

Borough of Malvern
Chester County, Pennsylvania
Annual Audit & Financial Report
for the year ended December 31, 2020

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 \$8,930,327

Revenues & Other Financing Sources

Taxes	\$ 3,433,355
Licenses & Permits	184,393
Fines & Forfeits	22,879
Interest, Rents, & Royalties	121,899
Grants	518,788
Charges for Services	984,209
Inter-Governmental Transfers	1,067,197
Miscellaneous Revenues	51,372
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Total Revenues & Other Financing Sources 6,384,092

Expenditures (Expenses) & Other Financing Uses

General Government	676,551
Public Safety	1,496,131
Public Works - Sanitation	1,211,911
Public Works - Highway & Streets	1,674,609
Culture & Recreation	143,497
Insurance, Employee Benefits, P/R Taxes, &c	44,673
Debt Service	273,140
Inter-Governmental Transfers	1,067,197
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Total Expenditures or Expenses and Other Financing Uses 6,587,709

Excess (Deficiency) of Revenues & Other Financing

Sources over Expenditures (Expenses) & Other Financing Uses (203,617)

Fund Balances, end of year \$ 8,726,710

Other Required Information:

Outstanding Debt of the Borough	<i>as of 31 Dec 2020</i>	\$ 569,000
Assessed Valuation of the Borough	<i>as of 1 Jan'y 2020</i>	\$ 244,253,520

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*

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26th May 2021

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 2020, and have issued our report thereon dated 26th May 2021. 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 22nd November 2020, 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 2020.

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 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 no one significant difficulty during the prior year audit (i.e., year ended 31st December 2019). 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. This issue was corrected during 2020, and was not an issue for the instant audit.

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 26th May 2021.

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.

Borough of Malvern				
YE Adjusting Journal Entries			FYE December 31, 2020	
Entry #	Acct. #	Account Name/Description	Debit	Credit
		<u>Journal Entries for DCED Report:</u>		
			DO NOT POST	
OE.	01135-001	RESERVE FOR CONTINGENCIES (CD#9249)	1,164.73	
	01135-003	CERTIFICATE OF DEPOSIT #5086756	2,529.34	
	01135-005	GRANT MONEY	15.46	
	01290-000	GENERAL FUND BALANCE		3,709.53
		<i>to correct opening balances "GENERAL FUND"</i>		
		<u>Journal Entries for DCED Report:</u>		
OE1.	01135-002	HISTORICAL COMMISSION	216.68	
	01135-004	CERTIFICATE OF DEPOSIT #5089065	2,147.49	
	01136-001	STORM WATER MANAGEMENT	3,669.85	
	01136-002	SHADE TREE IN LIEW	8,292.15	
	01136-003	SIDEWALK FEE	3,677.14	
	01145-000	ACCOUNTS RECEIVABLES	7,572.07	
	01220-240	ESCROW LIABILITIES	56,876.02	
	01132-000	PLIGT ACCOUNT		728.09
	01136-000	ESCROW ACCOUNTS		56,876.02
	01290-000	GENERAL FUND BALANCE		24,847.29
		<i>to correct opening balances "GENERAL FUND"</i>		
OE.	08290-000	SEWER FUND BALANCE	20.00	
	01290-000	GENERAL FUND BALANCE		20.00
		<i>to correct opening balances "GENERAL & SEWER FUND"</i>		
			DO NOT POST	
OE.	08135-000	RESERVE FOR CONTINGENCIES CD #9250	1,128.41	
	08135-001	VCT SALE PROCEEDS	6,486.48	
		CONTRIBUTED CAPITAL		7,614.89
		<i>to correct opening balances "SEWER FUND"</i>		
OE1.	08145-000	SEWER - ACCOUNTS RECEIVABLES	28,142.71	
	08290-000	SEWER FUND BALANCE	650,823.15	
	20290-000	CONTRIBUTED CAPITAL		678,965.86
		<i>to correct opening balances "SEWER FUND"</i>		
A1.	08364-010	Sewer Rents	209,638.01	
	08145-000	Sewer A/R		209,638.01
		<i>to reverse prior year accrual</i>		
A2.	08145-000	Sewer A/R	212,057.27	
	08364-010	Sewer Rents		212,057.27
		<i>to adjust A/R balance for 4th (2020) Qtr Billing</i>		
B.	01379-000	MISCELLANEOUS INCOME	11,926.18	
	01387-000	CONTRIBUTIONS AND DONATIONS FROM PRIVATE SECTORS		2,775.00
		COVID19 Relief		9,151.18
		<i>reclass miscellaneous income</i>		
C.	01403- 012	COMMISSIONS-EARNED INC. TAX COLL.	2,705.72	
	01310- 020	EARNED INCOME TAX (CURRENT)		2,705.72
		<i>to record commission difference between amount reported by Keystone and amount recorded in the led</i>		
D1.	01132-000	PLIGT ACCOUNT	961.54	
	01135-002	HISTORICAL COMMISSION	13.65	

Borough of Malvern			FYE December 31, 2020	
YE Adjusting Journal Entries				
Entry #	Acct. #	Account Name/Description	Debit	Credit
	01136-001	STORM WATER MANAGEMENT	59.41	
	01136-002	SHADE TREE IN LIEW	111.43	
	01136-003	SIDEWALK FEE	93.13	
	01135-004	CERTIFICATE OF DEPOSIT #5089065	1,853.62	
	01341-000	EARNINGS ON INVESTMENTS		3,092.78
		<i>to record earnings on investments FYE 2020</i>		
			DO NOT POST	
D2.	01341-000	EARNINGS ON INVESTMENTS	3,709.53	
	01135-001	RESERVE FOR CONTINGENCIES (CD#9249)		1,164.73
	01135-003	CERTIFICATE OF DEPOSIT #5086756		2,529.34
	01135-005	GRANT MONEY		15.46
		<i>to reverse estimate earnings on GENERAL FUND investments booked in FYE 2019</i>		
			DO NOT POST	
D3.	08341-000	EARNINGS FROM INVESTMENTS	7,614.89	
	08135-000	RESERVE FOR CONTINGENCIES CD #9250		1,128.41
	08135-001	VCT SALE PROCEEDS		6,486.48
		<i>to reverse estimate earnings on SEWER investments booked in FYE 2019</i>		
F.	1136-1	STORM WATER MANAGEMENT	2,700.00	
	1136-2	SHADE TREE IN LIEW	3,863.72	
	1136-3	SIDEWALK FEE	3,493.94	
		Unclassified Operating Revenues		10,057.66
		<i>to update account balances according to bank balances.</i>		
G.	1220-240	ESCROW LIABILITIES	39,355.28	
	1136-0	ESCROW ACCOUNTS		39,355.28
		<i>to update escrow account balances according to bank balances.</i>		
H1.	35438-020	MAINTENANCE & REPAIRS - STREETS	30,645.87	
	35100-001	HIGHWAY AID SAVINGS ACCOUNT		30,645.87
		<i>to record expenses recorded on usage report but not on ledger for 2020</i>		
I.	01355-001	GRANTS FROM STATE/COUNTY GOVERNMENT	none received during 2020	
		Recycling Grant	(per Mary Lou)	
		to reclass Recycling grant to the proper account.		
			1,303,564.87	1,303,564.87
				0.00
<p>I approve all of the journal entries, account reclassifications, and otherwise adjustments herein proposed for the DCED financial statements for the period ended 31st December 2020.</p> <p style="text-align: center;"><u>26th May 2021.</u> date</p> <p>signature _____</p>				
		<u>Journal Entries for GAAP Report:</u>		
OE1.		Paoli Battlefield	2,638,010.00	
		Park	585,397.59	
		Revitalization	4,191,123.01	
		Municipal Building	3,552,236.42	
		Parking Lot	104,053.00	
		Machinery & Equip	1,344,617.12	
		Vehicles- Police	287,503.89	
		Public Works - All Assets	795,530.27	
	01145-002	A/R REAL ESTATE - PRIOR	30,845.77	

Borough of Malvern				
YE Adjusting Journal Entries			FYE December 31, 2020	
Entry #	Acct. #	Account Name/Description	Debit	Credit
		NET PENSION ASSET	1,755,601.00	
		Deferred Outflows of Pension Resources	344,905.00	
	01290-000	GENERAL FUND BALANCE		2,399,962.38
		Accumulated Depr'n		4,218,992.00
		Fixed Asset Fund Balance		7,568,650.23
		ACCOUNTS PAYABLE		61,931.38
		ACCRUED PAYROLL EXPENSES		47,898.57
		Wachovia Bonds Payable		231,000.00
		WTC DVFA		31,000.00
		Wachovia Bonds Payable		474,000.00
		WTC DVFA		95,000.00
		Compensated Absences		116,826.51
		Deferred Inflows of Pension Resources		384,562.00
		<i>to establish opening balances as of 12/31/2020</i>		
		CAPITAL RESERVE FUND BALANCE	16,757.57	
		Prior Year Activity & Adjs.		
		Accounts Payable (cap'l reserve)		16,757.57
		<i>to establish opening balances as of 12/31/2020</i>		
OE2.	08290-000	SEWER FUND BALANCE	239,354.48	
	20150-000	PROPERTY PLAN AND EQUIPMENT	2,189,235.93	
		Deferred Outflows of Pension Resources	4,442.00	
		Accumulated Depr'n		2,307,376.20
		ACCOUNTS PAYABLE		14,946.55
		ACCRUED PAYROLL EXPENSES		7,722.66
		Deferred Inflows of Pension Resources		102,987.00
		<i>to record opening GAAP balances for Sewer Fund PP&E not already on books</i>		
F1.		Accounts Payable (General Fund)	61,931.38	
	01400-033	TELEPHONE & COMMUNICATIONS		439.30
	01402-020	MATERIALS & SUPPLIES		253.53
	01402-023	OFFICE EQUIP. MAINTENANCE & EXPENSE		1,018.85
	01402-024	GENERAL EXPENSE		168.44
	01402-025	ADVERTISING & PRINTING		1,845.29
	01404-000	LEGAL SERVICES		9,205.98
	01407-021	OFFICE SUPPLIES		771.23
	01407-025	REPAIRS AND MAINTENANCE		1,040.40
	01408-000	ENGINEERING SERVICES		4,187.00
	01409-020	MATERIALS & SUPPLIES		204.94
	01409-021	UTILITIES		1,853.35
	01409-023	MAINTENANCE & REPAIRS		847.64
	01410-019	MAINTENANCE - OFFICE EQUIPMENT		700.73
	01410-020	MATERIALS & SUPPLIES		166.85
	01410-023	TRAINING - EDUCATION		480.84
	01410-025	TELEPHONE & COMMUNICATIONS		598.62
	01410-029	GAS & OIL		1,335.22
	01410-031	ENERGY - TRAFFIC LIGHTS		111.89
	01410-032	GENERAL EXPENSE		335.30
	01411-021	COST OF FIRE HYDRANTS		1,706.76
	01411-022	VOL. FIRE CO. - WATER CONSUMPTION		249.60
	01414-020	GENERAL EXPENSE		272.74
	01414-022	CONTRIBUTION TO ZONING BOARD		74.00
	01414-023	CONTRIBUTION TO HISTORICAL COMMISS.		1,068.61
	01427-020	CONTRACTED SERVICES		13,346.01
	01427-021	LANDFILL FEES AND EXPENSES		9,053.30
	01430-020	MATERIALS & SUPPLIES		36.84
	01430-021	UTILITIES		1,555.81
	01430-022	GENERAL EXPENSE		959.15

Borough of Malvern				
YE Adjusting Journal Entries			FYE December 31, 2020	
Entry #	Acct. #	Account Name/Description	Debit	Credit
	01430-024	TELEPHONE - COMMUNICATIONS		324.28
	01430-025	VEHICLE MAINTENANCE & REPAIRS		1,242.10
	01430-026	GAS, OIL & TIRES		2,472.05
	01433-020	STREET SIGNS & MARKINGS		72.00
	01434-020	STREET LIGHTING		3,661.31
	01454-020	MATERIALS & SUPPLIES		65.00
	01454-021	GENERAL EXPENSE		206.42
		<i>to reverse prior year accounts payable</i>		
F2.	01400-033	TELEPHONE & COMMUNICATIONS	569.35	
	01400-034	TELEPHONE & COMMUNICATIONS	298.99	
	01402-023	OFFICE EQUIP. MAINTENANCE & EXPENSE	1,625.15	
	01402-024	GENERAL EXPENSE	679.97	
	01402-025	ADVERTISING & PRINTING	2,804.75	
	01404-000	LEGAL SERVICES	5,767.50	
	01404-002	LEGAL SERVICES-PLANNING COMMISSION	11,238.50	
	01407-025	REPAIRS AND MAINTENANCE	850.00	
	01408-000	ENGINEERING SERVICES	9,131.25	
	01409-020	MATERIALS & SUPPLIES	484.83	
	01409-021	UTILITIES	3,003.20	
	01409-023	MAINTENANCE & REPAIRS	1,700.00	
	01410-021	UNIFORMS	114.75	
	01410-023	TRAINING - EDUCATION	592.00	
	01410-025	TELEPHONE & COMMUNICATIONS	216.81	
	01410-026	VEHICLE MAINTENANCE & REPAIRS	364.57	
	01410-029	GAS & OIL	1,640.42	
	01410-031	ENERGY - TRAFFIC LIGHTS	3,000.00	
	01411-023	STATE WORKERS INS. FD. (SWIF)	2,214.00	
	01414-021	CONTRIBUTION TO PLANNING COMMISSION	1,172.50	
	01414-022	CONTRIBUTION TO ZONING BOARD	19.00	
	01427-020	CONTRACTED SERVICES	14,270.75	
	01427-021	LANDFILL FEES AND EXPENSES	7,470.09	
	01430-022	GENERAL EXPENSE	908.00	
	01430-024	TELEPHONE - COMMUNICATIONS	17.25	
	01430-025	VEHICLE MAINTENANCE & REPAIRS	122.95	
	01433-020	STREET SIGNS & MARKINGS	135.00	
	01437-020	REPAIRS TO TOOLS & MACHINERY	37.50	
	01452-020	RECREATIONAL PROGRAMS	330.00	
	01454-020	MATERIALS & SUPPLIES	4,412.33	
	01454-021	GENERAL EXPENSE	6,548.87	
		Accounts Payable		81,740.28
		<i>to record current year accounts payable - General Fund (at 12.31.2020)</i>		
F3.		Accounts Payable	16,757.57	
	30430- 001	TRAFFIC ANALYSIS ENGINEER STUDIES		2,246.50
	30435- 003	MUTIMODAL PEDESTRIAN-DCED GRANT		12,976.06
	30435- 006	RANDOLPH WOODS DEV./M-W GREENWAY TR		1,535.01
		<i>to reverse prior year accounts payable</i>		
F4.	30400-004	REVIIALIZATION & COMPREHENSIVE PLAN	1,670.00	
		Accounts Payable		1,670.00
		<i>to record current year accounts payable - Capital Reserve (at 12.31.2020)</i>		
F5.		Accounts Payable	14,946.55	
	08429- 020	MATERIALS & SUPPLIES		56.99
	08429- 022	MAINTENANCE & REPAIRS		2,478.60
	08429- 024	GAS & OIL		381.82
	08429- 026	SEWAGE DISPOSAL VARIOUS		11,212.10

Borough of Malvern				
YE Adjusting Journal Entries			FYE December 31, 2020	
Entry #	Acct. #	Account Name/Description	Debit	Credit
	08429- 028	GENERAL EXPENSE		14.54
	08429- 029	ENGINEERING		442.50
	08429- 031	ALARM SYSTEM EXPENSE		360.00
		<i>to reverse prior year accounts payable</i>		
F6.	08429-021	UTILITIES	2,203.04	
	08429-022	MAINTENANCE & REPAIRS	385.20	
	08429-024	GAS & OIL	182.27	
	08429-026	SEWAGE DISPOSAL VARIOUS	11,084.20	
	08429-030	TELEPHONE - COMMUNICATIONS	149.78	
		Accounts Payable		14,004.49
		<i>to record current year accounts payable - Sewer Fund (at 12.31.2020)</i>		
G1.		ACCRUED PAYROLL EXPS - General Fund	47,898.57	
	01400- 001	SALARY - SECRETARY/MANAGER		2,144.26
	01400- 002	SALARY - TREASURER/ADMIN. ASST.		1,372.42
	01400- 003	ASSISTANT MANAGER		1,429.63
	01400- 021	SALARY & WAGES - CLERKS		380.00
	01410- 010	SALARY OF CHIEF OF POLICE		3,781.76
	01410- 011	SALARY & WAGES - PATROLMEN		20,829.21
	01410- 012	SALARY & WAGES - CLERICAL		2,242.56
	01410- 015	SALARY & WAGES-PART TIME PATROLMEN		1,384.00
	01414- 010	SALARIES & WAGES - CODE ENF.		3,172.70
	01430- 010	SALARIES & WAGES - HIGHWAYS		6,243.07
	01454- 010	SALARIES & WAGES - PARKS & REC.		1,515.11
	01406- 224	SOCIAL SECURITY TAX- BOROUGH		650.18
	01410- 224	SOCIAL SECURITY TAX BOROUGH		2,160.17
	01430- 224	SOCIAL SECURITY TAX - BOROUGH		593.50
		<i>to reverse prior year accrued payroll - Governmental Activities</i>		
		ACCRUED PAYROLL EXPS - Sewer Fund	7,722.66	
	08429- 010	SALARIES & WAGES - SEWER O&M		3972.87
	08429- 101	SALARIES & WAGES - SEWER ADMIN.		3200.99
	08486- 013	SOCIAL SECURITY TAX - BOROUGH		548.8
		<i>to reverse prior year accrued payroll - Business-Like Activities</i>		
H1.		Park	11,089.00	
		Revitalization	1,003,113.71	
		Public Works - All Assets	74,925.00	
	30454- 001	Park Improvements		11,089.00
	30435- 003	MUTIMODAL PEDESTRIAN-DCED GRANT		967,223.97
	30435- 006	RANDOLPH WOODS DEV./M-W GREENWAY TR		23,880.74
	30439- 001	OLD LINCOLN HIGHWAY IMPROVEMENTS		12,009.00
	01439- 070	CAPITAL EXPENDITURES DUMP TRUCK		74,925.00
	20150- 000	PROPERTY PLAN AND EQUIPMENT	11,181.00	
	20429- 077	REPLACE PUMP AT STATION #1 POWELTON		11,181.00
		<i>To reclass current year capital asset acquisitions (cash to GAAP), also see entry F4</i>		
H2.		Depreciation Expense - All other General Fund	219,529.00	
		Depreciation Expense - Police Vehicles	27,661.00	
		Depreciation Expense - Public Works	44,951.00	
		Depreciation Expense - sewer fund	74,267.00	
		accumulated depr'n (gen'l fund)		292,141.00
		accumulated depr'n (sewer fund)		74,267.00
		<i>To record current year Depreciation Expense for GAAP.</i>		

Borough of Malvern				
YE Adjusting Journal Entries			FYE December 31, 2020	
Entry #	Acct. #	Account Name/Description	Debit	Credit
J.	1400-1	SALARY - SECRETARY/MANAGER	461.28	
	1430-10	SALARIES & WAGES - HIGHWAYS	766.64	
	1410-11	SALARY & WAGES - PATROLMEN	9,284.47	
		Compensated Absences		10,512.39
		<i>to adjust compensated absences per calculation</i>		
K1.	30392-1	transfer to general fund	262,000.00	
	30471-0	DEBT SERVICE - PRINCIPAL		262,000.00
	GF ledger	Wachovia Bonds Payable (L/T liability)	231,000.00	
		WTC DVFA	31,000.00	
	492	transfer from capital reserve fund		262,000.00
		<i>to reclass debt service payments (cash to GAAP), and cross funds</i>		
K2.	GF ledger	Wachovia Bonds Payable (L/T liability)	4,000.00	
	GF ledger	Wachovia Bonds Payable (S/T liability)		4,000.00
	GF ledger	WTC DVFA		
		<i>to reclass debt payments</i>		
M.	1301-2	A/R REAL ESTATE - PRIOR	6,494.84	
	1145-2	REAL ESTATE TAXES (DELINQUENT)		6,494.84
		<i>to accrue delinquent taxes as of 12/31/2020</i>		
N.		Net Pension Asset	418,121.00	
		Pension Expense - GF Police	109,831.00	
		Pension Expense - GF Other		103,815.00
		Pension Expense - Sewer Fund		46,641.00
		Deferred Outflows of Pension Resources		40,437.00
		Deferred Outflows of Pension Resources - Sewer		0.00
		Deferred Inflows of Pension Resources - GF		276,132.00
		Deferred Inflows of Pension Resources - Sewer		60,927.00
	GF acct.	equity transfer from sewer fund	107,568.00	
	SF acct.	equity transfer to general fund		107,568.00
	<i>to record changes per combined pension reports</i>			
01.	01143-000	PREPAID EXPENSES	17,035.35	
	01410-228	POLICE PROFESSIONAL LIABILITY INSUR		539.77
	01410-228	POLICE PROFESSIONAL LIABILITY INSUR		2,579.79
	01411-023	STATE WORKERS INS. FD. (SWIF)		3,771.31
	01411-023	STATE WORKERS INS. FD. (SWIF)		554.71
	01486-026	CASUALTY - GENERAL LIABILITY		3,314.74
	01486-027	AUTOMOBILE LIABILITY INSURANCE		1,336.24
	01486-029	PUBLIC OFFICIALS LIABILITY INS.		1,974.13
	01486-030	INLAND MARINE INSURANCE		2,371.73
	01486-032	COMMERCIAL PROPERTY INSURANCE		592.93
		<i>to accrue prepaid insurance for GENERAL FUND paid in 2020 for 2021</i>		
	08143-000	PREPAID EXPENSES	6,393.16	
	08484-010	AUTOMOBILE INSURANCE		890.82
	08486-011	CASUALTY - GENERAL LIABILITY		2,209.82
	08486-014	COMMERICAL PROPERTY INSURANCE		1,976.44
08486-015	PUBLIC OFFICIALS LIABILITY INS.		1,316.08	
	<i>to accrue prepaid insurance for SEWER FUND paid in 2020 for 2021</i>			
P2.	01145-000	ACCOUNTS RECEIVABLES	18,012.01	
	01310-010	REAL ESTATE TRANSFER TAX		17,737.51
	01310-000	PER CAPITA TAX (CURRENT)		44.00
	01310-001	PER CAPITA TAX (PRIOR YEARS)		230.50

MALVERN

Borough

26th May 2021

Mr. George Fieo, CPA
Peterson, Fieo & Co. LLP
103 Chesley Drive, Suite 102
Media, PA 19063-1757

Dear Mr. Fieo:

This representation letter is provided in connection with your audit(s) of the financial statements of Malvern Borough, which comprise the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information as of 31st December 2020, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of today, the following representations made to you during your audit:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated 22nd November 2020, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the required supplementary information in accordance with the applicable criteria.
2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by those accounting principles to be included in the financial reporting entity.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
7. Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.

1 East First Avenue
Phone 610.644.2602

■ Suite 3
Facsimile 610.644.4504

■ Malvern, Pennsylvania 19355
Email malvern@malvern.org

Malvern Borough Client Representation Letter (GAAP)
26th May 2021; page 2 of 4

8. The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole for each opinion unit. A list of the uncorrected misstatements is attached to the representation letter.
9. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
10. Guarantees, whether written or oral, under which Malvern Borough is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

11. We have provided you with:
 - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters and all audit or relevant monitoring reports, if any, received from other auditors.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within Malvern Borough administration from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of the Malvern Borough Council and summaries of actions of recent meetings for which minutes have not yet been prepared.
12. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
13. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
14. We have no knowledge of any fraud or suspected fraud that affects Malvern Borough and involves (a.) Management, and/or (b.) Employees who have significant roles in internal control, and/or (c.) Others where the fraud could have a material effect on the financial statements.
15. We have no knowledge of any allegations of fraud or suspected fraud affecting Malvern Borough's financial statements communicated by employees, former employees, regulators, or others.
16. We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
17. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
18. We have disclosed to you the identity of Malvern Borough's related parties and all the related party relationships and transactions of which we are aware.

Government-specific

19. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
20. We have a process to track the status of audit findings and recommendations.
21. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
22. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
23. Malvern Borough has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.

Malvern Borough Client Representation Letter (GAAP)
26th May 2021; page 3 of 4

24. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
25. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
26. We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
27. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
28. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
29. As part of your audit, you assisted with preparation of the financial statements and related footnote disclosures. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
30. Malvern Borough has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
31. Malvern Borough has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
32. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
33. The financial statements properly classify all funds and activities in accordance with GASB Statement No. 34.
34. All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
35. Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
36. Provisions for uncollectible receivables have been properly identified and recorded.
37. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
38. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.

Malvern Borough Client Representation Letter (GAAP)
26th May 2021; page 4 of 4

39. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
40. Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
41. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
42. We have appropriately disclosed Malvern Borough's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
43. We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
44. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
45. No events have occurred subsequent to the statement of financial position date and through the date of this letter that would require adjustment to, or disclosure in, the financial statements.


Amy Finkbiner
President of Borough Council


Christopher Bashford
Borough Manager

**BOROUGH of MALVERN
AUDITED FINANCIAL STATEMENTS
31st DECEMBER 2020**

BOROUGH of MALVERN

Table of Contents

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1
Management's Discussion & Analysis	2-9
 <u>BASIC FINANCIAL STATEMENTS</u> <u>Entity-Wide Financial Statements</u>	
Statement of Net Position	10
Statement of Activities	11
Reconciliation of Net Position of Government Activities to Total Net Position of Government Activities	12
 <u>Fund Financial Statements</u>	
Balance Sheet - Governmental Funds & Business-Type Activities	13
Statement of Revenues, Expenditures, & Changes in Fund Balances - Governmental Funds & Business-Type Activities	14
Reconciliation of Statement of Revenues, Expenditures, & Changes in Fund Balances of Governmental Funds to Statement of Activities	15
Statement of Enterprise Fund Cash Flows Business-Like Fund, Sewer Fund	16
Statement of Fiduciary Net Position (cash basis)	17
Statement of Changes in Fiduciary Net Position (cash basis)	17
 NOTES TO FINANCIAL STATEMENTS	 18-33
 REQUIRED SUPPLEMENTAL INFORMATION	
Budgetary Comparison Statement - General Fund	34
Budgetary Comparison Statement - Capital Fund	35
Budgetary Comparison Statement - Liquid Fuels Fund	36
Pension Plan Statements	37-39
Notes to Budgetary Comparison Statement - General Fund	40

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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 2020 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 2020, 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.
26th May 2021

BOROUGH of MALVERN
MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)
DECEMBER 31, 2020

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. In 2020, the Borough completed a multimodal transportation improvement project along N. Warren Avenue. This project involved the upgrade of the traffic signal at the intersection of King St. and Warren Ave. to provide enhanced pedestrian access and the installation of a new sidewalk connection between the SEPTA station and Pennsylvania Ave. Grant funding for this project in the amount of \$560,000 was received from the PA Department of Transportation and the PA Department of Community and Economic Development.

The 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.

BOROUGH of MALVERN
MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)
DECEMBER 31, 2020

In February 2020, the previous Assistant Borough Manager/Zoning Officer resigned from their position in order to accept the position of Township Manager with another municipality. A new Assistant Borough Manager/Zoning Officer was hired and began working for the Borough in April 2020. As part of the 2020 budget, the Borough expanded the Public Works Department and hired an additional employee, who started in May 2020. Finally, the Administrative Assistant in the Police Department retired in January 2020 and a new individual was hired, who began in January 2020.

As part of the 2020 budgeting process, the Borough's real estate tax rate remained unchanged. The real estate tax rate for 2020 was 4.6700 mills. Borough Council approved an increase to the Borough's sewer rate as part of the 2020 budget. The base rate remained unchanged in the amount of \$95.60 for the first 5,000 gallons of usage. The variable rate was increased from \$4.00 per 1,000 gallons used over 5,000 gallons to \$6.00 per 1,000 gallons used over 5,000 gallons. This was first sewer rate increase since 2009 and the first increase to the variable rate since 2006.

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

Services:

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

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

The Borough sponsors or contributes to recreational or event programs for its residents that include a Memorial Day parade, 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'*.

BOROUGH of MALVERN
MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)
DECEMBER 31, 2020

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

The Borough is served by the Malvern Public Library that is housed in the Malvern Municipal Building. Along with a yearly contribution to the Library for operating expenses, the Borough provides in-kind services for their 4,069 sq. ft. of space that includes janitorial services, utilities and maintenance and repairs. 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 organization. The PBPF hosts Revolutionary War re-enactments and other educational programs at the site. In 2015, Borough Council approved assistance for the PBPF in their efforts to attain National Historic Landmark Status.

As management of the Borough of Malvern ("the Borough"), we offer readers of the Borough's financial statements this narrative overview and analysis of the financial activities for the year ended December 31, 2020. This discussion and analysis is intended to serve as an introduction to the Borough's basic financial statements, which are comprised of 1.) government-wide financial statements, 2.) fund financial statements and 3.) notes to the financial statements.

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

BOROUGH of MALVERN
MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)
DECEMBER 31, 2020

GOVERNMENTAL FUND FINANCIAL STATEMENTS

The fund financial statements distinguish the financial activities of the governmental funds of the Borough of Malvern. The fund financial statements focus on individual parts of the Borough's operations in more detail than the government-wide statements. The governmental fund statements tell how the Borough's general services were financed in the short term, as well as what remains for future spending.

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

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, 2020 & 2019

	Governmental Activities	Business- Like Activities	Total (2020)	Governmental Activities	Business- Like Activities	Total (2019)
ASSETS:						
Total Current Assets	\$ 4,647,275	\$ 2,511,615	\$ 7,158,890	\$ 4,783,960	\$ 2,499,499	\$ 7,283,459
Net Pension Asset	2,173,722	-	2,173,722	1,755,601	-	1,755,601
Capital Assets, net of Depreciation	10,076,466	1,558,902	11,635,368	9,279,479	1,621,988	10,901,467
TOTAL ASSETS	\$ 16,897,463	\$ 4,070,517	\$ 20,967,980	\$ 15,819,040	\$ 4,121,487	\$ 19,940,527
DEFERRED OUTFLOWS of RESOURCES						
Deferred outflows from pensions	\$ 304,468	\$ 4,442	\$ 308,910	\$ 344,905	\$ 4,442	\$ 349,347
LIABILITIES:						
Total Current Liabilities	\$ 455,925	\$ 14,004	\$ 469,929	\$ 451,000	\$ 22,669	\$ 473,669
Total Non-Current Liabilities	430,339	-	430,339	685,827	-	685,827
TOTAL LIABILITIES	\$ 886,264	\$ 14,004	\$ 900,268	\$ 1,136,827	\$ 22,669	\$ 1,159,496
DEFERRED INFLOWS of RESOURCES						
Deferred inflows from pensions	\$ 660,694	\$ 163,914	\$ 824,608	\$ 384,562	\$ 102,987	\$ 487,549
NET POSITION						
Invested in Capital Assets, Net of Related Debt	\$ 9,507,466	\$ 1,558,902	\$ 11,066,368	8,448,479	1,621,988	\$ 10,070,467
Restricted for Pensions	1,817,496	(159,472)	1,658,024	1,715,944	(98,545)	1,617,399
Unrestricted Net Position (Deficit)	4,330,011	2,497,611	6,827,622	4,478,133	2,476,830	6,954,963
TOTAL NET POSITION	\$ 15,654,973	\$ 3,897,041	\$ 19,552,014	\$ 14,642,556	\$ 4,000,273	\$ 18,642,829

BOROUGH of MALVERN
MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)
DECEMBER 31, 2020

Changes in Net Position - Years Ended December 31, 2020 & 2019

	<u>Governmental</u> <u>Activities</u>	<u>Business-Like</u> <u>Activities</u>	<u>Total</u> <u>(2020)</u>	<u>Governmental</u> <u>Activities</u>	<u>Business-Like</u> <u>Activities</u>	<u>Total</u> <u>(2019)</u>
PROGRAM REVENUE:						
Operating Grants	\$ 91,984	\$ -	\$ 91,984	\$ 107,800	\$ -	\$ 107,800
Capital Grants	-		-	126,318		126,318
Charges for Service	8,805	955,548	964,353	19,899	971,164	991,063
	\$ 100,789	\$ 955,548	\$ 1,056,337	\$ 254,017	\$ 971,164	\$ 1,225,181
GENERAL GOV'T REVENUE						
Taxes	\$ 3,467,749	\$ -	\$ 3,467,749	\$ 3,353,451	\$ -	\$ 3,353,451
Grants - other	411,620	-	411,620	42,537	-	42,537
All other Revenues	343,546	-	343,546	440,417	-	440,417
Earnings on Investments	33,298	15,860	49,158	50,520	33,133	83,653
Transfers, net	107,568	(107,568)	-	157,548	(157,548)	-
	\$ 4,363,781	\$ (91,708)	\$ 4,272,073	\$ 4,044,473	\$ (124,415)	\$ 3,920,058
TOTAL REVENUE	\$ 4,464,570	\$ 863,840	\$ 5,328,410	\$ 4,298,490	\$ 846,749	\$ 5,145,239
PROGRAM EXPENSES:						
General Government	804,835		804,835	867,533		867,533
Public Safety	1,480,317		1,480,317	1,468,491		1,468,491
Highways & Streets	476,646		476,646	545,955		545,955
Culture & Recreation	112,000		112,000	101,543		101,543
Garbage Collection	265,097		265,097	254,284		254,284
Employee Benefits	261,118		261,118	259,839		259,839
Civic Contributions	41,000		41,000	39,500		39,500
Sewer Services		967,072	967,072		947,654	947,654
Debt Service	11,140		11,140	15,891		15,891
TOTAL EXPENSES	\$ 3,452,153	\$ 967,072	\$ 4,419,225	\$ 3,553,036	\$ 947,654	\$ 4,500,690
CHANGE IN NET POSITION	\$ 1,012,417	\$ (103,232)	\$ 909,185	\$ 745,454	\$ (100,905)	\$ 644,549

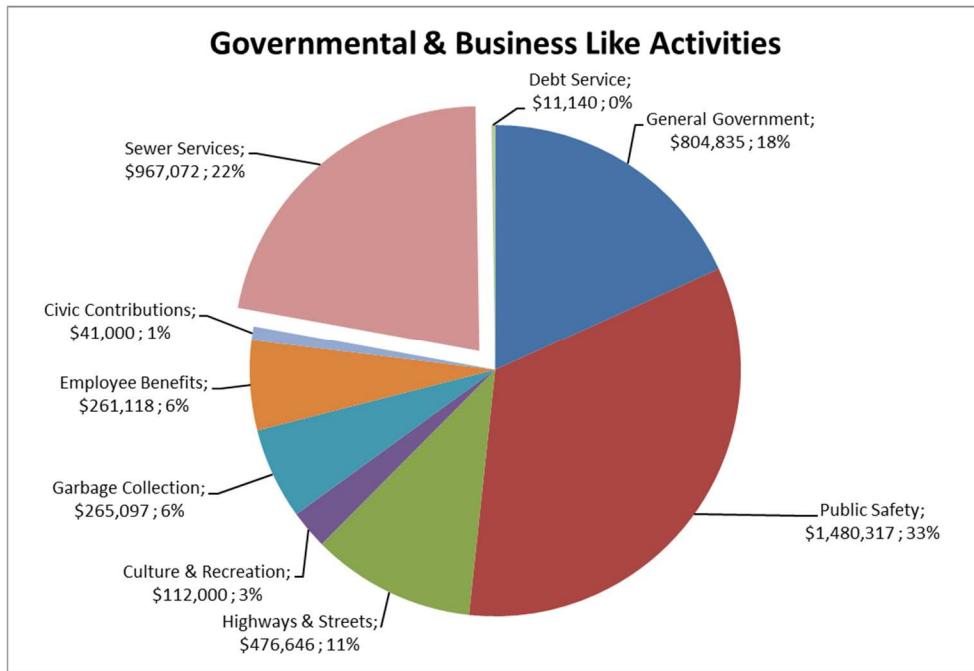
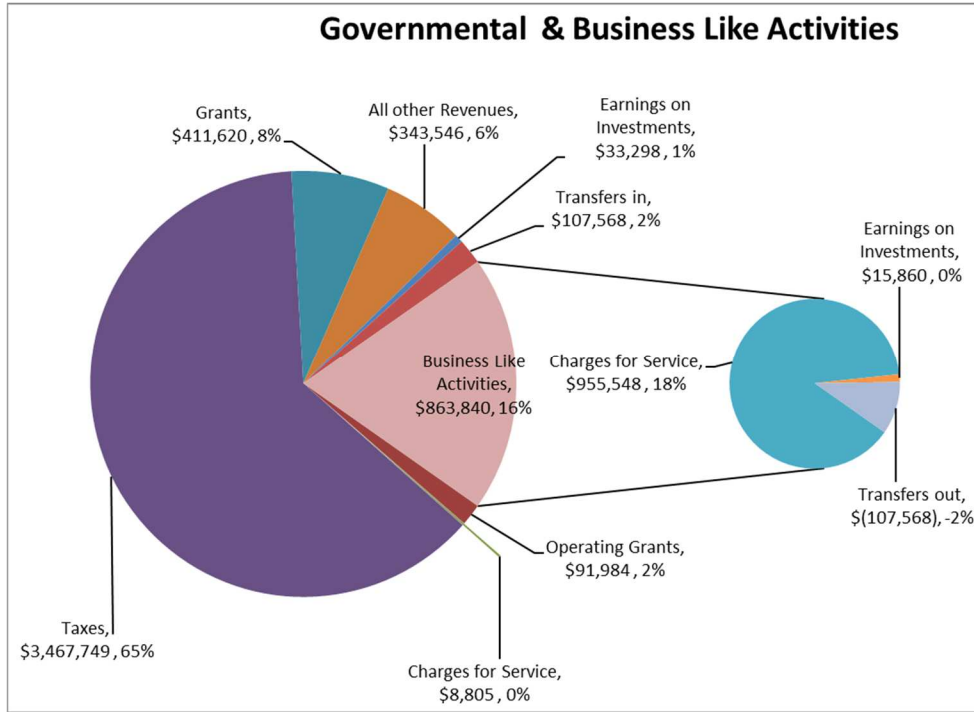
Revenues –

The real estate tax rate for the Borough was unchanged in 2020. Collection of current year real estate taxes in 2020 exceed budgeted projections by 2%. The Borough witnessed a modest increase in its assessed value, which resulted in the increased revenue.

Total Act 511 Tax collections witnessed a 5% increase in 2020. Revenue categories allocated in this grouping finished 2020 above budgeted projections in five (5) out of the seven (7) categories. Earned Income Tax revenue witnessed a 7.5% increase in collections when comparing 2020 to 2019. Real Estate Transfer Tax revenue finished 16% over budgeted projections, but witnessed a 6% decrease compared to actual collections in 2019. Overall, collection from Act 511 Taxes ended 2020 at 1% above budgeted projections.

Due to the COVID-19 pandemic, the Borough has not been as active in pursuing investment opportunities due to the reduction in rates. When CDs have matured, the funds have been moved back into the Borough's bank accounts. The Borough continues to monitor rates and will make investments if it is fiscally responsible. 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, 2020



BOROUGH of MALVERN
MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)
DECEMBER 31, 2020

Revenues (cont'd) –

The COVID-19 pandemic resulted in certain revenue sources being negatively impacted. Most notably, permit revenue finished under budget by 7%. Overall, permit revenue declined by 19.4% compared to 2019. Building permit revenue saw a significant decline compared to 2019, which may be primarily attributed to the completion of major development projects and the impact of the COVID-19 pandemic. The COVID-19 pandemic has also contributed to an increased cost for building supplies and a supply shortage, which may have impacted building permit revenue. Additionally, the Borough has continued to see a reduction in franchise fee revenue. This may be attributed to consumers shifting from traditional television services to streaming platforms. The Borough may continue to see this revenue source decline.

The Sewer Fund is supported by income from Sewer Rents, Tapping & Connection Fees, Interest on Investments, and grant funding. Revenue from the Sewer Fund is considered a “user fee”. The minimum sewer rate was \$95.60/\$4.00 per quarter in 2020. This is the same rate as in 2019. Borough Council approved a rate increase as part of the 2021 budget. This was previously discussed. Revenue from Sewer Rents finished 2020 at 104% of budget; this was a 2% decrease compared to 2019. During 2020, the Borough worked diligently to collect on delinquent accounts; however, the Borough was not as aggressive as in past years due to the COVID-19 pandemic. Furthermore, Borough Council waived late charges on sewer accounts at various times in order to provide relief to the Borough’s sewer customers. Sewer rent revenue witnessed a 1% decline compared to 2019 overall. Additionally, tapping fee revenue witnessed a 63% decline due to several projects being completed in previous years and less projects in the land development process.

Expenditures –

The budgeted 2020 General Fund expenditures were comparable to the budgeted 2019 expenditures. Actual year-end expenditures in the General Fund finished 7% under budget, but were approximately 1.3% lower compared to 2019. Several expenditures outlined in the General Fund for 2020 were either delayed or cancelled as the Borough worked to reduce expenditures due to the COVID-19 pandemic.

The Borough completed two (2) paving projects in 2020. These included the paving of E. King St. from Bridge St. to N. Warren Ave. and N. Warren Ave. from Pennsylvania Ave. to the Borough’s northern boundary with East Whiteland Township. A new vehicle was also purchased for the Public Works Department. The paving project on N. Warren Ave. and the new vehicle for the Public Works Department were paid for through the Highway Aid Fund. The Borough also completed two (2) computer upgrades in the Administration and Public Works Departments. Contributions to local civic organizations were continued in 2020. Finally, Borough Council extended the existing trash and recycling collection contract by exercising the first option year.

The Sewer Fund increased by 16% in budgeted expenditures over the 2019 budget. This may be primarily attributed to increased costs related to sewage disposal, additional personnel expenditures, and increased maintenance costs. Actual expenditures finished 2020 ended the year 6% under budgeted projections. Actual expenditures in 2020 increased by 13% compared to the 2019 actual expenditures. This increase was due primarily to increased costs for the treatment and disposal of sewage in the

BOROUGH of MALVERN
MANAGEMENT'S DISCUSSION & ANALYSIS (UNAUDITED)
DECEMBER 31, 2020

Borough. Additionally, the Borough witnessed a significant malfunction in one of its pump stations due to a weather event, resulting in increased maintenance costs. The vast majority of this costs were reimbursed through the Borough's property insurance provider. The Sewer Capital Reserve Fund saw reduced activity in 2020 as the major capital project allocated was completed in 2019.

Capital projects in 2020 were placed on hold due to the COVID-19 pandemic. The only major capital project completed was the N. Warren Avenue Transit Project. This project was funded through grants received from the PA Department of Transportation and the PA Department of Community and Economic Development. The Borough also undertook several planning efforts in 2020, including the completion of a master site plan for the Randolph Woods Nature Preserve and begun the process of revising its Comprehensive Plan. Engineering work for underground drainage improvements on Old Lincoln Highway continued in 2020. This is estimated to be a significant cost.

Capital Expenses and Debt Service

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

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

BOROUGH of MALVERN

Statement of Net Position as of December 31, 2020

	Governmental Activities	Business-Like Activities	Total
ASSETS			
Current Assets:			
Cash & Cash Equivalents	\$ 4,575,625	\$ 2,271,176	\$ 6,846,801
Taxes/Accounts Receivable	24,351	234,046	258,397
Other Receivables	30,264	-	30,264
Prepaid Expenses	17,035	6,393	23,428
Total Current Assets	\$ 4,647,275	\$ 2,511,615	\$ 7,158,890
Non-Current Assets:			
Net Pension Asset	2,173,722	-	2,173,722
Capital Assets, net of Depreciation	10,076,466	1,558,902	11,635,368
TOTAL ASSETS	\$ 16,897,463	\$ 4,070,517	\$ 20,967,980
DEFERRED OUTFLOWS of RESOURCES			
Deferred Outflows From Pensions	\$ 304,468	\$ 4,442	\$ 308,910
LIABILITIES & NET POSITION			
Current Liabilities:			
Accounts Payable & Accrued Expenses	\$ 96,896	\$ 14,004	\$ 110,900
Bonds & Notes Payable	266,000	-	266,000
Escrow Liabilities Payable	93,029	-	93,029
Total Current Liabilities	455,925	14,004	469,929
Non-Current Liabilities:			
Compensated Absences	127,339	-	127,339
Bonds & Notes Payable	303,000	-	303,000
Total Non-Current Liabilities	430,339	-	430,339
TOTAL LIABILITIES	\$ 886,264	\$ 14,004	\$ 900,268
DEFERRED INFLOWS of RESOURCES			
Deferred Inflows From Pensions	\$ 660,694	\$ 163,914	\$ 824,608
NET POSITION			
Invested in Capital Assets, Net of Related Debt	9,507,466	1,558,902	11,066,368
Restricted for Pensions	1,817,496	(159,472)	1,658,024
Unrestricted Net Position	4,330,011	2,497,611	6,827,622
Total Net Position	\$ 15,654,973	\$ 3,897,041	\$ 19,552,014

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

BOROUGH of MALVERN

**Statement of Activities
for the year ended December 31, 2020**

	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	\$ 804,835	\$ -	\$ -	\$ -	\$ (804,835)	\$ -	\$ (804,835)
Public Safety	1,480,317	8,805			(1,471,512)		(1,471,512)
Highways & Streets	476,646		91,984	361,385	(23,277)		(23,277)
Culture & Recreation	112,000				(112,000)		(112,000)
Garbage Collection	265,097		-		(265,097)		(265,097)
Employee Benefits	261,118				(261,118)		(261,118)
Civic Contributions	41,000				(41,000)		(41,000)
Debt Service	11,140				(11,140)		(11,140)
Total Governmental Activities	3,452,153	8,805	91,984	361,385	(2,989,979)		(2,989,979)
<i><u>Business-Like Activities</u></i>							
Sewer Services	967,072	955,548	-	-	-	(11,524)	(11,524)
Total Primary Government	\$ 4,419,225	\$ 964,353	\$ 91,984	\$ 361,385	\$ (2,989,979)	\$ (11,524)	\$ (3,001,503)

General Government Revenues

Taxes	\$ 3,467,749	\$ -	\$ 3,467,749
Grants	50,235		50,235
Earnings on Investments	33,298	15,860	49,158
All other Revenues	343,546	-	343,546
Transfers, net	107,568	(107,568)	-
Total	4,002,396	(91,708)	3,910,688
Change in Net Assets	1,012,417	(103,232)	909,185
Net Position, Beginning of Year	14,642,556	4,000,273	18,642,829
Net Position, End of Year	\$ 15,654,973	\$ 3,897,041	\$ 19,552,014

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, 2020**

Unrestricted Net Position of Governmental Activities (p.10)	\$ 4,330,011
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	10,076,466
Net Pension Asset (Liability) incurred by governmental activities are not financial resources and therefore, are not reported as assets in gov't funds	1,817,496
Short term liabilities due & payable within one year.	(266,000)
Long term liabilities not due & payable within one year. Bonds & Notes Payable	<u>(303,000)</u>
Total Net Position of Governmental Activities (p.11)	<u><u>\$ 15,654,973</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, 2020

	Governmental Funds			Totals	Business-Like Funds 2020
	General Fund	Capital Projects Fund	Highway Aid Fund	2020	Sewer Fund
ASSETS					
Cash & Cash Equivalents	\$ 3,157,338	\$ 1,263,213	\$ 155,073	\$ 4,575,624	\$ 2,271,175
Taxes Receivable	12,252			12,252	-
Other Receivables	-			-	234,046
Fixed Assets				-	1,740,128
TOTAL ASSETS	\$ 3,169,590	\$ 1,263,213	\$ 155,073	\$ 4,587,876	\$ 4,245,349
LIABILITIES & FUND BALANCES					
LIABILITIES					
Accounts Payable	13,486	-	-	13,486	-
Escrow Liabilities Payable	93,029			93,029	
Deferred Revenue				-	
TOTAL LIABILITIES	106,515	-	-	106,515	-
FUND BALANCES					
Reserved for Capital Projects	-	1,263,213	-	1,263,213	-
Unreserved (Deficit)	3,063,075		155,073	3,218,148	4,245,349
TOTAL FUND BALANCES	3,063,075	1,263,213	155,073	4,481,361	4,245,349
TOTAL LIABILITIES & FUND BALS.	\$ 3,169,590	\$ 1,263,213	\$ 155,073	\$ 4,587,876	\$ 4,245,349

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, 2020**

	General Fund	Capital Reserve Fund	Highway Aid Fund	Totals 2020	Sewer Fund
OPERATING REVENUES					
Taxes	\$ 3,433,355	\$ -	\$ -	\$ 3,433,355	\$ -
Licenses & Permits	184,393			184,393	
Fines, Forfeits, & Costs	22,879			22,879	
Interest, Rents, & Franchise Fees	101,298	3,986	755	106,039	15,860
Intergovernmental Revenues	426,804		91,984	518,788	
Charges for Services/Fees	28,661			28,661	955,548
Sale of Assets	-			-	-
Miscellaneous Revenue	50,402	970		51,372	
TOTAL OPERATING REVENUES	4,247,792	4,956	92,739	4,345,487	971,408
OPERATING EXPENDITURES					
General Government	624,476	32,545		657,021	19,530
Public Safety	1,496,131			1,496,131	
Sewer & Garbage Collection	265,755			265,755	946,156
Public Works - Highways & Streets	592,010	1,033,480	\$49,119	1,674,609	
Health & Welfare				-	
Civic Contributions	41,000			41,000	
Community Development				-	
Culture & Recreation	102,497			102,497	
Insurance, Employee Benefits, P/R					
Taxes, &c	44,673			44,673	-
Miscellaneous Expenses				-	
subtotal OPERATING EXPDSES.	3,166,542	1,066,025	49,119	4,281,686	965,686
EXPENDITURES - Debt Service					
Principal	-	262,000		262,000	-
Interest	-	11,140		11,140	-
TOTAL EXPENDITURES	3,166,542	1,339,165	49,119	4,554,826	965,686
EXCESS (DEFICIENCY) of REVENUES OVER EXPENDITURES					
	1,081,250	(1,334,209)	43,620	(209,339)	5,722
OTHER FINANCING SOURCES (USES)					
Transfers In	122,957	944,240	-	1,067,197	-
Transfers Out	(944,240)		(122,957)	(1,067,197)	-
TOTAL OTHER FINANCING SOURCES (USES)	(821,283)	944,240	(122,957)	-	-
NET CHANGE IN FUND BALANCES	259,967	(389,969)	(79,337)	(209,339)	5,722
FUND BALANCES (DEFICIT), BEGINNING of YEAR					
	2,803,108	1,653,182	234,410	4,690,700	4,239,627
FUND BALANCES (DEFICIT), END of YEAR					
	\$ 3,063,075	\$ 1,263,213	\$ 155,073	\$ 4,481,361	\$ 4,245,349

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, 2020**

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

Net Changes in Fund Balances - total governmental funds (p.14)	\$ (209,339)
Decrease (Increase) in Accounts Payable and Accrued Expenses	43,177
Increase (Decrease) in Receivables	11,517
Increase (Decrease) in Prepaid Insurance	17,035
Principal Payments on Bonds & Notes Payable	262,000
Expenditures for Capital Assets	1,089,128
Decrease (Increase) in Accrual for Compensated Absences	(10,512)
Additional Pension Expense claimed on GAAP Statement of Activities	(6,016)
Depreciation Expense claimed on GAAP Statement of Activities	(292,141)
Equity Transfers to Business-Like Funds	<u>107,568</u>
Change in Net Position of Governmental Funds (p.11)	<u>\$ 1,012,417</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, 2020**

	<u>Sewer Fund</u>	
Cash Flow from operating activities		
Cash collected from customers	\$ 955,548	
Payments to suppliers for goods and services	(687,502)	
Payments to employees for services	(269,423)	
Net cash provided (consumed) by operating activities		<u>(1,377)</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)	(11,181)	
Net cash provided (consumed) by capital and related financing activities		<u>(11,181)</u>
Cash flow from investing activities		
Interest on investments	15,860	
Net cash provided (consumed) by investing activities		<u>15,860</u>
Net decrease in cash		3,302
Cash Balance, BEGINNING of YEAR		<u>2,267,873</u>
Cash Balance, END of YEAR		<u>\$ 2,271,175</u>
Reconciliation of operating income (loss) to net cash provided by operating activities		
Operating Income	\$ 5,722	
Add: Decrease (Increase) in Accounts Receivables	(2,420)	
Investment Earnings	(15,860)	
Purchase of Capital Assets	11,181	
Net Cash provided by Operating Activities	\$ (1,377)	

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, 2020**

	Police Plan	Non-Uniform Plan	Total
Assets			
Cash & cash equivalents	\$ 85,302	\$ 137,931	\$ 223,233
Member Contributions Receivable			-
Employer Contributions Receivable			-
Investments			
Fixed Income	1,040,424	1,612,554	2,652,978
US Equities	1,214,234	1,895,266	3,109,500
International Equities	671,257	1,039,508	1,710,765
Total Investments	<u>2,925,915</u>	<u>4,547,328</u>	<u>7,473,243</u>
Total Assets	\$ 3,011,217	\$ 4,685,259	\$ 7,696,476
Liabilities			
Accrued administrative expenses	\$ -	\$ -	\$ -
Benefits payable			-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Net Position	<u>\$ 3,011,217</u>	<u>\$ 4,685,259</u>	<u>\$ 7,696,476</u>

**Statement of Changes in Fiduciary Net Position (cash basis)
for the year ended December 31, 2020**

	Police Plan	Non-Uniform Plan	Total
Additions			
Contributions			
State Aid	\$ -	\$ 15,745	\$ 15,745
Members' Contributions		20,587	20,587
Employer Contribution		-	-
Total Contributions	<u>-</u>	<u>36,332</u>	<u>36,332</u>
Investment Income			
Interest & Dividends	57,783	89,559	147,342
Net Appreciation (Depreciation) in fair value of investments	337,790	527,227	865,017
Total Investment Income	<u>395,573</u>	<u>616,786</u>	<u>1,012,359</u>
Less Investment Expenses			-
Net Investment Income	395,573	616,786	1,012,359
Total Additions	395,573	653,118	1,048,691
Deductions			
Pension Benefit Payments	74,136	130,755	204,891
Administrative Expenses	9,043	14,005	23,048
Total Deductions	<u>83,179</u>	<u>144,760</u>	<u>227,939</u>
Net Increase (Decrease)	312,394	508,358	820,752
Net Position			
Net Position (cash basis), January 1 st	<u>2,698,823</u>	<u>4,176,901</u>	<u>6,875,724</u>
Net Position (cash basis), December 31 st	<u>\$ 3,011,217</u>	<u>\$ 4,685,259</u>	<u>\$ 7,696,476</u>

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

BOROUGH of MALVERN
NOTES to FINANCIAL STATEMENTS
DECEMBER 31, 2020

1. SIGNIFICANT ACCOUNTING POLICIES.

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

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

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

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

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

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

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

BOROUGH of MALVERN
NOTES to FINANCIAL STATEMENTS
DECEMBER 31, 2020

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
DECEMBER 31, 2020

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

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

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

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

E. Compensated Absences. The Borough allows employees to accumulate up to 28 days of earned vacation time, which is payable upon termination. Certain employees are entitled to payment for unused sick pay at termination. As of December 31, 2020 the liability for accrued vacation and sick time was \$127,339. This amount is reported in the government-wide statements.

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

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

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

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

BOROUGH of MALVERN
NOTES to FINANCIAL STATEMENTS
DECEMBER 31, 2020

2. CASH & INVESTMENTS.

As of December 31, 2020, the carrying value of the Borough's deposits was \$6,846,500 (excluding fiduciary funds) and the bank balances totaled \$7,288,392. Of those bank balances, \$500,000 were covered by insurance provided by the FDIC and \$6,444,152 were covered by collateral held in pooled accounts.

	FDIC	Act 72 Pooling	Uninsured	Total
Category 1				
National Bank of Malvern	\$ 250,000	\$ 6,444,152	\$ -	\$ 6,694,152
Meridian Bank	250,000		79,765	329,765
PLIGIT			264,475	264,475
<i>subtotal</i>	500,000	6,444,152	344,241	7,288,392
Category 2	-	-	-	-
Category 3	-	-	-	-
<i>Bank Balances</i>	<u>\$ 500,000</u>	<u>\$ 6,444,152</u>	<u>\$ 344,241</u>	<u>\$ 7,288,392</u>

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.

BOROUGH of MALVERN
NOTES to FINANCIAL STATEMENTS
DECEMBER 31, 2020

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	\$ 11,070,825	\$ 1,014,203	\$ -	\$ 12,085,028
Machinery & Equipment	2,427,644	74,925		2,502,569
Total	13,498,469	1,089,128	-	14,587,597
<i>less:</i>				
Accumulated Depreciation	4,218,990	292,141	-	4,511,131
Net Book Value	\$ 9,279,479	\$ 796,987	\$ -	\$ 10,076,466

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

Sewer Fund				
Improvements & Equipment	\$ 3,929,364	\$ 11,181	\$ -	\$ 3,940,545
<i>less:</i>				
Accumulated Depreciation	2,307,376	74,267	-	2,381,643
Net Book Value	\$ 1,621,988	\$ (63,086)	\$ -	\$ 1,558,902

Total depreciation expense recorded for 2020 was \$ 366,408.

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

December 31, 2020 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.

BOROUGH of MALVERN
NOTES to FINANCIAL STATEMENTS
DECEMBER 31, 2020

Bonds & Notes Payable activity for the year 2020 was as follows:

	Balance, Beginning of Year	Additions	Deletions	Balance, End of Year
Building Renovation Bonds	\$ 705,000	\$ -	\$ 231,000	\$ 474,000
2013 GO Note Payable	126,000	-	31,000	95,000
Total	\$ 831,000	\$ -	\$ 262,000	\$ 569,000

As of December 31, 2020, the annual principal payment requirements of the outstanding long-term debt of the Borough were as follows:

Year	----- Principal Payments -----			----- Interest Payments -----		
	Building Renovation Bonds	2013 GO Note Payable	Total	Building Renovation Bonds	2013 GO Note Payable	Total
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	-	-	-	-	-	-
	\$ 474,000	\$ 95,000	\$ 569,000	\$ 9,193	\$ 2,888	\$ 12,081

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

6. PENSION BENEFIT TRUSTS.

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

	Police Pension Trust	Non-Uniform Pension Trust	Total
Insured by FDIC	\$ 85,302	\$ 895	\$ 86,197
Insured by SIPC		137,036	137,036
	\$ 85,302	\$ 137,931	\$ 223,233

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

BOROUGH of MALVERN
NOTES to FINANCIAL STATEMENTS
DECEMBER 31, 2020

uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Pension Trust's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the Pension Trust's name. **All assets of both Pension Trusts are classified as Category 1 investments.**

	----- Category 1 Assets -----		
	Police Pension	Non-Uniform	Total
	Trust	Pension Trust	
Cash & Cash Equivalents	\$ 85,302	\$ 137,931	\$ 223,233
Fixed Income	1,040,424	1,612,554	2,652,978
US Equities	1,214,234	1,895,266	3,109,500
International Equities	671,257	1,039,508	1,710,765
Total Investments	<u>\$ 3,011,217</u>	<u>\$ 4,685,259</u>	<u>\$ 7,696,476</u>

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

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.

BOROUGH of MALVERN
NOTES to FINANCIAL STATEMENTS
DECEMBER 31, 2020

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.

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.

BOROUGH of MALVERN
NOTES to FINANCIAL STATEMENTS
DECEMBER 31, 2020

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.

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.

BOROUGH of MALVERN
NOTES to FINANCIAL STATEMENTS
DECEMBER 31, 2020

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

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

- Police Plan: Provided that the Funded Percentage of the plan is less than 110% (as calculated in the Biennial Actuarial Report), and other terms of the collectible bargaining agreement are fulfilled, employee contributions would be 3.5% of monthly salary, up to the social security wage base for the calendar year plus 5% of the monthly salary in excess of the social security wage base for the calendar year. There were no such employee contributions during 2020.
- 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 2.17%) 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, 2020 are summarized in Table 2, below.

BOROUGH of MALVERN
NOTES to FINANCIAL STATEMENTS
DECEMBER 31, 2020

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%	6.19%	30%	6.19%
Domestic Equity Mid Cap	5%	7.37%	5%	7.37%
Domestic Equity Small Cap	5%	7.37%	5%	7.37%
International Equity	22%	8.04%	22%	7.93%
Fixed Income	35%	2.77%	35%	2.77%
Cash	3%	.11%	3%	.11%
Total	100%		100%	

<u>Table 3</u>	<u>Police Plan</u>	<u>Non-Uniform Plan</u>	<u>Total</u>
Total Pension Liability	\$ 1,947,766	\$ 3,574,988	\$ 5,522,754
Plan Fiduciary Net Position	\$ 3,011,217	\$ 4,685,259	\$ 7,696,476
Net Pension Liability	\$ (1,063,451)	\$ (1,110,271)	\$ (2,173,722)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	154.6%	131.1%	139.4%

Rate of Return.

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the year ended December 31, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was

- Police Plan 14.52%
- Non-Uniformed Plan 14.60%

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, 2020 were as follows:

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

Table 4	1% Decrease 5.00%	Current Discount Rate 6.00%	1% Increase 7.00%
Police Plan Net Pension Liability (Asset)	\$ (839,661)	\$ (1,063,451)	\$ (1,249,650)
	1% Decrease 5.00%	Current Discount Rate 6.00%	1% Increase 7.00%
Non-Uniformed Plan Net Pension Liability (Asset)	\$ (843,642)	\$ (1,110,271)	\$ (1,342,553)

Malvern Borough
Notes to Financial Statements, Note #6 Continued
December 31, 2020

Changes in Net Pension Liability

The following table shows the changes in net pension liability recognized over the year January 1, 2020 to December 31, 2020.

	Police Plan			Non-Uniform Plan			Total
	Increase / (Decrease)			Increase / (Decrease)			
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	
Balances at December 31, 2019	\$ 1,706,497	\$ 2,698,823	\$ (992,326)	\$ 3,413,626	\$ 4,176,901	\$ (763,275)	\$ (1,755,601)
Changes for the year:							
Service Cost	31,978	-	31,978	86,059	-	86,059	118,037
Interest on Total Pension Liability	112,349	-	112,349	206,058	-	206,058	318,407
Changes in Benefit Terms	171,078	-	171,078	-	-	-	171,078
Differences Between Expected and Actual Experience	-	-	-	-	-	-	-
Changes of Assumptions	-	-	-	-	-	-	-
Contributions - Employer	-	-	-	-	-	-	-
Contributions - State Aid	-	-	-	-	15,745	(15,745)	(15,745)
Contributions - Member	-	-	-	-	20,587	(20,587)	(20,587)
Net Investment Income	-	386,530	(386,530)	-	602,781	(602,781)	(989,311)
Benefit Payments	(74,136)	(74,136)	-	(130,755)	(130,755)	-	-
Administrative Expense	-	-	-	-	-	-	-
Other Changes	-	-	-	-	-	-	-
Net Changes	\$ 241,269	\$ 312,394	\$ (71,125)	\$ 161,362	\$ 508,358	\$ (346,996)	\$ (418,121)
Balances at December 31, 2020	\$ 1,947,766	\$ 3,011,217	\$ (1,063,451)	\$ 3,574,988	\$ 4,685,259	\$ (1,110,271)	\$ (2,173,722)

Malvern Borough
Notes to Financial Statements, Note #6 Continued
December 31, 2020

Pension Expense for Fiscal Year Ended December 31, 2020

	Police Plan	Non-Uniformed Plan	Total
Service Cost	\$ 31,978	\$ 86,059	\$ 118,037
Interest on Total Pension Liability	112,349	206,058	318,407
Changes in Benefit Terms	171,078	-	171,078
Differences Between Expected and Actual Experience	27,477	(23,694)	3,783
Changes of Assumptions	12,960	(2,049)	10,911
Employee Contributions	-	(20,587)	(20,587)
Projected Earnings on Pension Plan Investments	(159,705)	(247,545)	(407,250)
Differences Between Projected and Actual Earnings on Investments	(86,306)	(132,953)	(219,259)
Administrative Expense	-	-	-
Other Changes in Fiduciary Net Position	-	-	-
Total Pension Expense	\$ 109,831	\$ (134,711)	\$ (24,880)

Malvern Borough
Notes to Financial Statements, Note #6 Continued
December 31, 2020

Deferred Outflows and Deferred Inflows of Resources

For the year ended December 31, 2020, Malvern Borough recognized a pension expense of \$109,831 and a negative pension expense (pension income) of \$134,711 for its Police Plan and Non-Uniformed Plan, respectively. At December 31, 2020, 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	\$ 285,062			\$ (89,957)
Changes in Assumptions	23,848			(4,608)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments		(288,375)		(441,668)
Total	\$ 308,910	\$ (288,375)	\$ -	\$ (536,233)

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:		
2021	(48,484)	(157,820)
2022	(5,467)	(100,899)
2023	(52,263)	(179,603)
2024	8,421	(84,089)
2025	53,786	(13,041)
Thereafter	64,542	(781)
	\$ 20,535	\$ (536,233)

BOROUGH of MALVERN
NOTES to FINANCIAL STATEMENTS
DECEMBER 31, 2020

(iii.) Actuarial Assumptions. Plan Assets are valued at Market Values, except for insurance holdings, which, if any, are valued at reported contract values. The total pension liability for each plan was determined by a biennial actuarial valuation as of January 1, 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

7. COMMITMENTS.

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

- As of December 31, 2020, the Ruthland Avenue Pump Station Force Main Upgrade project remains in the 18-month maintenance bond period. There are still some remaining expenditures associated with this project.
- The North Warren Avenue Transit Project work was substantially completed in October 2020. The project is now in the 18-month maintenance bond period. The Borough received \$360,641 in grant funding reimbursements from the Commonwealth of Pennsylvania in 2020. The remaining grant funding for this project was received by the Borough in the first half of 2021; these amounts have not been accrued as receivables in these financial statements.

BOROUGH of MALVERN
NOTES to FINANCIAL STATEMENTS
DECEMBER 31, 2020

8. COVID-19.

In December 2019, COVID-19 emerged and has subsequently spread worldwide. The World Health Organization has declared COVID-19 a pandemic resulting in federal, state, and local governments and private entities mandating various restrictions, including travel restrictions, restrictions on public gatherings, stay at home orders and advisories, and quarantining of people who may have been exposed to the virus. After close monitoring and responses and guidance from federal, state and local governments, in an effort to mitigate the spread of COVID-19, effective March 19, 2020, The Borough closed to the public with staff continuing to work from home. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19 as well as its impact on the global, national, and regional economies. Therefore, the Borough is currently unable to determine the extent of the impact to its future financial condition or results of operations.

9. SUBSEQUENT EVENTS.

The Borough has evaluated all events through May 26, 2021, 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 31 December 2020**

	Original & Final Appropriated Budget	Actual Amounts (Budgetary Basis)	<i>variance</i>
REVENUES:			
Taxes	\$ 3,294,635	\$ 3,433,355	\$ 138,720
Licenses & Permits	199,400	184,393	(15,007)
Fines, Forfeits, & Costs	28,400	22,879	(5,521)
Interest & Rents	98,000	101,298	3,298
Intergovernmental Revenues	633,833	426,804	(207,029)
Charges For Sevices & Fees	58,250	28,661	(29,589)
Sale of Assets	50,000	-	(50,000)
Miscellaneous Revenue	17,000	50,402	33,402
TOTAL BUDGETED REVENUES	<u>4,379,518</u>	<u>4,247,792</u>	<u>(131,726)</u>
EXPENDITURES			
General Government	713,619	624,476	89,143
Public Safety	1,624,363	1,496,131	128,232
Public Works: Highways & Streets	838,718	592,010	246,708
Public Works: Garbage Collection	270,000	265,755	4,245
Culture & Recreation	127,820	102,497	25,323
All Other Expenses	88,283	85,673	2,610
TOTAL EXPENDITURES - CURRENT	<u>3,662,803</u>	<u>3,166,542</u>	<u>496,261</u>
TOTAL EXPENDITURES	<u>3,662,803</u>	<u>3,166,542</u>	<u>496,261</u>
EXCESSS of REVENUES OVER EXPENDITURES	716,715	1,081,250	364,535
Transfers In	125,000	122,957	(2,043)
Transfers Out	(841,716)	(944,240)	(102,524)
NET TRANSFERS	<u>(716,716)</u>	<u>(821,283)</u>	<u>(104,567)</u>
NET CHANGE in FUND BALANCE	<u>\$ (1)</u>	<u>\$ 259,967</u>	<u>\$ 259,968</u>

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

Net Changes in Fund Balances - total governmental funds	\$ 259,967
Decrease (Increase) in Accounts Payable and Accrued Expenses	28,089
Increase (Decrease) in Receivables	11,517
Increase (Decrease) in Prepaid Insurance	17,035
Principal Payments on Bonds & Notes Payable	
Expenditures for Capital Assets	1,089,128
Decrease (Increase) in Accrual for Compensated Absences	(10,512)
Additional Pension Expense claimed on GAAP Statement of Activities	(6,016)
Depreciation Expense claimed on GAAP Statement of Activities	(292,141)
Equity Transfers to Business-Like Funds	107,568
Change in Net Assets (GAAP Basis)	<u>\$ 1,204,635</u>

See notes to required supplementary information.

BOROUGH of MALVERN
REQUIRED SUPPLEMENTAL INFORMATION

Budgetary Comparison Statement - Capital Fund
for the year ended December 31, 2020

	Original & Final Appropriated Budget	Actual Amounts (Budgetary Basis)	<i>variance</i>
REVENUES:			
Interest & Rents	\$ 6,000	\$ 3,986	\$ (2,014)
Miscellaneous Revenue	-	970	970
TOTAL BUDGETED REVENUES	6,000	4,956	(1,044)
EXPENDITURES			
General Government	231,200	32,545	198,655
Public Works: Highways & Streets	2,330,000	1,033,480	1,296,520
Debt Service	273,569	273,140	429
TOTAL EXPENDITURES - CURRENT	2,834,769	1,339,165	1,495,175
EXCESSS of REVENUES OVER EXPENDITURES	(2,828,769)	(1,334,209)	(1,496,219)
Transfers In	841,716	944,240	102,524
Transfers Out	-	-	-
NET TRANSFERS	841,716	944,240	102,524
NET CHANGE in FUND BALANCE	\$ (1,987,053)	\$ (389,969)	\$ (1,393,695)

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

NET CHANGE in FUND BALANCE	\$ (389,969)
Reconciling Items:	
Decrease (Increase) in Accounts Payable and Accrued Expenses	15,088
Principal Payments on Bonds & Notes Payable	262,000
	<u>-</u>
Change in Net Assets (GAAP Basis)	<u>\$ (112,881)</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, 2020**

	Original & Final Appropriated Budget	Actual Amounts (Budgetary Basis)	<i>variance</i>
REVENUES:			
Interest & Rents	\$ 1,000	\$ 755	\$ (245)
Intergovernmental Revenues	90,716	91,984	1,268
TOTAL BUDGETED REVENUES	<u>91,716</u>	<u>92,739</u>	<u>1,023</u>
EXPENDITURES			
TOTAL EXPENDITURES - CURRENT	<u>85,000</u>	<u>49,119</u>	<u>35,881</u>
EXCESSS of REVENUES OVER EXPENDITURES	6,716	43,620	(34,858)
Transfers Out	<u>(125,000)</u>	<u>(122,957)</u>	<u>2,043</u>
NET TRANSFERS	<u>(125,000)</u>	<u>(122,957)</u>	<u>2,043</u>
NET CHANGE in FUND BALANCE	<u>\$ (118,284)</u>	<u>\$ (79,337)</u>	<u>\$ (32,815)</u>

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

NET CHANGE in FUND BALANCE	\$ (79,337)
Reconciling Items	<u>-</u>
Change in Net Assets (GAAP Basis)	<u>\$ (79,337)</u>

See notes to required supplementary information.

**Malvern Borough
Required Supplemental Information
Schedule of Investment Returns
December 31, 2020**

Police Plan

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

Notes to schedules: none

Non-Uniform Plan

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

Notes to schedules: none

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

Malvern Borough
Required Supplemental Information
Schedule of Changes in Net Pension Liability & Related Ratios
December 31, 2020

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

Notes to schedules: none

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

**Malvern Borough
Required Supplemental Information
Schedule of Employer Contributions to Pension Plans
December 31, 2020**

Police Plan

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
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	\$ 542,529
Contributions as a Percentage of Covered Employee Payroll	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Notes to schedules:

For each year 2008 through 2020, the net assets exceed the present value of benefits; therefore, no contribution was required.

Non-Uniform Plan

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Actuarially Determined Contribution	\$ 33,074	\$ 31,400	\$ 33,378	\$ 35,982	\$ 69,370	\$ 76,495	\$ 55,296	\$ 66,385	\$ 26,021	\$ 32,666	\$ 15,286	\$ 20,452	\$ 15,745
Contributions in Relation to the Actuarially Determined Contribution	37,835	31,400	33,378	35,982	69,370	76,495	59,436	66,791	30,471	33,394	15,286	20,452	15,745
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	\$ 955,621
Contributions as a Percentage of Covered Employee Payroll	7.0%	6.5%	6.7%	6.6%	12.7%	12.8%	10.7%	10.0%	4.5%	4.3%	1.9%	2.3%	1.6%

Notes to schedules: none

BOROUGH of MALVERN
NOTES to REQUIRED SUPPLEMENTAL INFORMATION
DECEMBER 31, 2020

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, 2020, 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):

Licenses & Permits	\$ 15,007
Fines, Forfeits, & Costs	5,521
Intergovernmental Revenues	207,029
Charges For Services & Fees	29,589
Sale of Assets	50,000

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
MUNICIPAL ANNUAL AUDIT &
FINANCIAL REPORT
31st DECEMBER 2020

**2020 MUNICIPAL ANNUAL AUDIT
AND
FINANCIAL REPORT**

150993 MALVERN BORO, CHESTER COUNTY

Peterson, Fieo & Co. LLP

Certified Public Accountants

Richard M. Peterson, CPA
Giorgio E. Fieo, CPA*, CFE
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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 2020 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 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 2020, 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 2020, 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.
26th May 2021

MALVERN BORO, CHESTER County

BALANCE SHEET

December 31, 2020

		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		106,515									106,515
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	3,063,075	155,073	1,263,213		4,245,349		7,696,476			16,423,186
291-299	Other Equity										
Total Fund and Account Group Equity		3,063,075	155,073	1,263,213		4,245,349		7,696,476			16,423,186
TOTAL LIABILITIES AND FUND AND ACCOUNT GROUP EQUITY											16,529,701

MALVERN BORO, CHESTER County
STATEMENT OF REVENUES AND EXPENDITURES

December 31, 2020

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	1,131,189						1,131,189
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	12,110						12,110
310.10	Real Estate Transfer Taxes	108,524						108,524
310.20	Earned Income Taxes / Wage Taxes	2,048,483						2,048,483
310.30	Business Gross Receipts Taxes							
310.40	Occupation Taxes (levied under Act 511)							
310.50	Local Services Tax **	133,049						133,049
310.60	Amusement / Admission Taxes							
310.70	Mechanical Device Taxes							
310.90	Other: _____							
	Other: _____							
Total Taxes		3,433,355						3,433,355

Licenses and Permits

320-322	All Other Licenses and Permits	99,264						99,264
321.80	Cable Television Franchise Fees	85,129						85,129
Total Licenses and Permits		184,393						184,393

Fines and Forfeits

330-332	Fines and Forfeits	22,879						22,879
Total Fines and Forfeits		22,879						22,879

MALVERN BORO, CHESTER County
STATEMENT OF REVENUES AND EXPENDITURES

December 31, 2020

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		53,239	91,984					145,223

Local Government Units								
357.03	Highways and Streets							
357.00	All Other Local Governmental Units Capital and Operating Grants	373,565						373,565
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		373,565						373,565

Charges for Service								
361.00	General Government	19,856						19,856
362.00	Public Safety	8,805						8,805
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.)				955,548			955,548
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							
365.00	Health							
366.00	Human Services							
367.00	Culture and Recreation							
368.00	Airports							

MALVERN BORO, CHESTER County
STATEMENT OF REVENUES AND EXPENDITURES

December 31, 2020

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		28,661				955,548		984,209

Unclassified Operating Revenues								
383.00	Special Assessments							
386.00	Escheats (sale of personal property)							
387.00	Contributions and Donations from Private Sectors	2,775					20,587	23,362
388.00	Fiduciary Fund Pension Contributions						15,745	15,745
389.00	All Other Unclassified Operating Revenues	10,058						10,058
Total Unclassified Operating Revenues		12,833					36,332	49,165

Other Financing Sources								
391.00	Proceeds of General Fixed Asset Disposition	35,100						35,100
392.00	Interfund Operating Transfers	122,957		944,240				1,067,197
393.00	Proceeds of General Long-Term Debt			970				970
394.00	Proceeds of Short Term-Debt							

MALVERN BORO, CHESTER County
STATEMENT OF REVENUES AND EXPENDITURES

December 31, 2020

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	2,469						2,469
Total Other Financing Sources		160,526		945,210				1,105,736

TOTAL REVENUES

4,370,749	92,739	949,196		971,408		1,048,691	7,432,783
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EXPENDITURES

General Government								
400.00	Legislative (Governing) Body	6,000						6,000
401.00	Executive (Manager or Mayor)	121,721						121,721
402.00	Auditing Services / Financial Administration	12,460				23,048		35,508
403.00	Tax Collection	27,110						27,110
404.00	Solicitor / Legal Services	119,009						119,009
405.00	Secretary / Clerk	59,144						59,144
406.00	Other General Government Administration	180,298		17,705	11,211			209,214
407.00	IT-Networking Services-Data Processing							
408.00	Engineering Services	30,582		14,840	8,319			53,741
409.00	General Government Buildings and Plant	68,152						68,152
Total General Government		624,476		32,545	19,530	23,048		699,599

Public Safety

410.00	Police	1,178,645						1,178,645
411.00	Fire	196,570						196,570
412.00	Ambulance / Rescue							
413.00	UCC and Code Enforcement							

MALVERN BORO, CHESTER County
STATEMENT OF REVENUES AND EXPENDITURES

December 31, 2020

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	120,916						120,916
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		1,496,131						1,496,131

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)	265,755						265,755
428.00	Weed Control							
429.00	Wastewater / Sewage Treatment and Collection				946,156			946,156
Total Public Works - Sanitation		265,755			946,156			1,211,911

Public Works - Highways and Streets								
430.00	General Services - Administration	418,708						418,708
431.00	Cleaning of Streets and Gutters							
432.00	Winter Maintenance – Snow Removal							
433.00	Traffic Control Devices	1,801						1,801
434.00	Street Lighting	46,063						46,063

MALVERN BORO, CHESTER County
STATEMENT OF REVENUES AND EXPENDITURES

December 31, 2020

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			980,200				980,200
436.00	Storm Sewers and Drains	4,046						4,046
437.00	Repairs of Tools and Machinery	336						336
438.00	Maintenance and Repairs of Roads and Bridges	121,056						121,056
439.00	Highway Construction and Rebuilding Projects		49,119	53,280				102,399
Total Public Works - Highways and Streets		592,010	49,119	1,033,480				1,674,609

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	11,713						11,713
453.00	Spectator Recreation							
454.00	Parks	66,149						66,149

MALVERN BORO, CHESTER County
STATEMENT OF REVENUES AND EXPENDITURES

December 31, 2020

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	12,455						12,455
456.00	Libraries	12,180						12,180
457.00	Civil and Military Celebrations	41,000						41,000
458.00	Senior Citizens' Centers							
459.00	All Other Culture and Recreation							
Total Culture and Recreation		143,497						143,497

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)			262,000				262,000
472.00	Debt Interest (short-term and long-term)			11,140				11,140
475.00	Fiscal Agent Fees							
Total Debt Service				273,140				273,140

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	15,745						15,745

MALVERN BORO, CHESTER County
STATEMENT OF REVENUES AND EXPENDITURES

December 31, 2020

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		15,745						15,745

Insurance								
486.00	Insurance, Casualty, and Surety	28,928						28,928
Total Insurance		28,928						28,928

Unclassified Operating Expenditures								
488.00	Fiduciary Fund Benefits and Refunds Paid						204,891	204,891
489.00	All Other Unclassified Expenditures							
Total Unclassified Operating Expenditures							204,891	204,891

Other Financing Uses								
491.00	Refund of Prior Year Revenues							
492.00	Interfund Operating Transfers	944,240	122,957					1,067,197
493.00	All Other Financing Uses							
Total Other Financing Uses		944,240	122,957					1,067,197

TOTAL EXPENDITURES	4,110,782	172,076	1,339,165		965,686		227,939	6,815,648
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EXCESS/DEFICIT OF REVENUES OVER EXPENDITURES	259,967	-79,337	-389,969		5,722		820,752	617,135
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MALVERN BORO
December 31, 2020

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	126,000		31,000		95,000		95,000
Non-Electoral	Note	2002	2022	2,500,000	705,000		231,000		474,000		474,000
Revenue Bonds and Notes											
Lease Rental Debt											
Other											

(1) - excludes unamortized premium/discount

Total bonds and notes outstanding	569,000
Capitalized lease obligations	0
Net debt	569,000

MALVERN BORO, CHESTER County
STATEMENT OF CAPITAL EXPENDITURES

December 31, 2020

Category	Capital Purchases	Capital Construction	Total
Community Development			
Electric			
Fire			
Gas System			
General Government			
Health			
Housing			
Libraries			
Mass Transit			
Parks			
Police			
Recreation			
Sewer		11,181	11,181
Solid Waste			
Streets / Highways	74,925	1,014,203	1,089,128
Water			
Other: _____			
TOTAL CAPITAL EXPENDITURES	74,925	1,025,384	1,100,309

EMPLOYEE COMPENSATION

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

1,689,310

Independent Public Accountant/Certified Public Accountant Submission Page
Opinion page was provided in lieu of signature page.

SIGNATURE AND VERIFICATION

Signed: Peterson, Fieo & Co. LLP Appointed Auditor/CPA

December 31, 2020

NOTES / COMMENTS

BOROUGH of MALVERN, CHESTER COUNTY, PENNSYLVANIA

Note to the DCED Annual Audit & Financial Report
31st December 2020

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
FINANCIAL MONITORING SYSTEM
for the years
2016 THROUGH 2020

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

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Media, Penna. 19063-1757
(610) 565-6307 office / (610) 565-6920 fax

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 2016 through 31st December 2020. 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.
26th May 2021

Borough of Malvern Financial Monitoring System

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Population					
<i>(from most recent US census)</i>	2,998	2,998	2,998	2,998	2,998
Revenue Per Capita	1,773	1,692	1,777	1,575	1,529
Expenditures Per Capita	1,841	1,723	1,645	1,376	1,366
Employee Benefit Total Cost					
<i>(excluding taxes)</i>	344,707	318,684	280,300	256,577	283,181
Grand Total Salaries	1,689,310	1,614,445	1,434,355	1,304,344	1,176,357
Benefit Cost as a % of Salaries	20.41%	19.74%	19.54%	19.67%	24.07%
Cash Position					
	6,846,799	7,020,985	7,159,991	6,818,246	6,115,614
Debt Service as % of Revenue					
	6.42%	6.90%	6.66%	7.35%	7.60%
Long Term Debt	569,000	831,000	1,089,000	1,344,000	1,595,000
Debt per Capita	190	277	363	448	532
Debt as a % of Assessed Valuation	0.23%	0.34%	0.45%	0.57%	0.69%
Operating Position					
<i>(GF expenditures % GF revenues)</i>	103.06%	97.32%	99.58%	87.58%	92.78%
Net Pension Liability (Asset)					
Police Pension	(1,063,451)	(992,326)	(1,117,522)	(1,351,182)	(1,029,272)
NonUniformed Pension	(1,110,271)	(763,275)	(238,114)	(683,696)	(324,501)
Actual Gen'l Fund Revenue vs. Budget					
	90.15%	90.15%	86.59%	80.04%	73.14%
Actual GF Expenditures vs. Budget					
	91.28%	91.28%	86.40%	86.87%	91.27%
Assessed Taxable					
Valuation, per Capita	81,472	80,954	79,934	79,002	77,350
Real Estate Millage	4.4670	4.4670	4.4670	4.4200	4.4200
% Increase (Decrease) in Millage	0.00%	0.00%	1.06%	0.00%	0.00%
Capital Outlays % of Expenditures					
	20.57%	15.18%	21.15%	15.64%	10.01%
Net Position Increases (Decreases)					
<i>(formerly titled "Fund Balance")</i>	(202,618)	(95,574)	398,269	2,359,696	489,234

See accompanying accountants' compilation report.