

INCORPORATED VILLAGE OF MALVERNE
MALVERNE, NEW YORK

FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2019

SKINNON AND FABER
CERTIFIED PUBLIC ACCOUNTANTS, P.C.

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SKINNON AND FABER

Certified Public Accountants, P.C.

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Incorporated Village of Malverne
Malverne, New York

We have audited the accompanying financial statements of the governmental activities and each major fund of the Incorporated Village of Malverne as of and for the year ended May 31, 2019, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Incorporated Village of Malverne management. Our responsibility is to express an opinion on these financial statements based on our audit.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. 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. In making those risk assessments, the auditor considers 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Incorporated Village of Malverne, as of May 31, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note N to the financial statements, in 2019 the Village adopted new accounting guidance, GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

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, local government's proportionate share of the net pension liability, local government contributions, changes in the Village's total pension liability – ambulance and fire department, and changes in net OPEB liability and related ratios be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing 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.

Skinnon and Faber, CPAs, P.C.

SKINNON AND FABER, CPA's, P.C.
Islandia, New York
October 31, 2019

INCORPORATED VILLAGE OF MALVERNE

Management's Discussion and Analysis (Unaudited)

The Board of Trustees of the Incorporated Village of Malverne (the Village), would like to offer readers of the Village's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended May 31, 2019. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our financial statements, which immediately follows this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The Statement of Net Position and the Statement of Activities provide information about the activities of the Village as a whole and present a long-term view of the Village's finances. Fund financial statements report how Village activities were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail by providing information about the Village's most significant funds. The financial statements also include notes that provide additional information about the financial statements and the balances reported. The statements are followed by the required supplementary information, which supports the financial statements with comparisons of the Village's General Fund and Public Library Fund budgets to actual results for the year, as well as the local government's proportionate share of the net pension liability, local government contributions, changes in the Village's total pension liability – ambulance and fire department, and changes in net OPEB liability and related ratios.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended May 31, 2019, total General Fund expenditures were \$15,979,444. The current year expenditures were \$413,667 less than budgeted and represented a \$454,493 increase from the prior fiscal year.
- General Fund Revenues of \$17,150,399 were \$342,000 more than the prior fiscal year.
- Fund Balance of the General Fund increased \$334,364 to a balance of \$5,833,045 as of May 31, 2019.

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

Net Position

A condensed summary of the Village's Statement of Net Position for the current year is detailed below.

Condensed Statement of Net Position – Governmental Activities

	<u>May 31, 2019</u>	<u>May 31, 2018</u>
Assets		
Current and Other Assets	\$ 11,526,451	\$ 7,162,357
Capital Assets (net)	<u>11,277,127</u>	<u>10,471,611</u>
Total Assets	<u>22,803,578</u>	<u>17,633,968</u>
Deferred Outflows of Resources	<u>3,214,020</u>	<u>3,021,948</u>
Liabilities		
Liabilities	472,468	365,789
Long-Term Liabilities	<u>47,363,952</u>	<u>19,684,170</u>
Total Liabilities	<u>47,836,420</u>	<u>20,049,959</u>
Deferred Inflows of Resources	<u>786,702</u>	<u>2,919,740</u>
Net Position		
Net investment in Capital Assets	6,034,495	6,327,845
Unrestricted (deficit)	<u>(28,640,019)</u>	<u>(8,641,628)</u>
Total Net Position	<u>\$ (22,605,524)</u>	<u>\$ (2,313,783)</u>

Net investment in capital assets consists of the Village's investment in capital assets, such as infrastructure, buildings and improvements, and machinery and equipment, reduced by accumulated depreciation and associated debt. This figure also includes land, which is not depreciated. More detailed information can be found in the Notes to the Financial Statements.

Changes in Net Position

The Statement of Activities reports the result of the current year's operations and the effect on net position in the accompanying financial statements. A summary of changes in net position from operating results is shown below.

Change in Net Position from Operating Results – Governmental Activities		
For the Years Ended		
	<u>May 31, 2019</u>	<u>May 31, 2018</u>
Revenues		
Program Revenues:		
Fees, Fines and Charges for Services	\$ 1,791,334	\$ 1,818,435
Operating Grants and Contributions	-	-
Capital Grants and Contributions	486,001	107,793
General Revenues:		
Property Taxes and Tax Items	14,556,963	14,234,772
Non Property Tax Items	356,835	348,454
Use of Money and Property	85,044	62,326
State and Federal Aid	249,995	259,855
Other	142,349	203,025
Total Revenues	<u>17,668,521</u>	<u>17,034,660</u>
Expenses		
Governmental Activities:		
General Government Support	2,849,292	2,785,410
Public Safety	10,013,303	9,794,839
Health	49,202	62,851
Transportation	2,079,297	2,722,608
Economic Opportunity and Development	4,631	707
Culture and Recreation	1,267,790	1,129,064
Home and Community Services	2,455,630	1,578,898
Interest on Debt	185,493	95,775
Total Expenses	<u>18,904,638</u>	<u>18,170,152</u>
Change in Net Position	<u>(1,236,117)</u>	<u>(1,135,492)</u>
Net Position - Beginning of Year	(2,313,783)	(462,260)
Beginning Balance Adjustment	<u>(19,055,624)</u>	<u>(716,031)</u>
Net Position - Beginning of Year, as Restated	<u>(21,369,407)</u>	<u>(1,178,291)</u>
Net Position - End of Year	<u>\$ (22,605,524)</u>	<u>\$ (2,313,783)</u>

ANALYSIS OF POSITION AND RESULTS OF OPERATION

The Village had an excess of expenses over revenues of \$1,236,117. This excess caused a decrease in net position. No significant individual economic factor affected these operating results.

The Village had an increase in total revenue of \$633,861 as compared to the previous year.

ANALYSIS OF BALANCES AND TRANSACTIONS OF INDIVIDUAL FUNDS

The General Fund balance increased by \$334,364 to a total of \$5,833,045. Of this amount, \$196,102 is comprised of inventory and prepaid items, which is considered nonspendable. Assigned appropriated fund balance for next year's budget totaled \$383,944. Assignments totaling \$716,729 have been made for specific items. Bond premiums of \$21,256 and Length of Service Award Program Plan Assets of \$1,404,983 were restricted. The remaining fund balance of \$3,110,031 is unassigned for Village operations. The Board of Trustees and management of the Village are interested in continuing to improve the financial condition of the Village through careful budgeting and conservative fiscal policies.

As of May 31, 2019, fund balance increased by \$4,033,925, to an ending balance of \$5,135,319. A majority of the increase related to the unspent bond proceeds of \$4,652,368. During the year, Capital Fund expenditures totaling \$2,155,886 were made for various improvements and capital assets, including road resurfacing, computer equipment and upgrades, as well as much needed vehicles and equipment for the Department of Public Works, Police Department, Fire Department and Library. On the revenue side, the Village received state aid in the amount of \$370,796.

The Public Library Fund balance decreased by \$19,361 to an ending balance of \$5,054, as of year-end.

BUDGETARY ANALYSIS

A significant budget modification was made to Appropriated Cash Surplus in the amount of \$323,082. In addition, a \$198,853 budget modification was made to cover additional Public Safety expenditures. The following variances exist between the final budget for the fiscal year ended May 31, 2019 and the actual results:

Revenues:

- Use of Money and Property: Actual revenue was \$69,709 more than the final budgeted amount. This was due to an increase in interest rates in the current year.
- Fines and Forfeitures: Actual revenue was \$95,131 more than the final budgeted amount. The increase related to additional court nights and the continuation of truck stops.

Expenditures:

- General Government Support: Actual expenditures for General Government Support were \$160,373 less than budgeted. A majority of this difference related to the contingency account ending the year under budget by \$219,134.
- Employee Benefits: Actual expenditures for Employee Benefits were \$283,329 less than budgeted. This relates to the accounting method for the LOSAP payment. The Village budgets for the annual payment. In the financial statement presentation, this amount is treated as a transfer between cash accounts, thus the expenditure is removed.

These variations from budgeted amounts are not expected to affect future services or liquidity.

A detailed schedule showing the budgeted amounts compared to the Village's actual financial activity for the General Fund is provided in this report as required supplementary information.

CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

The Village's investment in capital assets as of May 31, 2019 totaled \$11,277,127 (net of accumulated depreciation). During the year, the Village acquired machinery and equipment, with a cost of \$511,789, building and improvements with a cost of \$1,522,890 and infrastructure costs of \$197,476.

As of May 31, 2019, the Village had total bond indebtedness of \$9,895,000. Scheduled payments of \$880,000 were made.

INFRASTRUCTURE ASSETS

There were no significant changes in the assessed condition of eligible infrastructure assets.

CURRENTLY KNOWN FACTS, DECISIONS AND CONDITIONS

The current economic conditions of the Village mirrored those of the rest of the region. The Village faces increasing costs and shrinking revenues from non property tax revenue. The administration has been diligent in containing expenses without sacrificing services to the residents.

CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT

This financial report is designed to provide the reader with a general overview of the Village's finances and to demonstrate the Village's accountability for the funds it receives. If you have any questions about this report or need additional financial information, contact:

Incorporated Village of Malverne
Teresa Emmel, Village Clerk/Treasurer
99 Church Street
Malverne, New York 11565

INCORPORATED VILLAGE OF MALVERNE
Statement of Net Position
May 31, 2019

ASSETS

Cash and Cash Equivalents	\$ 4,863,107
Cash and Cash Equivalents - Restricted	5,691,570
Investments - Restricted	365,781
Accounts Receivable	237,413
Tax Sale Certificates	5,923
Due From Agency	203
Inventories	13,348
Prepaid Expenses	349,106
Capital Assets (net)	11,277,127
	<hr/>
Total Assets	22,803,578

DEFERRED OUTFLOWS OF RESOURCES

Deferred Amounts Related to Pensions	1,505,966
Deferred Amounts Related to Length of Service Award Program	378,212
Deferred Amounts Related to OPEB	1,329,842
	<hr/>
Total Deferred Outflows of Resources	3,214,020

LIABILITIES

Accounts Payable and Accrued Expenses	378,824
Due to Other Governments	1,961
Bond Interest Payable	91,683
Long-term Liabilities:	
Due within one year	802,782
Due in more than one year	46,561,170
	<hr/>
Total Liabilities	47,836,420

DEFERRED INFLOWS OF RESOURCES

Deferred Amounts Related to Pensions	755,095
Deferred Amounts Related to Length of Service Award Program	31,607
	<hr/>
Total Deferred Inflows of Resources	786,702

NET POSITION

Net Investment in Capital Assets	6,034,495
Restricted	6,057,351
Unrestricted (deficit)	(34,697,370)
	<hr/>
Total Net Position	\$ (22,605,524)

See Notes to the Financial Statements

INCORPORATED VILLAGE OF MALVERNE
Statement of Activities
For the Year Ended May 31, 2019

Functions/Programs	PROGRAM REVENUES				Net (Expense) / Revenue
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General Government Support	\$ 2,849,292	\$ 370,178	\$ -	\$ 370,796	\$ (2,108,318)
Public Safety	10,013,303	1,255,819	-	-	(8,757,484)
Health	49,202	-	-	-	(49,202)
Transportation	2,079,297	-	-	112,551	(1,966,746)
Economic Opportunity and Development	4,631	-	-	-	(4,631)
Culture and Recreation	1,267,790	157,612	-	2,654	(1,107,524)
Home and Community Services	2,455,630	7,725	-	-	(2,447,905)
Interest on Debt	185,493	-	-	-	(185,493)
Total Governmental Activities	\$ 18,904,638	\$ 1,791,334	\$ -	\$ 486,001	(16,627,303)
GENERAL REVENUES:					
Real Property Taxes and Related Tax Items					14,556,963
Non Property Tax Items					356,835
Use of Money and Property					85,044
State and Federal Aid					249,995
Minor Sales and Compensation for Loss					72,784
Other Miscellaneous Revenues					69,565
Total General Revenues					15,391,186
Change in Net Position					(1,236,117)
Net Position - Beginning of Year					(2,313,783)
Beginning Balance Adjustment					(19,055,624)
Net Position - Beginning of Year, as Restated					(21,369,407)
Net Position - End of Year					\$ (22,605,524)

INCORPORATED VILLAGE OF MALVERNE

Balance Sheets Governmental Funds May 31, 2019

<u>ASSETS</u>	<u>General</u>	<u>Capital Projects</u>	<u>Public Library</u>	<u>Community Development</u>	<u>Total</u>
Assets:					
Cash and Cash Equivalents	\$ 4,525,448	\$ 314,807	\$ 22,852	\$ -	\$ 4,863,107
Cash and Cash Equivalents - Restricted	1,039,202	4,652,368	-	-	5,691,570
Investments - Restricted	365,781	-	-	-	365,781
Accounts Receivable	114,924	122,489	-	-	237,413
Tax Sales Certificates (net)	5,923	-	-	-	5,923
Inventory	13,348	-	-	-	13,348
Prepaid Expense	182,754	-	-	-	182,754
Due From Other Funds	6,762	63,900	-	-	70,662
Total Assets	\$ 6,254,142	\$ 5,153,564	\$ 22,852	\$ -	\$ 11,430,558
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</u>					
Liabilities:					
Accounts Payable	\$ 104,528	\$ 11,686	\$ -	\$ -	\$ 116,214
Accrued Liabilities	244,785	-	17,798	-	262,583
Due to Other Funds	63,900	6,559	-	-	70,459
Due to Other Governments	1,961	-	-	-	1,961
Total Liabilities	415,174	18,245	17,798	-	451,217
Deferred Inflows of Resources:					
Deferred Revenue	5,923	-	-	-	5,923
Total Deferred Inflows of Resources	5,923	-	-	-	5,923
Fund Balance:					
Nonspendable	196,102	-	-	-	196,102
Restricted	1,426,239	4,652,368	-	-	6,078,607
Assigned, Appropriated	383,944	-	-	-	383,944
Assigned, Unappropriated	716,729	482,951	5,054	-	1,204,734
Unassigned	3,110,031	-	-	-	3,110,031
Total Fund Balance	5,833,045	5,135,319	5,054	-	10,973,418
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 6,254,142	\$ 5,153,564	\$ 22,852	\$ -	\$ 11,430,558

See Notes to the Financial Statements

INCORPORATED VILLAGE OF MALVERNE
Reconciliation of the Governmental Funds Balance Sheets
to the Statement of Net Position
As of May 31, 2019

Total Fund Balance - Total Governmental Funds \$ 10,973,418

This amount differs from the amount of net position shown in the Statement of Net Position due to the following:

Receivables for revenues earned, measurable but not available to provide financial resources, are included in the government-wide financial statements as assets and are added. 5,923

Capital assets are included as assets in the government-wide financial statements and are added, net of accumulated depreciation. 11,277,127

Deferred inflows of resources and deferred outflows of resources are not due and payable in the current period and, accordingly, are not reported as fund liabilities and are added. 2,427,318

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds and are added. 166,325

Bond interest payable applicable to governmental activities is not due and payable in the current period and, accordingly, is not reported in the governmental funds. However, these liabilities are included in the liabilities in the government-wide financial statements and are deducted. (91,683)

Long-term liabilities are not due and payable in the current period and, accordingly, are not reported in the governmental funds. However, these liabilities are included as liabilities in the government-wide financial statements and are deducted.

Serial Bonds	(9,895,000)
Compensated Absences	(1,877,823)
Other Post-Employment Benefits Payable	(30,061,522)
Length of Service Award Program	(3,314,563)
Net Pension Liability	<u>(2,215,044)</u>

Total Net Position \$ (22,605,524)

INCORPORATED VILLAGE OF MALVERNE
Statements of Revenues, Expenditures and Change in Fund Balances
Governmental Funds
For the Year Ended May 31, 2019

	General	Capital Projects	Public Library	Community Development	Total
Revenues:					
Real Property Taxes	\$ 14,521,213	\$ -	\$ -	\$ -	\$ 14,521,213
Real Property Tax Items	35,595	-	-	-	35,595
Non Property Tax Items	356,835	-	-	-	356,835
Departmental Income	368,028	-	20,315	-	388,343
Intergovernmental Charges	466,510	-	77,935	-	544,445
Use of Money and Property	84,969	-	75	-	85,044
Licenses and Permits	238,415	-	-	-	238,415
Fines and Forfeitures	615,131	-	-	-	615,131
Sale of Property and Compensation for Loss	72,784	-	-	-	72,784
Miscellaneous Local Sources	28,373	-	-	28,860	57,233
State and Federal Aid	362,546	370,796	7,654	-	740,996
Total Revenues	17,150,399	370,796	105,979	28,860	17,656,034
Expenditures:					
General Government Support	1,792,670	116,877	-	-	1,909,547
Public Safety	5,317,764	1,589,209	-	-	6,906,973
Health	44,241	-	-	-	44,241
Transportation	1,077,702	449,800	-	-	1,527,502
Economic Assistance and Opportunity	4,575	-	-	-	4,575
Culture and Recreation	204,590	-	560,586	-	765,176
Home and Community Services	1,674,966	-	-	28,860	1,703,826
Employee Benefits	4,877,328	-	203,787	-	5,081,115
Debt Service	985,608	-	-	-	985,608
Total Expenditures	15,979,444	2,155,886	764,373	28,860	18,928,563
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,170,955	(1,785,090)	(658,394)	-	(1,272,529)
Other Financing Sources (Uses):					
Bond Proceeds	-	5,600,000	-	-	5,600,000
Premium on Serial Bond	-	21,256	-	-	21,256
Gain on Investments	201	-	-	-	201
Transfers In	43,423	241,182	639,033	-	923,638
Transfers Out	(880,215)	(43,423)	-	-	(923,638)
Total Other Financing Sources (Uses)	(836,591)	5,819,015	639,033	-	5,621,457
Net Change in Fund Balances	334,364	4,033,925	(19,361)	-	4,348,928
Fund Balances at Beginning of Year	5,498,681	1,101,394	24,415	-	6,624,490
Fund Balances at End of Year	\$ 5,833,045	\$ 5,135,319	\$ 5,054	\$ -	\$ 10,973,418

See Notes to the Financial Statements

INCORPORATED VILLAGE OF MALVERNE
Reconciliation of the Statements of Revenues, Expenditures and
Change in Fund Balances of the Governmental Funds
to the Statement of Activities
For the Year Ended May 31, 2019

Net Change in Fund Balances Shown for Total Governmental Funds \$ 4,348,928

This amount differs from the change in net position shown in the Statement of Activities because of the following:

Capital outlays for acquisition of capital assets are recorded in the governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital expenditures	2,232,155	
Depreciation expense	<u>(1,426,639)</u>	805,516

Major revenues are recorded in the governmental funds when they become susceptible to accrual, that is when they are earned, measurable and available to provide current financial resources. In the Statement of Activities, major revenues are recognized when they are earned and measurable, regardless of when they become available.

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The issuance of long-term liabilities provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

(4,720,000)

Certain expenditures for insurance premiums, interest on debt and inventory type items are recorded in the governmental funds when the payments are due. In the Statement of Activities, these costs are allocated over the applicable time period that they pertain to. Insurance premiums are allocated over the policy period that they are prepaid for; interest on debt in the period the payments become due; and inventory type items over the period the commodities are consumed. This is the amount by which the current period expenditures exceed the costs allocated over the applicable periods.

(66,121)

Deferred inflows of resources and deferred outflows of resources are not due and payable in the current period and, accordingly, are not reported as fund liabilities and are added.

2,299,590

Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.

Compensated absences	275,230
Other post-employment benefits (OPEB)	(2,631,428)
Length of service award program obligations	(614,437)
Net pension liability	<u>(933,523)</u>

Change in Net Position of Governmental Activities Shown in the Statement of Activities

\$(1,236,117)

INCORPORATED VILLAGE OF MALVERNE
Statement of Fiduciary Net Position
May 31, 2019

	<u>Agency</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 248,735
Total Assets	<u>248,735</u>
<u>LIABILITIES</u>	
Due To Other Governments	70,284
Due to General Fund	203
Agency Fund Liability	<u>178,248</u>
Total Liabilities	<u>\$ 248,735</u>

INCORPORATED VILLAGE OF MALVERNE
Notes to the Financial Statements
For the Year Ended May 31, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. FINANCIAL REPORTING ENTITY

The Incorporated Village of Malverne, which was established in 1921, is governed by its Charter, the Village law and other general laws of the State of New York and various local laws and ordinances. The Board of Trustees is the legislative body responsible for overall operations of the Village. It consists of the Mayor and four trustees. The Mayor serves as Chief Executive Officer and the Treasurer serves as Chief Fiscal Officer.

The following basic services are provided: police, fire protection, playground, public library, parks for recreation and entertainment, collection and disposal of garbage and refuse, snow removal, village planning, street maintenance and lighting, building inspection, court justice, administrative zoning and senior citizen activities.

All governmental activities and functions performed for the Incorporated Village of Malverne are its direct responsibility. No other governmental organizations have been included or excluded from the reporting entity.

The financial statements of the Village have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Government's accounting policies are described below.

B. BASIS OF PRESENTATION

1. Government-Wide Financial Statements:

The government-wide financial statements include a Statement of Net Position and the Statement of Activities. Fiduciary activities of the Village are not included in these statements.

The statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the Village's assets and liabilities, including capital assets as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the Village are reported in three categories: 1) fees, fines, and charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regard to interfund activities, payables and receivables. All interfund balances in the Statement of Net Position have been eliminated except those representing balances between governmental

INCORPORATED VILLAGE OF MALVERNE
Notes to the Financial Statements
For the Year Ended May 31, 2019

activities and agency activities.

2. Fund Financial Statements:

The accounts of the Village are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for within a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures, which are segregated for the purpose of carrying on specific activities. The various funds are exhibited by type in the financial statements. The following fund types are used:

Fund Categories

- a. **GOVERNMENTAL FUNDS** - Governmental funds are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus of the governmental funds is upon determination of financial position and changes in financial position. The following are the Village's governmental fund types.

General Fund - the principal operating fund; includes all operations not required to be recorded in other funds.

Capital Projects Fund - used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment.

Special Revenue Funds - used to account for the proceeds of specific revenue sources (other than Capital Projects) that are legally restricted to expenditures for specified purposes. The following Special Revenue Funds are utilized:

Public Library Fund - to provide entertainment and information to the residents.

Community Development Fund - to administer and account for community development projects financed by funds from Federal Grants, which are received from Nassau County.

- b. **FIDUCIARY FUNDS** - used to account for assets held by the local government in a trustee or custodial capacity.

Trust and Agency Funds - used to account for money (and/or property) received and held in the capacity of trustee, custodian or agent. These include expendable trusts, nonexpendable trusts and agency funds.

INCORPORATED VILLAGE OF MALVERNE
Notes to the Financial Statements
For the Year Ended May 31, 2019

3. Equity Classifications:

Government-Wide Financial Statements

Equity is classified as net position and displayed in three components:

- a. Net Investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

Fund Statements

Fund balance is classified and displayed in five components:

- a. Nonspendable – Consists of assets that are inherently nonspendable in the current period either because of their form or because they must be maintained intact, including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and principal of endowments.
- b. Restricted – Consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.
- c. Committed – Consists of amounts that are subject to a purpose constraint imposed by a formal action of the government's highest level of decision-making authority before the end of the fiscal year, and that require the same level of formal action to remove the constraint. The Board is the decision-making authority that can, by resolution prior to the end of the fiscal year, commit fund balance.
- d. Assigned – Consists of amounts that are subject to a purpose constraint that represents an intended use established by the government's highest level of decision-making authority, or by their designated body or official. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance.
- e. Unassigned – Represents the residual classification for the government's general fund, and could report a surplus or deficit. In funds other than the general fund, the unassigned

INCORPORATED VILLAGE OF MALVERNE
Notes to the Financial Statements
For the Year Ended May 31, 2019

classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

C. MEASUREMENT FOCUS / BASIS OF ACCOUNTING

Measurement focus is the determination of what is measured, i.e. expenditures or expenses. Basis of accounting refers to when revenues and expenditures and the related assets and liabilities are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net position. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under this basis of accounting, revenues are recorded when measurable and available. Available means collectible within the current period or soon enough, thereafter, to be used to pay liabilities of the current period. Revenues are considered available if collected within 60 days from year end. Material revenues that are accrued include real property taxes and state aid. If expenditures are the prime factor for determining eligibility, revenue from federal and state grants are accrued when the expenditure is made and the resources are available. Expenses are recorded when the liability is incurred except that:

- Principal and interest on indebtedness are recognized as an expenditure at the time of payment.
- Expenditures for prepaid items and inventory-type items are generally recognized at the time of purchase.
- Compensated absences, such as vacation and sick leave, which vests or accumulates, are charged as an expenditure when paid.
- Pension costs are recognized as an expenditure when billed by the State.

D. CASH AND CASH EQUIVALENTS

The Village considers all highly liquid instruments with a maturity of three months or less at the date of purchase to be cash equivalents.

INCORPORATED VILLAGE OF MALVERNE

Notes to the Financial Statements

For the Year Ended May 31, 2019

E. PROPERTY TAXES

Real property taxes are levied annually in June and are subject to interest and penalties after June 30. A tax sale for unpaid taxes is held during the year at a time fixed by the Board of Trustees after which the unpaid taxes become a lien on the property.

F. BUDGETARY DATA

1. Budget Policies -- The budget policies are as follows:

- a. On or before March 31, the Village Clerk-Treasurer or Budget Officer submits a tentative budget to the Board of Trustees for the fiscal year commencing the following June 1. The tentative budget includes proposed expenditures and the proposed means of financing for all funds.
- b. On or before April 30, the governing board adopts the budget.
- c. All modifications of the budget must be approved by the Board of Trustees.

2. Budget Basis of Accounting:

Except as indicated below, budgets are adopted annually on a basis consistent with generally accepted accounting principles applicable to municipalities. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

G. INVENTORY

Inventory consists of fuel in storage tanks for use in Village vehicles and is valued at cost, using the first-in, first-out method.

H. CAPITAL ASSETS

Capital assets, which include land, infrastructure, land improvements, buildings and improvements, and machinery and equipment are reported at original cost. Depreciation has been recorded using the straight-line method over 2 – 20 years for machinery and equipment, 20 years for land improvements, 40 years for buildings and improvements, and 50 years for infrastructure. Land is not depreciated. The Village has established a capitalization threshold for assets of \$2,000. General infrastructure assets acquired or constructed prior to June 1, 2004 are not reported in the financial statements.

I. COMPENSATED ABSENCES

Village employees are granted vacation and sick leave and earn compensatory absences in varying amounts. In the event of termination or upon retirement, an employee is entitled to payment for accumulated vacation and sick leave and unused compensatory absences at various rates subject to certain maximum limitations.

INCORPORATED VILLAGE OF MALVERNE
Notes to the Financial Statements
For the Year Ended May 31, 2019

Estimated vacation, sick leave and compensatory absences accumulated by employees have been recorded in the government-wide financial statements.

Payment of vacation and sick leave recorded in the government-wide financial statements is dependent upon many factors; therefore, timing of future payments is not readily determinable. However, management believes that sufficient resources will be made available for the payments of vacation and sick leave and compensatory absences when such payment becomes due.

J. OTHER POST-EMPLOYMENT BENEFITS

In addition to providing pension benefits, the Village provides health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the Village's full time employees may become eligible for these benefits.

Healthcare benefits and survivor benefits are provided through an insurance company whose premiums are based on the benefits paid during the year. The Village recognizes the cost of providing benefits by recording its share of insurance premiums as an expenditure in the governmental funds in the year paid. The liability for these other post-employment benefits payable is recorded as a long-term debt in the government-wide financial statements. The debt is estimated based on the most recent actuarial valuation in accordance with the parameters of GASB Statement No. 75.

K. INSURANCE

The Village assumes the liability for most risk including, but not limited to, property damage and personal injury liability. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. The Village carries various insurance policies to mitigate any losses that might occur.

L. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results may differ from those estimates.

M. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditure/expense) until that time.

INCORPORATED VILLAGE OF MALVERNE
Notes to the Financial Statements
For the Year Ended May 31, 2019

In addition to liabilities, the Statement of Financial Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources until that time.

N. NEW ACCOUNTING PRINCIPLES

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This standard replaces the requirements of GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended. This statement establishes accounting and financial reporting standards for other postemployment benefits (OPEB) that is provided to the employees of state and local governmental employers. The statement establishes standards for recognizing and measuring liabilities, deferred inflows and outflows of resources, and expense/expenditures. The statement identifies methods and assumptions required to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

II. DETAIL NOTES ON ALL FUNDS

A. ASSETS

1. Cash and Investments:

The Village's cash and cash equivalents consist of cash on hand and, time and demand deposits. The Village investment policies are governed by State statutes. In addition, the Village has its own written investment policy. Village monies must be deposited in specified FDIC-insured commercial banks located in New York State. The Village Treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include: obligations of the U.S. Treasury, obligations of New York State (or its localities if approved by the State Comptroller), and repurchase agreements. All deposits and investments are carried at cost plus accrued interest.

Third-party collateral is required for all deposits and certificates of deposit at 100% of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are the same as the permissible investments mentioned above.

Deposits and investments at year end were entirely covered by federal depository insurance or by collateral held by the Village's third-party custodial bank. They consisted of:

Deposits: All deposits are carried at cost plus accrued interest.

Bank balances for the Village's deposits with financial institutions as of May 31, 2019 totaled \$10,002,376 and are covered by federal deposit insurance or third-party collateral as follows:

INCORPORATED VILLAGE OF MALVERNE
Notes to the Financial Statements
For the Year Ended May 31, 2019

Amount FDIC - Insured	\$ 527,617
Amount Collateralized	10,779,272
Total Amounts	<u>\$ 11,306,889</u>

2. Property Taxes:

The tax sale certificates held by the Village as of May 31, 2019 were \$5,923, and are offset by deferred revenue of \$5,923.

3. Interfund Receivables, Payables, and Transfers:

Temporary advances between funds and unpaid interfund charges will be reimbursed subsequent to year end. The interfund receivable and payable balances at May 31, 2019 are as follows:

	Amount Receivable	Amount Payable
General Fund	\$ 6,762	\$ 63,900
Trust and Agency	-	203
Capital Projects Fund	63,900	6,559
Totals	<u>\$ 70,662</u>	<u>\$ 70,662</u>

During the year, the budgeted transfer of \$639,033 from the General Fund to the Public Library Fund was made to support the operations of the Library. In addition, transfers totaling \$284,605 were made between the General Fund and the Capital Projects Fund to support the costs of capital projects. Following is a summary of interfund transfers:

	Transfers In	Transfers Out
General Fund	\$ 43,423	\$ 880,215
Capital Projects Fund	241,182	43,423
Public Library Fund	639,033	-
Totals	<u>\$ 923,638</u>	<u>\$ 923,638</u>

INCORPORATED VILLAGE OF MALVERNE

Notes to the Financial Statements

For the Year Ended May 31, 2019

4. Changes in Capital Assets:

A summary of changes in capital assets follows:

<u>Capital Assets</u>	Balance May 31, 2018	Additions	Reductions	Balance May 31, 2019
Land	\$ 162,033	\$ -	\$ -	\$ 162,033
Land Improvements	1,650,421	-	-	1,650,421
Buildings and Improvements	6,437,801	1,522,890	-	7,960,691
Machinery and Equipment	11,654,803	511,789	-	12,166,592
Infrastructure	24,196,893	197,476	-	24,394,369
	<u>44,101,951</u>	<u>2,232,155</u>	<u>-</u>	<u>46,334,106</u>
<u>Accumulated Depreciation</u>				
Land	-	-	-	-
Land Improvements	(1,226,202)	(69,826)	-	(1,296,028)
Buildings and Improvements	(3,627,355)	(232,892)	-	(3,860,247)
Machinery and Equipment	(9,516,106)	(578,558)	-	(10,094,664)
Infrastructure	(19,260,677)	(545,363)	-	(19,806,040)
	<u>(33,630,340)</u>	<u>(1,426,639)</u>	<u>-</u>	<u>(35,056,979)</u>
<u>Totals</u>				
Land	162,033	-	-	162,033
Land Improvements	424,219	(69,826)	-	354,393
Buildings and Improvements	2,810,446	1,289,998	-	4,100,444
Machinery and Equipment	2,138,697	(66,769)	-	2,071,928
Infrastructure	4,936,216	(347,887)	-	4,588,329
Capital Assets, Net	<u>\$ 10,471,611</u>	<u>\$ 805,516</u>	<u>\$ -</u>	<u>\$ 11,277,127</u>

Depreciation expense was charged as direct expense to programs of the primary government as follows:

Governmental Activities

General Government Support	\$ 219,856
Public Safety	773,122
Health	4,961
Transportation	214,900
Economic Assistance	56
Culture and Recreation	124,625
Home and Community Services	89,119
Total Depreciation Expense – Governmental Activities	<u>\$ 1,426,639</u>

INCORPORATED VILLAGE OF MALVERNE
Notes to the Financial Statements
For the Year Ended May 31, 2019

B. LIABILITIES

1. Description of Plan:

The Village of Malverne participates in the New York State and Local Employees' Retirement System (ERS) and the New York State and Local Police and Fire Retirement System (PFRS), which are collectively referred to as the New York State and Local Retirement System (the System). The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all assets and record changes in fiduciary net position allocated to the System.

The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. The Comptroller is an elected official determined in a direct statewide election and serves a four year term. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides the pension membership, is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. Generally, members of the System are employees of the State and its municipalities, other than New York City.

ERS and PFRS are cost sharing, multiple-employer defined benefit pension plans. The System is included in the State's financial report as a pension trust fund

Separately issued financial statements for the System can be accessed on the Comptroller's website at: www.osc.state.ny.us/retire/about_us/financial_statements_index.php.

Membership Tiers

Pension legislation enacted in 1973, 1976, 1983, 2009 and 2012 established distinct classes of membership. For convenience, the System uses a tier concept to distinguish these groups, generally:

ERS

- | | |
|--------|---|
| Tier 1 | Those persons who last became members before July 1, 1973. |
| Tier 2 | Those persons who last became members on or after July 1, 1973, but before July 27, 1976. |
| Tier 3 | Generally, those persons who are State correction officers who last became members on or after July 27, 1976, but before January 1, 2010, and all others who last became members on or after July 27, 1976, but before September 1, 1983. |
| Tier 4 | Generally, except for correction officers, those persons who last became members on or after September 1, 1983, but before January 1, 2010. |
| Tier 5 | Those persons who last became members on or after January 1, 2010, but before April 1, 2012. |

INCORPORATED VILLAGE OF MALVERNE
Notes to the Financial Statements
For the Year Ended May 31, 2019

Tier 6 Those persons who first became members on or after April 1, 2012.

PFRS

Tier 1 Those persons who last became members before July 31, 1973.

Tier 2 Those persons who last became members on or after July 31, 1973, but before July 1, 2009.

Tier 3 Those persons who last became members on or after July 1, 2009, but before January 9, 2010.

Tier 4 N/A

Tier 5 Those persons who last became members on or after January 9, 2010, but before April 1, 2012, or who were previously PFRS Tier 3 members who elected to become Tier 5.

Tier 6 Those persons who first became members on or after April 1, 2012.

Vesting

Members who joined the System prior to January 1, 2010 need five years of service to be 100% vested. Members who joined on or after January 1, 2010 (ERS) or January 9, 2010 (PFRS) require ten years of service credit to be 100% vested.

Benefits

Tiers 1 & 2

Eligibility: Tier 1 members, with the exception of those retiring under special retirement plans, must be at least 55 to be eligible to collect a retirement benefit. There is no minimum service requirement for Tier 1 members. Tier 2 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. The age at which full benefits may be collected for Tier 1 is 55, and the full benefit age for Tier 2 is 62.

Benefit Calculation: Generally, the benefit is 1.67% of final average salary for each year of service if the member retires with less than 20 years. If the member retires with 20 or more years of service, the benefit is 2% of final average salary for each year of service. Tier 2 members with five or more years of service can retire as early as age 55 with reduced benefits. Tier 2 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. As a result of Article 19 of the RSSL, Tier 1 and Tier 2 members who worked continuously from April 1, 1999 through October 1, 2000 received an additional month of service credit for each year of credited service they have at retirement, up to a maximum of 24 additional months.

Final average salary is the average of the wages earned in the three highest consecutive years of employment. For Tier 1 members who joined on or after June 17, 1971, each year used in the final average salary calculation is limited to no more than 20% greater than the previous

INCORPORATED VILLAGE OF MALVERNE

Notes to the Financial Statements

For the Year Ended May 31, 2019

year. For Tier 2 members, each year of final average salary is limited to no more than 20% greater than the average of the previous two years.

Tier 3, 4, and 5

Eligibility: Tier 3 and 4 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. Tier 5 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tiers 3, 4, and 5 is 62.

Benefit Calculation: Generally, the benefit is 1.67% of final average salary for each year of service if the member retires with less than 20 years. If a member retires with between 20 and 30 years of service, the benefit is 2% of final average salary for each year of service. If a member retires with more than 30 years of service, an additional benefit of 1.5% of final average salary is applied for each year of service over 30 years. Tier 3 and 4 members with five or more years of service and Tier 5 members with ten or more years of service can retire as early as age 55 with reduced benefits. Tier 3 and 4 members age 55 or older with 30 or more years of service can retire with no reduction in benefits.

Final average salary is the average of the wages earned in the three highest consecutive years of employment. For Tier 3, 4, and 5 members, each year of final average salary calculation is limited to no more than 10% greater than the average of the previous two years.

Tier 6

Eligibility: Tier 6 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 6 is 63 for ERS members and 62 for PFRS members.

Benefit Calculation: Generally, the benefit is 1.67% of final average salary for each year of service if the member retires with less than 20 years. If a member retires with 20 years of service, the benefit is 1.75% of final average salary for each year of service. If a member retires with more than 20 years of service, an additional benefit of 2% of final average salary is applied for each year of service over 20 years. Tier 6 members with ten or more years of service can retire as early as age 55 with reduced benefits.

Final average salary is the average of the wages earned in the five highest consecutive years. For Tier 6 members, each year of final average salary is limited to no more than 10% greater than the average of the previous four years.

INCORPORATED VILLAGE OF MALVERNE
Notes to the Financial Statements
For the Year Ended May 31, 2019

Special Plans

The 25-Year Plans allow a retirement after 25 years of service with a benefit of one-half of final average salary, and the 20-Year Plans allow a retirement after 20 years of service with a benefit of one-half of final average salary. These plans are available to certain PFRS members, sheriffs, and correction officers.

Ordinary Disability Benefits

Generally, ordinary disability benefits, usually one-third of salary, are provided to eligible members after ten years of service; in some cases, they are provided after five years of service.

Accidental Disability Benefits

For all eligible Tier 1 and Tier 2 ERS and PFRS members, the accidental disability benefit is a pension of 75% of final average salary, with an offset for any Workers' Compensation benefits received. The benefit for eligible Tier 3, 4, 5 and 6 members is the ordinary disability benefit with the years-of-service eligibility requirement dropped.

Ordinary Death Benefits

Death benefits are payable upon the death, before retirement, of a member who meets eligibility requirements as set forth by law. The first \$50,000 of an ordinary death benefit is paid in the form of group term life insurance. The benefit is generally three times the member's annual salary. For most members, there is also a reduced post-retirement ordinary death benefit available.

Post-Retirement Benefit Increases

A cost-of-living adjustment is provided annually to: (i) all pensioners who have attained age 62 and have been retired for five years; (ii) all pensioners who have attained age 55 and have been retired for ten years; (iii) all disability pensioners, regardless of age, who have been retired for five years; (iv) ERS recipients of an accidental death benefit, regardless of age, who have been receiving such benefit for five years; and (v) the spouse of a deceased retiree receiving a lifetime benefit under an option elected by the retiree at retirement. An eligible spouse is entitled to one-half the cost-of-living adjustment amount that would have been paid to the retiree when the retiree would have met the eligibility criteria. The cost-of-living adjustment is a percentage of the annual retirement benefit of the eligible member as computed on a base benefit amount not to exceed \$18,000 of the annual retirement benefit. The cost-of-living percentage shall be 50% of the annual Consumer Price Index as published by the U.S. Bureau of Labor, but cannot be less than 1% or exceed 3%.

INCORPORATED VILLAGE OF MALVERNE

Notes to the Financial Statements

For the Year Ended May 31, 2019

Employer Contributions

Participating employers are required under the RSSL to contribute to the System at an actuarially determined rate adopted annually by the Comptroller. The average contribution rate for ERS for the fiscal year ended March 31, 2019 was approximately 14.9% of payroll. The average contribution rate for PFRS for the fiscal year ended March 31, 2019 was approximately 23.5% of payroll. Delinquent annual bills for employer contributions accrue interest at the actuarial rate applicable during the year. For the fiscal year ended March 31, 2019, the applicable interest rate was 7%.

Member Contributions

Generally, Tier 3, 4, and 5 members must contribute 3% of their salary to the System. As a result of Article 19 of the RSSL, eligible Tier 3 and 4 employees, with a membership date on or after July 27, 1976, who have ten or more years of membership or credited service with the System, are not required to contribute. Members cannot be required to begin making contributions or to make increased contributions beyond what was required when membership began. For Tier 6 members, the contribution rate varies from 3% to 6% depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service.

Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

2018-2019	\$ 1,269,990
2017-2018	1,357,860
2016-2017	1,297,787

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At May 31, 2019, the Incorporated Village of Malverne reported a liability of \$2,215,044 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Incorporated Village of Malverne's proportion of the net pension liability was based on a projection of the Incorporated Village of Malverne's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At May 31, 2019, the Incorporated Village of Malverne's proportion was 0.0104798 percent for ERS and 0.0878035 percent for PFRS. This was a decrease of .0003 for ERS and .0046 for PFRS from its proportion measured at March 31, 2018.

INCORPORATED VILLAGE OF MALVERNE

Notes to the Financial Statements

For the Year Ended May 31, 2019

For the year ended May 31, 2019, the Incorporated Village of Malverne recognized pension expense of \$1,541,780. At May 31, 2019, the Incorporated Village of Malverne reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 503,934	\$ 207,060
Changes of Assumptions	721,646	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	485,483
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	280,386	62,552
	<u>\$ 1,505,966</u>	<u>\$ 755,095</u>

There were no amounts reported as deferred outflows of resources related to pensions resulting from the Incorporated Village of Malverne contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended March 31:

2020	539,372
2021	(157,835)
2022	38,069
2023	291,922
2024	39,343
	<u>\$ 750,871</u>

Actuarial Assumptions

The total pension liability at March 31, 2019 measurement date was determined by using an actuarial valuation as of April 1, 2018, with update procedures used to roll forward the total pension liability to March 31, 2019. The actuarial valuation for both ERS and PFRS used the following actuarial assumptions:

INCORPORATED VILLAGE OF MALVERNE

Notes to the Financial Statements

For the Year Ended May 31, 2019

	ERS	PFRS
Inflation	2.5%	2.5%
Salary Increases	4.2%	5.0%
Investment Rate of Return (net of investment expense including inflation)	7.0%	7.0%
Cost of Living Adjustments	1.3%	1.3%

Annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System experience with adjustments for mortality improvements based on the Society of Actuaries Scale MP-2014.

The actuarial assumptions used in the April 1, 2018 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

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 return, net of investment expenses and inflation) 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 rate of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	36 %	4.55 %
International equity	14	6.35
Private equity	10	7.50
Real estate	10	5.55
Absolute return strategies (*)	2	3.75
Opportunistic portfolio	3	5.68
Real assets	3	5.29
Bonds and mortgages	17	1.31
Cash	1	-0.25
Inflation-indexed bonds	4	1.25
	<u>100 %</u>	

The real rate of return is net of the long-term inflation assumption of 2.50%.

(*) Excludes equity-oriented and long-only funds. For investment management purposes, these funds are included in domestic equity and international equity.

INCORPORATED VILLAGE OF MALVERNE
Notes to the Financial Statements
For the Year Ended May 31, 2019

Discount Rate

The discount rate used to calculate the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following presents the Incorporated Village of Malverne's proportionate share of the net pension liability calculated using the discount rate of 7.0 percent, as well as what the Incorporated Village of Malverne's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current rate:

	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
ERS Net Pension Liability (asset)	\$ 3,246,433	\$ 742,524	\$ (1,360,937)
PFRS Net Pension Liability (asset)	5,321,469	1,472,520	(1,741,798)

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of March 31, 2019, were as follows:

INCORPORATED VILLAGE OF MALVERNE

Notes to the Financial Statements

For the Year Ended May 31, 2019

	Employees' Retirement System	Police and Fire Retirement System	Total
	(Dollars in thousands)		
Employers' total pension liability	\$ 189,803,429	\$ 34,128,100	\$ 223,931,529
Plan net position	(182,718,124)	(32,451,037)	(215,169,161)
Employers' net pension liability	<u>\$ 7,085,305</u>	<u>\$ 1,677,063</u>	<u>\$ 8,762,368</u>
Ratio of plan net position to the employers' total pension liability	96.27%	95.09%	96.09%

2. Long-Term Debt:

- a. Outstanding bond indebtedness aggregated \$9,895,000.
- b. Serial Bonds – The Incorporated Village of Malverne, like most municipalities, borrows money in order to construct improvements, acquire land or purchase buildings and equipment. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. The provision to be made in future budgets for capital indebtedness represents the amounts authorized by the Village to be collected in future years from taxpayers and others for the liquidation of long-term liabilities.
- c. Other Long-Term Debt – In addition to the above long-term debt, the local government had the following non-current liabilities:
 - Compensated Absences – Represents the value of earned and unused portion of the liability for compensated absences.
 - Other Post-Employment Benefits (OPEB) – Represents post-employment medical insurance benefits to eligible retired participants.
 - Length of Service Award Program (LOSAP) – Represents the portion of the present value of projected benefit payments to be provided through the Length of Service Award Program.
 - Net Pension Liability – Represents the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributable to those employees' past periods of service.
- d. Summary Long-Term Debt – The following is a summary of long-term liabilities outstanding at May 31, 2019 by fund type:

INCORPORATED VILLAGE OF MALVERNE
Notes to the Financial Statements
For the Year Ended May 31, 2019

	General Fund	Public Library Fund	Total
Serial Bonds	\$ 9,895,000	\$ -	\$ 9,895,000
Total Bonds	9,895,000	-	\$ 9,895,000
Compensated Absences	1,771,860	105,963	1,877,823
OPEB	28,558,446	1,503,076	30,061,522
LOSAP	3,314,563	-	3,314,563
Net Pension Liability	2,215,044	-	2,215,044
Total Long-Term Debt	<u>\$ 45,754,913</u>	<u>\$ 1,609,039</u>	<u>\$ 47,363,952</u>

- e. The following is a summary of changes in long-term liabilities for the period May 31, 2019:

	Payable at beginning of fiscal year	Additions	Reductions	Payable at end of fiscal year	Due in One Year
Serial Bonds	\$ 5,175,000	\$ 5,600,000	\$ (880,000)	\$ 9,895,000	\$ 615,000
Compensated Absences	2,153,053	-	(275,230)	1,877,823	187,782
OPEB	27,430,094	3,503,694	(872,266)	30,061,522	-
LOSAP	2,700,126	882,802	(268,365)	3,314,563	-
Net Pension Liability	1,281,521	933,523	-	2,215,044	-
	<u>\$ 38,739,794</u>	<u>\$ 10,920,019</u>	<u>\$ (2,295,861)</u>	<u>\$ 47,363,952</u>	<u>\$ 802,782</u>

- f. Long-Term Debt Maturity Schedule -- The following is a statement of serial bonds with corresponding maturity schedules as of May 31, 2019:

Description by Fund	Original Date Issued	Original Amount	Rate %	Date Final Maturity	Outstanding
General Fund	9/1/2004	2,366,000	3.10%	9/1/2020	\$ 100,000
General Fund	4/25/2012	2,400,000	2.00%	10/15/2027	1,365,000
General Fund	6/14/2016	3,580,000	2.25%	6/1/2032	2,830,000
General Fund	9/12/2018	5,600,000	3.00%	9/21/2038	5,600,000
				Total	<u>\$ 9,895,000</u>

INCORPORATED VILLAGE OF MALVERNE

Notes to the Financial Statements

For the Year Ended May 31, 2019

- g. The following table summarizes the Incorporated Village of Malverne's future debt service requirements as of May 31, 2019:

Ending Date	Serial Bonds		Total
	Principal	Interest	
May 31:			
2020	615,000	332,884	947,884
2021	740,000	237,351	977,351
2022	755,000	219,451	974,451
2023	765,000	201,201	966,201
2024	695,000	183,311	878,311
2025-2029	3,095,000	660,606	3,755,606
2030-2034	2,530,000	283,185	2,813,185
2035-2039	700,000	58,165	758,165
Total	\$ 9,895,000	\$ 2,176,154	\$ 12,071,154

C. DEFINED BENEFIT VOLUNTEER FIREFIGHTER AND AMBULANCE SERVICE AWARD PROGRAMS

The information contained in this note is based on information for the Length of Service Awards Program (LOSAP) for the plan-year ending on May 31, 2019, which is the most recent plan year for which complete information is available.

Effective July 1995, the Village established a service award program for active volunteer firefighters of the Malverne Fire Department. Such program consists of a defined benefit contribution plan as a service award. Effective January 2005, the Village established a similar service award program for volunteer ambulance workers.

1. Program Description:

Participation, Vesting and Service Credit

Active volunteer firefighters who have reached the age of eighteen and who have completed one year of firefighting service are eligible to participate in the program. Participants acquire a nonforfeitable right to a service award after being credited with five years of firefighting service or upon attaining the program's entitlement age. The program's entitlement age is age sixty-five. In general, an active volunteer firefighter is credited with a year of firefighting service for each calendar year after the establishment of the program in which he or she accumulates fifty points. Points are granted for the performance of certain activities in accordance with a system established by the sponsor on the basis of a statutory list of activities and point values. A participant may also receive credit for five years of firefighting service rendered prior to the establishment of the program.

INCORPORATED VILLAGE OF MALVERNE
Notes to the Financial Statements
For the Year Ended May 31, 2019

Active volunteer ambulance workers who have reached the age of eighteen and who have completed one year of ambulance service are eligible to participate in the program. Participants are 100% vested after earning 5 years of Service Credit. The program's entitlement age is age sixty-five after earning 5 years of Service Credit under the Point System. A participant will earn one year of Service Credit for each calendar year with 50 or more points under the Point System. Maximum Service Credit is 30 years (including any Prior Service Credit). There is a maximum of 5 years of credit for service prior to the effective date of the Program.

Benefits

A firefighter's benefit under the program is a life annuity with 10 years certain equal to \$20 per month multiplied by the person's total number of years of firefighting service. The number of years of firefighting service used to compute the benefit cannot exceed thirty. In the case of disability or death, benefits are upon verification of service.

An ambulance worker's benefit under the program is a life annuity with optional forms of payment for a 5 or 10 year certainty. The accrual rate is \$15 multiplied by the person's total number of years of ambulance service. The number of years of ambulance service used to compute the benefit cannot exceed forty. Benefits are payable when a participant reaches entitlement age. In the event of disability or death, lump sum payments are available.

Volunteer Ambulance Worker Service Award Program

Participants:

At the December 31, 2018 measurement date, the following participants were covered by the benefit terms:

Inactive participants currently receiving benefit payments	5
Inactive participants entitled to, but not yet receiving benefit payments	8
Active participants	<u>15</u>
Total	<u><u>28</u></u>

Contributions:

New York State General Municipal Law Section 219-0 (1) requires the Village Board to contribute an actuarially determined contribution on an annual basis. The actuarially determined contribution shall be appropriated annually by the Village Board.

Trust Assets:

Although assets have been accumulated in an irrevocable trust, such that the assets are dedicated to providing pensions to plan members in accordance with benefit terms, the trust assets are not legally protected from creditors of the Village. As such, the trust assets do not

INCORPORATED VILLAGE OF MALVERNE
Notes to the Financial Statements
For the Year Ended May 31, 2019

meet the criteria in paragraph 4 of GASB Statement No. 73.

Measurement of Total Pension Liability:

The total pension liability at the December 31, 2018 measurement date was determined using an actuarial valuation as of that date.

Actuarial Assumptions:

The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method:	Entry Age Normal
Inflation:	2.25%
Salary Scale:	None assumed

Mortality rates were based on the RP-2014 Mortality Table (60/40) male/female blend) projected for mortality improvement to the year 2020 with scale MP2017.

Discount Rate:

The discount rate used to measure the total pension liability was 3.64%. This was the yield to maturity of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2018. In describing this index, S&P Dow Jones Indices notes that the index consists of bonds in the S&P Municipal Bond Index with a maturity of 20 years and with a rating of at least Aa2 by Moody's Investors Service's, AA by Fitch, or AA by Standard & Poor's Rating Services.

Changes in the Total Pension Liability

Balance as of 12/31/17 measurement date	\$ 468,467
Service Cost	13,894
Interest	15,038
Changes of assumptions or other inputs	(34,832)
Differences between expected and actual experience	656
Benefit Payments	(12,952)
Net Changes	(18,196)
Balance as of 12/31/18 measurement date	\$ 450,271

INCORPORATED VILLAGE OF MALVERNE
Notes to the Financial Statements
For the Year Ended May 31, 2019

Sensitivity of the Total Pension Liability to Changes in the Discount Rate:

The following presents the total pension liability of the Village as of the December 31, 2018 measurement date, calculated using the discount rate of 3.64 percent, as well as what the Village's total pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.64 percent) or 1-percentage point higher (4.64 percent) than the current rate:

	1% Decrease (2.64%)	Current Assumption (3.64%)	1% Increase (4.64%)
Total Pension Liability	\$ 527,473	\$ 450,271	\$ 388,668

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

For the year ended May 31, 2019, the Village recognized pension expense of \$31,814.

Components of Pension Expense

Service Cost	\$ 13,894
Interest on total pension liability	15,038
Changes of assumptions or other inputs	(196)
Differences between expected and actual experience	188
Pension plan administrative expenses	2,890
Total pension expense	<u>\$ 31,814</u>

At May 31, 2019, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,826	\$ -
Changes of assumptions or other inputs	29,384	31,607
Benefit payments & administrative expenses subsequent to the measurement date	5,855	-
Total	<u>\$ 37,065</u>	<u>\$ 31,607</u>

\$5,855 reported as deferred outflows of resources related to pensions resulting from Village transactions subsequent to the measurement date will be recognized as a reduction of the

INCORPORATED VILLAGE OF MALVERNE
Notes to the Financial Statements
For the Year Ended May 31, 2019

total pension liability in the year ended May 31, 2019.

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

Year Ended May 31:

2020	(8)
2021	(8)
2022	(8)
2023	(8)
2024	(8)
Thereafter	(357)
Total	<u>\$ (397)</u>

Volunteer Fire Department Service Award Program

Measurement of Total Pension Liability:

The total pension liability at the May 31, 2019 measurement date was determined using an actuarial valuation as of that date.

Actuarial Assumptions:

The total pension liability in the May 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method:	Entry Age Normal
Inflation:	2.00%
Salary Scale:	None assumed

Mortality rates were based on the RP-2014 Combined Table – Unisex.

Discount Rate:

The discount rate used to measure the total pension liability was 3.12%. This was the yield to maturity of the Fidelity 20-Year GO AA Bond Index.

INCORPORATED VILLAGE OF MALVERNE
Notes to the Financial Statements
For the Year Ended May 31, 2019

Changes in the Total Pension Liability

Balance as of 5/31/18 measurement date	\$ 2,231,659
Service cost	42,608
Interest	79,241
Change in benefit terms	361,523
Changes of assumptions or other inputs	257,126
Differences between expected and actual experience	112,717
Benefit payments	(220,581)
Net changes	632,634
Balance as of 5/31/19 measurement date	<u>\$ 2,864,293</u>

Sensitivity of the Total Pension Liability to Changes in the Discount Rate:

The following presents the total pension liability calculated using the discount rate of 3.12 percent, as well as what the Village's total pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.12 percent) or 1-percentage point higher (4.12 percent) than the current rate:

	1% Decrease (2.12%)	Current Assumption (3.12%)	1% Increase (4.12%)
Total Pension Liability	\$ 3,496,000	\$ 2,864,292	\$ 2,360,000

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

For the year ended May 31, 2019, the Village recognized pension expense of \$541,840.

Components of Pension Expense

Service Cost	\$ 68,706
Interest on total pension liability	89,007
Change in benefit terms	361,523
Changes of assumptions or other inputs	12,937
Differences between expected and actual experience	9,667
Total pension expense	<u>\$ 541,840</u>

At May 31, 2019, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

INCORPORATED VILLAGE OF MALVERNE

Notes to the Financial Statements

For the Year Ended May 31, 2019

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 145,350	\$ -
Changes of assumptions or other inputs	195,797	-
Benefit payments and administrative expenses subsequent to the measurement date	-	-
Total	<u>\$ 341,147</u>	<u>\$ -</u>

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

Year Ended May 31:

2020	\$ 22,604
2021	22,604
2022	22,604
2023	22,604
2024	22,604
Thereafter	228,127
Total	<u>\$ 341,147</u>

D. FUND BALANCE

The government's fund balance classification policies and procedures are as follows:

1. For committed fund balances:
 - a. The government's highest level of decision-making authority resides with the Board of Trustees.
 - b. The formal action that is required to be taken to establish (and modify or rescind) a fund balance commitment is through formal resolution by the Board of Trustees.
2. For assigned fund balances:
 - a. The body or official authorized to assign amounts to specific purpose is the Board of Trustees.
 - b. The policy established by the governing body pursuant to which the authorization to assign amounts to a specific purpose is given to the Board of Trustees.

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (that is restricted, assigned or unassigned) the expenditure is to be spent first from the restricted fund balance to the extent appropriated by

INCORPORATED VILLAGE OF MALVERNE

Notes to the Financial Statements

For the Year Ended May 31, 2019

either budget vote or board approved budget revision and then from the assigned fund balance to the extent that there is an assignment and then from the unassigned fund balance.

The Village has made the following fund balance designations:

	General Fund	Capital Projects Fund	Public Library Fund
Non-Spendable Fund Balance:			
Prepaid Expense	\$ 182,754	\$ -	\$ -
Inventory	13,348	-	-
Total Non-Spendable Fund Balance	<u>\$ 196,102</u>	<u>\$ -</u>	<u>\$ -</u>
Restricted Fund Balance:			
Bond Premium	\$ 21,256	\$ -	\$ -
Unspent Bond Proceeds	-	4,652,368	-
Length of Service Award Program	1,404,983	-	-
	<u>\$ 1,426,239</u>	<u>\$ 4,652,368</u>	<u>\$ -</u>
Assigned, Unappropriated Fund Balance:			
Terminal Leave - Police Department	\$ 420,000	\$ -	\$ -
Terminal Leave - Clerk	75,000	-	-
Transportation	10,000	-	-
Motorized Equipment	123,718	-	-
Repairs to Village Buildings	88,011	-	-
Operation of Library	-	-	5,054
Future Projects	-	482,951	-
Total Assigned, Unappropriated Fund Balance	<u>\$ 716,729</u>	<u>\$ 482,951</u>	<u>\$ 5,054</u>

E. POST-EMPLOYMENT HEALTHCARE PLAN

Plan Description. The Village operates a single employer defined benefit OPEB plan, which is being funded on a pay-as-you-go basis. Per its contract with employees, the Village will pay various percentages of the premium costs for medical insurance coverage (currently provided through the New York State Health Insurance Plan) at retirement. These percentages are based upon employee classification and hire date. The Village has three classifications for its employees. They are as follows:

Police Benevolent Fund: The Village contributes 100% of the medical premiums for retirees who were hired before July 18, 2014. Retirees hired on or after July 18, 2014 must have at least 5 years of service and be at least 55 and the Village pays 90% of

INCORPORATED VILLAGE OF MALVERNE

Notes to the Financial Statements

For the Year Ended May 31, 2019

the medical premiums.

Department of Public Works: The Village contributes 100% of the medical premium for retirees who were hired before June 1, 1992. Retirees hired on or after June 1, 1992 must have at least 5 years of service and be at least age 55 and the Village pays 35% of the medical premiums.

Village: The Village contributes 100% of the medical premiums for retirees who were hired before October 1, 2015. Retirees hired on or after October 1, 2015 must have at least 5 years of service and be at least age 55 and the Village pays 90% of the medical premiums.

Funding Policy. The contribution requirements of plan members and the Village are established by village contracts. For fiscal year 2019, the Village contributed \$872,266 to the plan (contribution made was assumed to equal Expected Benefit Payments).

Benefits Provided. As of June 1, 2018, the following employees were covered by the benefit terms:

Active Employees	62
Inactive employees entitled to but not yet receiving benefit payments	-
Inactive employees or beneficiaries currently receiving benefit payments	57
Total	<u>119</u>

Total OPEB Liability. The Village's total OPEB liability of \$30,061,522 was measured using the entry age actuarial cost method as of June 1, 2018. For the year ended May 31, 2019, the Village recognized OPEB expense of \$2,173,852.

Actuarial Assumptions and Other Inputs

Interest Rate	3.51%
2018 Healthcare Trends Rate (Pre-65/Post-65)	6.00%
2019 Healthcare Trends Rate (Pre-65/Post-65)	7.50%

Mortality rates were based on the MP2017 Mortality Table - Unisex.

INCORPORATED VILLAGE OF MALVERNE
Notes to the Financial Statements
For the Year Ended May 31, 2019

Change in the Total OPEB Liability

Balance at May 31, 2018	<u>\$ 27,430,094</u>
Changes for the year:	
Service cost	819,116
Interest	1,076,527
Changes in assumptions and other inputs	1,608,051
Benefit payments	<u>(872,266)</u>
Net changes	<u>2,631,428</u>
Balance at May 31, 2019	<u><u>\$ 30,061,522</u></u>

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Village, as well as what the Village's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.51%) or 1 percentage point higher (4.51%) than the current discount rate:

	1% Decrease (2.51%)	Discount Rate (3.51%)	1% Increase (4.51%)
Total OPEB Liability	\$ 35,310,332	\$ 30,061,522	\$ 25,898,638

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the Village, as well as what the Village's total OPEB liability would be if it were calculated using the healthcare cost trend rates that is 1 percentage point lower (6.5%) or 1 percentage point higher (8.5%) than the healthcare cost trend rates:

	1% Decrease (6.5%)	Healthcare Cost Trend Rate (7.5%)	1% Increase (8.5%)
Total OPEB Liability	\$ 25,275,216	\$ 30,061,522	\$ 36,256,344

INCORPORATED VILLAGE OF MALVERNE
Notes to the Financial Statements
For the Year Ended May 31, 2019

F. CONCENTRATION OF RISK

The Village maintains all cash and cash equivalents in three depositories. FDIC insurance covers all government accounts up to \$250,000 (per official custodian) for demand accounts and time and savings accounts. All deposits in excess of the FDIC limit are fully collateralized.

G. COMMITMENTS AND CONTINGENCIES

State Grants

The Village is a recipient of a number of State grants. These grants are administered by various agencies. These grants are subject to various compliance and financial audits by the respective agencies administering the grants, which could lead to certain disallowances and a request for a return of funds. The Board believes that they have substantially complied with the rules and regulations as specified under the various grant agreements as well as rules and regulations of the respective agency for each grant.

Tax Certiorari

There are presently pending against the Village a number of real property tax review proceedings requesting reductions in assessed valuations of various properties for both past and current years. The financial exposures in these cases are indeterminable at this time. See subsequent events for additional information.

Other

The Village is subject to litigation in the ordinary conduct of its affairs. Management does not believe, however, that such litigation, individually or in the aggregate, is likely to have a material effect on the financial statements.

There are no contingencies that the Village is aware of that would have a material impact on the financial statements.

H. SUBSEQUENT EVENTS

There were no events subsequent to May 31, 2019 and the date that these financial statements were available to be issued, October 31, 2019, that would have a material impact on these financial statements.

INCORPORATED VILLAGE OF MALVERNE
Statement of Revenues, Expenditures and Change in Fund Balance
Budget and Actual - General Fund
For the Year Ended May 31, 2019
(Unaudited)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Revenues:			
Real Property Taxes	\$ 14,508,681	\$ 14,508,681	\$ 14,521,213
Real Property Tax Items	42,000	42,000	35,595
Non Property Tax Items	320,000	320,000	356,835
Departmental Income	300,670	305,670	368,028
Intergovernmental Charges	459,502	459,502	466,510
Use of Money and Property	15,260	15,260	84,969
Licenses and Permits	187,800	187,800	238,415
Fines and Forfeitures	520,000	520,000	615,131
Insurance Recoveries and Minor Sales	38,000	38,000	72,784
Miscellaneous Local Sources	4,675	4,675	28,373
State Aid	245,212	316,282	362,546
Appropriated Cash Surplus	334,066	657,148	-
	<u>16,975,866</u>	<u>17,375,018</u>	<u>17,150,399</u>
Expenditures:			
General Government Support	2,099,180	1,953,043	1,792,670
Public Safety	5,089,418	5,288,271	5,317,764
Health	65,700	65,700	44,241
Transportation	1,107,628	1,069,128	1,077,702
Economic Opportunity and Development	7,000	7,000	4,575
Culture and Recreation	197,575	206,677	204,590
Home and Community Services	1,655,327	1,657,027	1,674,966
Employee Benefits	5,151,564	5,160,657	4,877,328
Debt Service	985,608	985,608	985,608
	<u>16,359,000</u>	<u>16,393,111</u>	<u>15,979,444</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>616,866</u>	<u>981,907</u>	<u>1,170,955</u>
Other Financing Sources (Uses):			
Gain on Investments	-	-	201
Transfers In	22,167	22,167	43,423
Transfers Out	(639,033)	(880,215)	(880,215)
	<u>(616,866)</u>	<u>(858,048)</u>	<u>(836,591)</u>
Change in Fund Balance	<u>\$ -</u>	<u>\$ 123,859</u>	<u>334,364</u>
and Balance at Beginning of Year			<u>5,498,681</u>
and Balance at End of Year			<u>\$ 5,833,045</u>

See Notes to the Financial Statements

INCORPORATED VILLAGE OF MALVERNE
Statement of Revenues, Expenditures and Change in Fund Balance
Budget and Actual - Public Library Fund
For the Year Ended May 31, 2019
(Unaudited)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Revenues:			
Departmental Income	\$ 17,790	\$ 17,790	\$ 20,315
Intergovernmental Charges	72,316	74,365	77,935
Use of Money and Property	85	85	75
State Aid	2,600	6,670	7,654
Appropriated Cash Surplus	28,400	28,400	-
	<u>121,191</u>	<u>127,310</u>	<u>105,979</u>
Expenditures:			
Culture and Recreation	553,729	563,556	560,586
Employee Benefits	206,495	202,787	203,787
	<u>760,224</u>	<u>766,343</u>	<u>764,373</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(639,033)</u>	<u>(639,033)</u>	<u>(658,394)</u>
Other Financing Sources (Uses):			
Transfers In	639,033	639,033	639,033
	<u>639,033</u>	<u>639,033</u>	<u>639,033</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	(19,361)
Fund Balance at Beginning of Year			<u>24,415</u>
Fund Balance at End of Year			<u>\$ 5,054</u>

See Notes to the Financial Statements

INCORPORATED VILLAGE OF MALVERNE
Required Supplementary Information
For the Year Ended May 31, 2019
(Unaudited)

Schedule of the Local Government's Proportionate Share of the Net Pension Liability

NYSLRS Pension Plan
For the 2019 Fiscal Year **

		<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Village's proportion of the net pension liability (asset)	ERS	0.0104798%	.0107627%	0.0105970%	0.0112880%
	PFRS	0.0878035%	.0924218%	0.0925739%	0.0895952%
Village's proportionate share of the net pension liability (asset)		\$ 2,215,044	\$ 1,281,521	\$ 2,914,453	\$ 4,464,484
Village's covered payroll		\$ 6,940,658	\$ 6,515,725	\$ 6,515,725	\$ 6,515,725
Village's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll		31.91%	19.67%	44.73%	68.52%
Plan fiduciary net position as a percentage of the total pension liability		96.09%	98.04%	94.50%	90.70%

** The amounts presented for the fiscal year were determined as of the March 31, 2019 measurement date.

INCORPORATED VILLAGE OF MALVERNE
Required Supplementary Information
For the Year Ended May 31, 2019
(Unaudited)

Schedule of Local Government Contributions

NYSIRS Pension Plan
For the 2019 Fiscal Year

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 1,269,990	\$ 1,357,860	\$ 1,297,787	\$ 1,256,512
Contributions in relation to the contractually required contribution	<u>1,269,990</u>	<u>1,357,860</u>	<u>1,297,787</u>	<u>1,256,512</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Village's covered-employee payroll	 \$ 6,940,658	 \$ 6,515,725	 \$ 6,515,725	 \$ 6,515,725
Contributions as a percentage of covered employee payroll	18.30%	20.84%	19.92%	19.28%

INCORPORATED VILLAGE OF MALVERNE
Required Supplementary Information
For the Year Ended May 31, 2019
(Unaudited)

Schedule of Changes in the Village's Total Pension Liability - Ambulance

Measurement date as of December 31,	<u>2018</u>	<u>2017</u>
Total Pension Liability		
Service cost	\$ 13,894	\$ 18,414
Interest	15,038	15,641
Changes of assumptions or other inputs	(34,832)	35,443
Differences between expected and actual experience	656	1,485
Benefit payments	<u>(12,952)</u>	<u>(11,362)</u>
Net change in total pension liability	(18,196)	59,621
Total pension liability - beginning	468,467	408,846
Total pension liability - ending	<u><u>\$ 450,271</u></u>	<u><u>\$ 468,467</u></u>
 Covered-employee payroll	 N/A	 N/A
 Total pension liability as a percentage of covered-employee payroll	 N/A	 N/A

Notes:

Changes of assumptions or other inputs: The discount rate used to measure the total pension liability was based on the yield to maturity of the S&P Municipal Bond 20 Year High Grade Rate Index and was as follows:

December 31, 2017: 3.16%

December 31, 2018: 3.64%

The mortality projection scale was RP-2014 Mortality Table 60/40 male/female blend projected for mortality improvement to the year 2020 with scale MP2017.

Trust assets: There are no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 73 to pay related benefits.

INCORPORATED VILLAGE OF MALVERNE
Required Supplementary Information
For the Year Ended May 31, 2019
(Unaudited)

Schedule of Changes in the Village's Total Pension Liability - Fire Department

Measurement date as of May 31,	<u>2019</u>	<u>2018</u>
Total Pension Liability		
Service cost	\$ 42,608	\$ 46,615
Interest	79,240	75,418
Change in benefit terms	361,523	-
Changes of assumptions or other inputs	257,126	(51,437)
Differences between expected and actual experience	112,717	44,961
Benefit payments	(220,581)	(28,698)
Net change in total pension liability	632,633	86,859
Total pension liability - beginning	<u>2,231,659</u>	<u>2,144,800</u>
Total pension liability - ending	<u><u>\$ 2,864,292</u></u>	<u><u>\$ 2,231,659</u></u>
 Covered-employee payroll	 N/A	 N/A
 Total pension liability as a percentage of covered-employee payroll	 N/A	 N/A

Notes:

Changes of assumptions or other inputs: The discount rate used to measure the total pension liability was based on the yield to maturity of the Fidelity 20-Year GO AA Bond Index was as follows:

May 31, 2019: 3.12%

May 31, 2018: 3.57%

The mortality projection scale was changed to the RP2014 Combined Table - Unisex.

The prior scale, for May 31, 2018 measurement date, was the RP2000 Combined - Projected to 2018.

INCORPORATED VILLAGE OF MALVERNE
Required Supplementary Information
For the Year Ended May 31, 2019
(Unaudited)

Schedule of Changes in Net OPEB Liability and Related Ratios

<u>Total OPEB Liability</u>	<u>Agency</u>
Service cost	\$ 819,116
Interest	1,076,527
Changes of benefit terms	-
Difference between expected and actual experience	-
Changes in assumptions	1,608,051
Net benefits payments	<u>(872,266)</u>
Net change in total OPEB liability	2,631,428
Total OPEB liability - beginning of year	<u>27,430,094</u>
Total OPEB liability - end of year	<u><u>\$ 30,061,522</u></u>
Plan fiduciary net position as percentage of the total OPEB liability	0%

The information in this schedule is intended to show 10 years.
However, as of May 31, 2019 only one year is available.

