitled to payment for unused sick pay at termination. As of 31st December 2019 the liability for accrued vacation and sick time was \$109,819. This amount is reported in the government-wide statements.

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

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

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

I. Use of Estimates in the Preparation of Financial Statements. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

BOROUGH of MALVERN
NOTES to FINANCIAL STATEMENTS
31st DECEMBER 2019

2. CASH & INVESTMENTS.

As of 31st December 2019, the carrying value of the Borough's deposits was \$7,020,987 (excluding fiduciary funds) and the bank balances totaled \$7,489,938. Of those bank balances, \$500,000 were covered by insurance provided by the FDIC and \$6,989,938 were covered by collateral held in pooled accounts.

	FDIC	Pooling	Total
Category 1	\$ 500,000	\$ 6,989,938	\$ 7,489,938
Category 2			-
Category 3			-
Bank Balances	\$ 500,000	\$ 6,989,938	\$ 7,489,938

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

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

3. GEOGRAPHIC AREA & CONCENTRATION of CUSTOMERS.

The Borough's Sewer Fund has 100% of its customers within the Borough. All Borough residences and commercial buildings are on the system. 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 were as follows:

General Fund	Balance, Beginning of Year	Additions	Deletions	Balance, End of Year
Land & Buildings	\$ 10,664,721	\$ 406,104		\$ 11,070,825
Machinery & Equipment	2,395,934	31,710		2,427,644
Total	13,060,655	437,814	-	13,498,469
<i>less:</i>				
Accumulated Depreciation	3,955,828	263,162		4,218,990
Net Book Value	\$ 9,104,827	\$ 174,652	\$ -	\$ 9,279,479

BOROUGH of MALVERN
NOTES to FINANCIAL STATEMENTS
31st DECEMBER 2019

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

Sewer Fund

Improvements & Equipment	\$ 3,580,006	\$ 349,358	\$ -	\$ 3,929,364
<i>less:</i>				
Accumulated Depreciation	2,238,585	68,791	-	2,307,376
Net Book Value	<u>\$ 1,341,421</u>	<u>\$ 280,567</u>	<u>\$ -</u>	<u>\$ 1,621,988</u>

Total depreciation expense recorded for 2019 was \$331,953.

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

December 31, 2019 the outstanding non-current liabilities (i.e., long-term debt) were as follows:

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

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

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

Long-term liability activity for the year 2019 was as follows:

Capital Projects Fund	Balance, Beginning of Year	Additions	Deletions	Balance, End of Year
Building Renovation Bonds	\$ 933,000	\$ -	\$ 228,000	\$ 705,000
2013 GO Note Payable	156,000	-	30,000	126,000
Total	<u>\$ 1,089,000</u>	<u>\$ -</u>	<u>\$ 258,000</u>	<u>\$ 831,000</u>

As of December 31, 2019, the annual principal payment requirements of the outstanding long-term debt of the Borough were as follows:

BOROUGH of MALVERN
NOTES to FINANCIAL STATEMENTS
31st DECEMBER 2019

Year	----- Principal -----			----- Interest -----		
	Building	2013 GO	Total	Building	2013 GO	Total
	Renovation	Note		Renovation	Note	
	Bonds	Payable		Bonds	Payable	
2020	\$ 231,000	\$ 31,000	\$ 262,000	\$ 9,664	\$ 1,905	\$ 11,569
2021	235,000	31,000	266,000	6,305	1,436	7,741
2022	239,000	32,000	271,000	2,888	968	3,856
2023	-	32,000	32,000	-	484	484
2024	-	-	-	-	-	-
	\$ 705,000	\$ 126,000	\$ 831,000	\$ 18,857	\$ 4,793	\$ 23,650

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.

Pension Plan Description & Administration. The Borough of Malvern maintains two single-employer defined benefit pension plans, namely its Police Pension Plan (covering all uniformed police officers), and its Non-Uniform Plan (covering all other covered employees). These plans are controlled by the provisions of Codified Ordinances. These plans are governed by the Borough of Malvern which may amend plan provisions, and which is responsible for the management of plan assets. The Borough of Malvern has delegated the authority to manage certain plan assets to I-n-R, 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, 2019, was the most recently certified by the municipality's chief administrative officer. This report indicated the municipality maintains a pension plan to provide pension benefits for Police and non-uniform employees as described above.

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

Table 1	Police Plan		Non-Uniform Plan	
	2019	2020	2019	2020
active employees	3	6	12	12
retirees & beneficiaries currently receiving benefits	4	4	5	5
terminated employees entitled to benefits but not yet receiving them	0	0	0	0
total	7	10	17	17

BOROUGH of MALVERN
NOTES to FINANCIAL STATEMENTS
31st DECEMBER 2019

Benefits Provided.

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

(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 (½) of the member's Average Monthly Salary less fifty percent (50%) of the primary social security benefit for which a member may be eligible because of age, at the earliest age he/she is eligible for such benefit, whether he/she applies for it, or not.
- B. Disability Retirement Benefit - In the event of a permanent service-related injury, the benefit shall be equal to fifty percent (50%) of the Salary of the member. The benefit would be payable as if the date of disability had been his normal retirement date. This benefit is reduced by any benefits or payments received by such member under the Social Security Administration for the same injury.

BOROUGH of MALVERN
NOTES to FINANCIAL STATEMENTS
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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 (½) 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.) 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, or (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, upon discontinuance of his/her employment.

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.

(v.) 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 through the end of 2017, and 6% per annum, thereafter.
- (b.) Vested Benefit - The spouse of a deceased member, who was vested in the accrued benefit at the date of death, shall receive during the spouse's lifetime, fifty percent (50%) of the accrued benefit of the member commencing on the expected normal retirement date of the member. If no such spouse survives, or if the spouse survives and subsequently dies, then the children under the age of eighteen (18) [or are attending college and have not yet attained age twenty three (23)], shall be entitled to the same benefit described above.

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

BOROUGH of MALVERN
NOTES to FINANCIAL STATEMENTS
31st DECEMBER 2019

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.

(vi.) Deferred Retirement Option Program (DROP). The plan does not provide a Deferred Retirement Option Program.

(vii.) Employee Contributions. Members of both plans contribute a portion of their monthly salary to the plan per the following schedule:

- Police Plan: 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.
- Non-Uniform Plan: 2% of monthly salary.

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

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

Investment Policy.

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

Long-Term Expected Rate of Return.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation of 2.25%) 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, 2019 are summarized in Table 2, below.

BOROUGH of MALVERN
NOTES to FINANCIAL STATEMENTS
31st DECEMBER 2019

Table 2	Police Plan		Non-Uniform Plan	
	Target	Long-Term Expected Rate of Return	Target	Long-Term Expected Rate of Return
Domestic Equity Large Cap	30%	6.09%	30%	6.09%
Domestic Equity Mid Cap	5%	7.27%	5%	7.27%
Domestic Equity Small Cap	5%	7.27%	5%	7.27%
International Equity	21%	8.24%	21%	8.24%
Fixed Income	36%	3.17%	35%	3.17%
Cash	3%	.81%	4%	.81%
Total	100%		100%	

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, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was

- Police Plan 19.22%
- Non-Uniformed Plan 19.05%

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, 2019 were as follows:

Table 3	Police Plan	Non-Uniform Plan	Total
Total Pension Liability	\$ 1,706,497	\$ 3,413,626	\$ 5,120,123
Plan Fiduciary Net Position	\$ 2,698,823	\$ 4,176,901	\$ 6,875,724
Net Pension Liability	\$ (992,326)	\$ (763,275)	\$ (1,755,601)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	158.1%	122.4%	134.3%

(See following table for additional details regarding Net Pension Liability).

Malvern Borough
Notes to Financial Statements, Note #6 Continued
December 31, 2019

Changes in Net Pension Liability

The following table shows the changes in net pension liability recognized over the year January 1, 2019 to December 31, 2019.

	Police Plan			Non-Uniform Plan			Total	
	Total Pension Liability (a)	Increase / (Decrease)		Total Pension Liability (a)	Increase / (Decrease)			Total Pension Liability (a) - (b)
		Fiduciary Net Position (b)	Net Pension Liability (b)		Fiduciary Net Position (b)	Net Pension Liability (b)		
Balances at 12/31/2018	\$ 1,214,321	\$ 2,331,843	\$ (1,117,522)	\$ 3,331,304	\$ 3,569,418	\$ (238,114)	\$ (1,355,636)	
Changes for the year:								
Service Cost	26,575	-	26,575	83,350	-	83,350	109,925	
Interest on Total Pension Liability	98,692	-	98,692	196,200	-	196,200	294,892	
Changes in Benefit Terms	-	-	-	-	-	-	-	
Differences Between Expected and Actual Experience	441,044	-	441,044	(92,068)	-	(92,068)	348,976	
Changes of Assumptions	-	-	-	-	-	-	-	
Contributions - Employer	-	-	-	-	8,457	(8,457)	(8,457)	
Contributions - State Aid	-	-	-	-	11,995	(11,995)	(11,995)	
Contributions - Member	-	-	-	-	18,623	(18,623)	(18,623)	
Net Investment Income	-	441,115	(441,115)	-	673,568	(673,568)	(1,114,683)	
Benefit Payments	(74,135)	(74,135)	-	(105,160)	(105,160)	-	-	
Administrative Expense	-	-	-	-	-	-	-	
Other Changes	-	-	-	-	-	-	-	
Net Changes	\$ 492,176	\$ 366,980	\$ 125,196	\$ 82,322	\$ 607,483	\$ (525,161)	\$ (399,965)	
Balances at 12/31/2019	\$ 1,706,497	\$ 2,698,823	\$ (992,326)	\$ 3,413,626	\$ 4,176,901	\$ (763,275)	\$ (1,755,601)	

Malvern Borough
Notes to Financial Statements, Note #6 Continued
December 31, 2019

Pension Expense for Fiscal Year Ended December 31, 2019

	Police Plan	Non-Uniformed Plan	Total
Service Cost	\$ 26,575	\$ 83,350	\$ 109,925
Interest on Total Pension Liability	98,692	196,200	294,892
Changes in Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	27,477	(23,694)	3,783
Changes of Assumptions	12,960	(2,049)	10,911
Employee Contributions	-	(18,623)	(18,623)
Projected Earnings on Pension Plan Investments	(137,687)	(211,876)	(349,563)
Differences Between Projected and Actual Earnings on Investments	(9,154)	(20,216)	(29,370)
Administrative Expense	-	-	-
Other Changes in Fiduciary Net Position	-	-	-
Total Pension Expense	\$ 18,863	\$ 3,092	\$ 21,955

Malvern Borough
Notes to Financial Statements, Note #6 Continued
December 31, 2019

Deferred Outflows and Deferred Inflows of Resources

For the year ended December 31, 2019, Malvern Borough recognized a pension expense of \$18,863 and \$3,092 for its Police Plan and Non-Uniformed Plan, respectively. At December 31, 2019, Malvern Borough reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Police Plan</u>		<u>Non-Uniformed Plan</u>	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 312,539			\$ (113,651)
Changes in Assumptions	36,808			(6,657)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		(147,856)		(219,385)
Total	<u>\$ 349,347</u>	<u>\$ (147,856)</u>	<u>\$ -</u>	<u>\$ (339,693)</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:

	<u>Police Plan</u>	<u>Non-Uniformed Plan</u>
Year Ended December 31:		
2020	(504)	(87,649)
2021	(3,119)	(86,773)
2022	39,898	(29,852)
2023	(6,898)	(108,556)
2024	53,786	(13,041)
Thereafter	118,328	(13,822)
	<u>\$ 201,491</u>	<u>\$ (339,693)</u>

BOROUGH of MALVERN
NOTES to FINANCIAL STATEMENTS
31st DECEMBER 2019

(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)	(\$799,527)	(\$992,326)	(\$1,153,286)
	1% Decrease 5.00%	Current Rate 6.00%	1% Increase 7.00%
Non-Uniformed Plan			
Net Pension Liability (Asset)	\$(495,711)	(\$763,275)	(\$997,188)

(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 biennially actuarial valuation as of January 1, 2019, using the Entry Age Normal cost method and the following actuarial assumptions based on the census data as of January 1, 2019:

Table 5	Police Plan	Non-Uniform Plan
A. Economic Assumptions		
Investment Return	6% per annum, net of investment expenses	6% per annum, net of investment expenses
Salary Increases	3.25%, compounded annually	3.25%, compounded annually
Social Security Increase	3% per annum	not stated
B. Demographic Assumptions		
Pre-Retirement Mortality	none	none
Post-Retirement Mortality	RP-2000 Mortality Table projected to 2017 using Scale AA	RP-2000 Mortality Table projected to 2017 using Scale AA
Termination	none	none
Disability	none	none
Retirement Age	Normal retirement age, or age on valuation date if greater.	Normal retirement age, or age on valuation date if greater.
Marital Status	100% of active members are assumed to be married; female spouse is assumed to be 3 years younger than male spouse	not stated
Form of Annuity	Joint & 50% Survivor	Straight Life

BOROUGH of MALVERN
NOTES to FINANCIAL STATEMENTS
31st DECEMBER 2019

7. COMMITMENTS.

As of 31st December 2019, the Borough has several major commitments underway:

- Ruthland Avenue Pump Station Force Main Upgrade. This long-planned project involved the upgrade of the force main that services the Ruthland Avenue Pump Station. The project was completed in 2019 and is currently in the 18-month maintenance bond period. Estimated remaining expenditures are \$0.
- N. Warren Avenue Transit Project. The contract for this project was awarded by Borough Council in August 2019 to Road-Con, Inc. in the amount of \$910,429. The anticipated completion date is September 2020. Grant funding representing 60% of the project costs has been awarded from Pennsylvania. Costs for this project will be paid out of the Capital Reserve Fund. No construction costs were expended in 2019.

8. SUBSEQUENT EVENTS.

The Borough has evaluated all events through 2nd June 2020, which is the date these financial statements were available to be issued, and has determined that there are no subsequent events that require recognition or disclosure.

BOROUGH of MALVERN

REQUIRED SUPPLEMENTAL INFORMATION

**Budgetary Comparison Statement - General Fund
for the year ended December 31, 2019**

	Original & Final Appropriated Budget	Actual Amounts (Budgetary Basis)	<i>variance</i>
REVENUES:			
Taxes	\$ 3,254,530	\$ 3,315,205	\$ 60,675
Licenses & Permits	198,950	229,227	30,277
Fines, Forfeits, & Costs	29,200	40,630	11,430
Interest & Rents	58,000	97,693	39,693
Intergovernmental Revenues	751,337	193,796	(557,541)
Charges For Sevices & Fees	52,750	58,004	5,254
Sale of Assets	50,000	12,325	(37,675)
Miscellaneous Revenue	2,000	16,740	14,740
TOTAL BUDGETED REVENUES	<u>4,396,767</u>	<u>3,963,620</u>	<u>(433,147)</u>
EXPENDITURES			
General Government	701,882	684,555	17,327
Public Safety	1,588,290	1,438,443	149,847
Public Works: Highways & Streets	720,675	617,535	103,140
Public Works: Garbage Collection	255,000	235,763	19,237
Culture & Recreation	121,029	109,447	11,582
All Other Expenses	89,427	87,555	1,872
TOTAL EXPENDITURES - CURRENT	<u>3,476,303</u>	<u>3,173,298</u>	<u>303,005</u>
TOTAL EXPENDITURES	<u>3,476,303</u>	<u>3,173,298</u>	<u>303,005</u>
EXCESSS of REVENUES OVER EXPENDITURES	920,464	790,322	(130,142)
Transfers In	87,100	80,066	(7,034)
Transfers Out	(1,007,566)	(913,098)	94,468
NET TRANSFERS	<u>(920,466)</u>	<u>(833,032)</u>	<u>87,434</u>
NET CHANGE in FUND BALANCE	<u>\$ (2)</u>	<u>\$ (42,710)</u>	<u>\$ (42,708)</u>

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

Net Changes in Fund Balances - total governmental funds	\$ (42,710)
Decrease (Increase) in Accounts Payable and Accrued Expenses	26,546
Increase (Decrease) in Receivables	(2,383)
Expenditures for Capital Assets	437,814
Decrease (Increase) in Accrual for Compensated Absences	(7,006)
Additional Pension Expense claimed on GAAP Statement of Activities	(6,711)
Depreciation Expense claimed on GAAP Statement of Activities	(263,162)
Equity Transfers to Business-Like Funds	157,548
Change in Net Assets (GAAP Basis)	<u>\$ 299,936</u>

See notes to required supplementary information.

BOROUGH of MALVERN

REQUIRED SUPPLEMENTAL INFORMATION

**Budgetary Comparison Statement - Liquid Fuel Fund (a Special Major Revenue Fund)
for the year ended December 31, 2019**

	Original & Final Appropriated Budget	Actual Amounts (Budgetary Basis)	<i>variance</i>
REVENUES:			
Interest & Rents	\$ 700	\$ 1,412	\$ 712
Intergovernmental Revenues	92,590	95,109	2,519
TOTAL BUDGETED REVENUES	<u>93,290</u>	<u>96,521</u>	<u>3,231</u>
EXPENDITURES			
TOTAL EXPENDITURES - CURRENT	-	-	-
EXCESS of REVENUES OVER EXPENDITURES	93,290	96,521	3,231
Transfers Out	<u>(87,100)</u>	<u>(80,066)</u>	7,034
NET TRANSFERS	<u>(87,100)</u>	<u>(80,066)</u>	7,034
NET CHANGE in FUND BALANCE	<u>\$ 6,190</u>	<u>\$ 16,455</u>	<u>\$ 10,265</u>

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

NET CHANGE in FUND BALANCE	\$ 16,455
Reconciling Items	<u>-</u>
Change in Net Assets (GAAP Basis)	<u>\$ 16,455</u>

See notes to required supplementary information.

**Malvern Borough
Schedule of Investment Returns
December 31, 2019**

Police Plan

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

Notes to schedules: none

Non-Uniform Plan

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

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 & Related Ratios
December 31, 2019

	Police Plan 2015	Non-Uniformed Plan 2015	Police Plan 2016	Non-Uniformed Plan 2016	Police Plan 2017	Non-Uniformed Plan 2017	Police Plan 2018	Non-Uniformed Plan 2018	Police Plan 2019	Non-Uniformed Plan 2019
Total Pension Liability										
Service Cost	\$ 35,615	\$ 62,386	\$ 37,396	\$ 65,505	\$ 22,554	\$ 72,451	\$ 23,287	\$ 74,806	\$ 26,575	\$ 83,350
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
Changes of Benefit Terms	-	-	-	-	-	-	-	-	-	-
Differences Between Expected and Actual Experience	-	-	-	(153,646)	(66,583)	-	-	-	441,044	(92,068)
Changes of Assumptions	-	-	75,688	(12,804)	-	-	-	-	-	-
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)
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
Total Pension Liability - Beginning	1,032,828	2,791,569	1,109,664	2,961,015	1,195,492	3,099,796	1,176,785	3,170,117	1,214,321	3,331,304
Total Pension Liability - Ending	\$ 1,109,664	\$ 2,961,015	\$ 1,195,492	\$ 3,099,796	\$ 1,176,785	\$ 3,170,117	\$ 1,214,321	\$ 3,331,304	\$ 1,706,497	\$ 3,413,626
Plan Fiduciary Net Position										
Contributions - Employer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 167	\$ 8,457
Contributions - State Aid	-	66,791	-	30,471	-	33,394	-	15,119	-	11,995
Contributions - Member	-	13,499	-	16,909	-	16,336	-	17,787	-	18,623
Net Investment Income	(8,603)	(12,196)	134,400	199,204	336,863	487,821	(140,051)	(212,308)	441,115	673,568
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)
Administrative Expense	(41,038)	5,786	101,965	139,824	303,203	429,516	(196,124)	(284,395)	366,980	607,483
Plan Net Position - Beginning	2,163,837	3,278,687	2,122,799	3,284,473	2,224,764	3,424,297	2,527,967	3,853,813	2,331,843	3,569,418
Plan Net Position - Ending	\$ 2,122,799	\$ 3,284,473	\$ 2,224,764	\$ 3,424,297	\$ 2,527,967	\$ 3,853,813	\$ 2,331,843	\$ 3,569,418	\$ 2,698,823	\$ 4,176,901
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)
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%
Covered Employee Payroll	\$ 323,461	\$ 669,275	\$ 293,850	\$ 677,220	\$ 260,210	\$ 772,700	\$ 369,762	\$ 819,324	\$ 379,500	\$ 890,190
Municipality's Net Pension Liability as a Percentage of Covered Employee Payroll	-313.2%	-48.3%	-350.3%	-47.9%	-519.3%	-88.5%	-302.2%	-29.1%	-261.5%	-85.7%
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, 2019**

Police Plan

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Actuarially Determined Contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in Relation to the Actuarially Determined Contribution	-	-	-	-	-	-	-	-	-	-	-	-
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Covered Employee Payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 323,461	\$ 293,850	\$ 260,210	\$ 369,762	\$ 379,500
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%

Notes to schedules:

For each year 2008 through 2019, the net assets exceed the present value of benefits; therefore, no contribution was required.

Non-Uniform Plan

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
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
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
Contribution Deficiency (Excess)	\$ (4,761)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (4,140)	\$ (406)	\$ (4,450)	\$ (728)	\$ -	\$ -

Covered Employee Payroll	\$ 536,827	\$ 479,630	\$ 497,662	\$ 544,495	\$ 544,495	\$ 598,096	\$ 556,479	\$ 669,275	\$ 677,220	\$ 772,700	\$ 819,324	\$ 890,190
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%

Notes to schedules: none

BOROUGH of MALVERN
NOTES to REQUIRED SUPPLEMENTAL INFORMATION
31st DECEMBER 2019

NOTE A - BUDGETARY POLICY

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

NOTE B - BUDGETARY BASIS of ACCOUNTING

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

NOTE C - EXCESS of EXPENDITURES OVER APPROPRIATIONS

For the year ended December 31, 2019, expenditures in all general fund departments were less than budgeted amounts. However, revenues for the same period fell short of budgeted amounts in the following General Fund department levels (the legal level of budgetary control):

Intergovernmental Revenues	\$ 557,541
Sale of Assets	\$ 37,675

These revenue shortfalls were offset in part by each general fund department having spent less than budgeted, and in part by reducing transfers out of the general fund to other funds.

BOROUGH of MALVERN
FINANCIAL MONITORING SYSTEM
for the years
2015 THROUGH 2019

Richard M. Peterson, CPA
Giorgio E. Fieo, CPA*, CFE
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INDEPENDENT ACCOUNTANTS' REPORT

To the Members of Council
The Borough of Malvern, Pennsylvania

The management of Malvern Borough is responsible for the Financial Monitoring System ("FMS") for the Borough of Malvern for the years ending 31st December 2015 through 31st December 2019. This system, devised by the Pennsylvania Department of Community & Economic Development's Center for Local Government Services, is designed to give a multi-year look at the municipality's finances as an aid to developing a comprehensive understanding of same going forward, consists of a grid showing 19 areas of selected metrics. The financial information of which is derived from corresponding DCED Municipal Annual Audit & Financial Reports audited by our firm for each of the five years presented in the table. We have performed a compilation engagement on this FMS in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the FMS, nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express any opinion or any conclusion thereon, nor provide any form of assurance on this FMS.

Management has elected to omit all of the disclosures required by generally accepted accounting principles. If the omitted disclosures were included in the FMS, they might influence the user's conclusions about the Borough's financial position, changes in net assets, and cash flows. Accordingly, this FMS are not designed for those not informed about such matters.

Peterson, Fieo & Co.
Peterson, Fieo & Co.
17th June 2020

Borough of Malvern Financial Monitoring System

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Population					
<i>(from most recent US census)</i>	2,998	2,998	2,998	2,998	2,998
Revenue Per Capita	1,692	1,777	1,575	1,529	1,567
Expenditures Per Capita	1,723	1,645	1,376	1,366	1,345
Employee Benefit Total Cost					
<i>(excluding taxes)</i>	318,684	280,300	256,577	283,181	318,068
Grand Total Salaries	1,614,445	1,434,355	1,304,344	1,176,357	1,138,578
Benefit Cost as a % of Salaries	19.74%	19.54%	19.67%	24.07%	27.94%
Cash Position	7,020,985	7,159,991	6,818,246	6,115,614	5,701,286
Debt Service as % of Revenue	6.90%	6.66%	7.35%	7.60%	7.29%
Long Term Debt	831,000	1,089,000	1,344,000	1,595,000	1,842,000
Debt per Capita	277	363	448	532	614
Debt as a % of Assessed Valuation	0.34%	0.45%	0.57%	0.69%	0.82%
Operating Position					
<i>(GF expenditures % GF revenues)</i>	97.32%	99.58%	87.58%	92.78%	84.90%
Net Pension Liability (Asset)					
Police Pension	(992,326)	(1,117,522)	(1,351,182)	(1,029,272)	(1,013,135)
NonUniformed Pension	(763,275)	(238,114)	(683,696)	(324,501)	(323,458)
Actual GF Revenue vs. Budget	90.15%	86.59%	80.04%	73.14%	92.86%
Actual GF Expenditures vs. Budget	91.28%	86.40%	86.87%	91.27%	83.95%
Assessed Taxable					
Valuation, per Capita	80,954	79,934	79,002	77,350	75,300
Real Estate Millage	4.4670	4.4670	4.4200	4.4200	4.4200
% Increase (Decrease) in Millage	0.00%	1.06%	0.00%	0.00%	0.00%
Capital Outlays % of Expenditures	15.18%	21.15%	15.64%	10.01%	12.62%
Net Position Increases (Decreases)	(95,574)	398,269	2,359,696	489,234	(1,073,222)
<i>(formerly titled "Fund Balance")</i>					

See accompanying accountants' compilation report.