

INCORPORATED VILLAGE OF MALVERNE

MALVERNE, NEW YORK

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FINANCIAL STATEMENTS

MAY 31, 2021

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# SKINNON AND FABER

## Certified Public Accountants, P.C.

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### 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, 2021, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

#### **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 auditors' 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, 2021, 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.

## **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 total 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, CPAs, P.C.  
Islandia, New York  
November 19, 2021

## 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, 2021. 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 total OPEB liability and related ratios.

#### FINANCIAL HIGHLIGHTS

- General Fund Revenues of \$17,047,359 were \$13,221 more than the prior fiscal year.
- For the fiscal year ended May 31, 2021, total General Fund expenditures were \$15,606,221. The current year expenditures were \$683,597 less than budgeted and represented a \$23,203 decrease from the prior fiscal year.
- Fund Balance of the General Fund increased \$986,730 to a balance of \$7,606,673 as of May 31, 2021.

## 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, 2021</u>	<u>May 31, 2020</u>
Assets		
Current and Other Assets	\$ 11,343,057	\$ 11,652,347
Capital Assets (net)	<u>13,998,562</u>	<u>11,884,471</u>
Total Assets	<u>25,341,619</u>	<u>23,536,818</u>
Deferred Outflows of Resources	<u>16,006,531</u>	<u>12,843,691</u>
Liabilities		
Liabilities	1,425,826	1,435,566
Long-Term Liabilities	<u>58,450,342</u>	<u>60,529,066</u>
Total Liabilities	<u>59,876,168</u>	<u>61,964,632</u>
Deferred Inflows of Resources	<u>9,164,460</u>	<u>808,226</u>
Net Position		
Net investment in Capital Assets	6,562,056	5,985,084
Restricted	2,056,910	5,050,496
Unrestricted (deficit)	<u>(36,311,444)</u>	<u>(37,427,929)</u>
Total Net Position	<u>\$ (27,692,478)</u>	<u>\$ (26,392,349)</u>

Net investment in capital assets consists of the Village's investment in capital assets, such as land improvements, infrastructure, buildings and improvements and machinery and equipment, reduced by accumulated depreciation and associated debt. This figure also includes land and construction work in progress, 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.

	<b>For the Years Ended</b>	
	<b>May 31, 2021</b>	<b>May 31, 2020</b>
Revenues		
Program Revenues:		
Fees, Fines and Charges for Services	\$ 1,370,557	\$ 1,595,801
Operating Grants and Contributions	49,311	-
Capital Grants and Contributions	625,772	340,770
General Revenues:		
Property Taxes and Related Tax Items	14,871,249	14,623,475
Non Property Tax Items	355,407	353,111
Use of Money and Property	208,675	77,855
State and Federal Aid	290,476	258,829
Other	126,152	183,316
Total Revenues	<u>17,897,599</u>	<u>17,433,157</u>
Expenses		
Governmental Activities:		
General Government Support	3,220,477	3,374,612
Education	4,500	-
Public Safety	10,454,676	11,154,552
Health	46,378	48,698
Transportation	2,078,214	2,254,057
Economic Opportunity and Development	14,668	11,101
Culture and Recreation	1,157,922	1,264,952
Home and Community Services	2,937,726	2,820,980
Interest on Debt	253,221	291,030
Total Expenses	<u>20,167,782</u>	<u>21,219,982</u>
Change in Net Position	<u>(2,270,183)</u>	<u>(3,786,825)</u>
Net Position - Beginning of Year, as reported	(26,392,349)	(22,605,524)
Prior Period Adjustment	970,054	-
Net Position - Beginning of Year, as restated	<u>(25,422,295)</u>	<u>(22,605,524)</u>
Net Position - End of Year	<u>\$ (27,692,478)</u>	<u>\$ (26,392,349)</u>

## ANALYSIS OF POSITION AND RESULTS OF OPERATION

The Village had an excess of expenses over revenues of \$2,270,183 resulting in an ending net position of (\$27,692,478). The decrease in net position was mainly due to recognition of expenses for long-term liabilities including other post-employment benefits and the length of service award program for the Village's fire department and ambulance services.

The Village had an increase in total revenue of \$464,442 as compared to the previous year, which was mainly caused by various grants received including Coronavirus Aid, Relief and Economic Security Act (CARES) funding totaling \$137,758, as well as Consolidated Highway Improvement Program (CHIPS) funding totaling \$467,928 for various road repairs and improvements.

## ANALYSIS OF BALANCES AND TRANSACTIONS OF INDIVIDUAL FUNDS

The General Fund had an excess of revenues over expenditures and other financing uses of \$806,995, resulting in an ending fund balance of \$7,606,673. Of this amount, \$15,633 is considered nonspendable, as it relates to prepaid items and inventory; \$550,000 is assigned and appropriated for the 2021-2022 budget; \$1,332,220 is assigned and \$2,056,910 is restricted for specific items, which are listed in Note II.E to the financial statements. The remaining fund balance of \$3,651,910 is unassigned for Village operations. The Board of Trustees and management of the Village are interested in maintaining a strong fund balance and continuing to improve the financial condition of the Village through careful budgeting and conservative fiscal policies.

During the year, the Capital Projects Fund recognized revenues and other financing sources totaling \$710,486 and expenditures totaling \$2,088,198, resulting in an ending fund balance of \$2,039,135, a decrease of \$1,377,712 from the prior year. Revenues and other financing sources were made up of approximately \$92,000 in CARES funding for the purchase of computers and scanners, approximately \$468,000 of CHIPS reimbursements for road improvements, and approximately \$22,000 of New York State grants for radar guns, as well as \$123,718 transferred from the General Fund for police and fire department vehicles.

A majority of the decrease in the Capital Fund balance related to the acquisition of a fire truck which was purchased utilizing a portion of the remaining bond proceeds issued during the 2018-19 fiscal year. Expenditures for the acquisition of the fire truck totaled \$1,364,564 during the year.

The Public Library Fund balance increased by \$39,424 to an ending balance of \$93,466, as of year-end.

## BUDGETARY ANALYSIS

The following variances exist between the final budget for the fiscal year ended May 31, 2021 and the actual results:

### Revenues:

- Departmental Income: Actual revenue was \$50,793 more than the final budgeted amount mostly due to higher than anticipated safety inspection fees.
- Other Miscellaneous Revenues: Actual revenue was \$65,130 more than the final budgeted amount. This variance was mainly related to payroll tax credits received as a result of the COVID-19 pandemic.
- State and Federal Aid: Actual revenues were \$53,507 more than the final budgeted amount. Majority of the increase was due to higher than expected mortgage tax revenues (\$17,402 higher than budgeted) as a result of the increased value of homes and home sales, as well as a reimbursement of \$39,053 received from the Town of Hempstead related to COVID-19 expenditures, such as cleaning and supplies.

### Expenditures:

- General Government Support: Actual expenditures were \$282,545 less than budgeted. A majority of this difference related to the contingency account ending the year under budget by \$146,510 and tax certiorari ending the year under budget by \$56,023.
- Public Safety: Actual expenditures were \$40,019 less than budgeted mostly due to police expenditures being under budget by \$33,917.
- Culture and Recreation: Actual expenditures were \$23,130 less than budgeted mainly due to expenditures for equipment ending the year under budget by \$32,614.
- Employee Benefits: Actual expenditures for Employee Benefits were \$134,779 less than budgeted. Actual expenditures for health insurance and police retirement were under budget by \$81,658 and \$24,995, respectively, due to conservative budgeting.

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, 2021 totaled \$13,998,562 (net of accumulated depreciation). During the year, the Village acquired machinery and equipment, with a cost of \$1,589,571, improvements with a cost of \$19,125 and infrastructure costs related to roadway improvements of \$541,950. The Village also sold machinery and equipment with an original cost of \$650,000.

As of May 31, 2021, the Village had total bond indebtedness of \$8,540,000. Scheduled payments of \$740,000 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.

The World Health Organization characterized the COVID-19 virus as a global pandemic on March 11, 2020. The duration and economic impact of this pandemic are uncertain. At this time, management is unable to quantify its potential effects on the operations and financial performance of the Village.

## 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  
Averil Smith, Village Clerk/Treasurer  
99 Church Street  
Malverne, New York 11565

# INCORPORATED VILLAGE OF MALVERNE

## Statement of Net Position

May 31, 2021

### Assets

Cash and Cash Equivalents	\$	6,400,287
Cash and Cash Equivalents - Restricted		2,081,945
Investments - Restricted		1,933,142
Accounts Receivable		64,596
Taxes Receivable		103,165
State and Federal Aid Receivable		566,633
Tax Sale Certificates		10,445
Inventory		13,133
Prepaid Expenses		169,711
Capital Assets (net)		13,998,562
<b>Total Assets</b>		<b>25,341,619</b>

### Deferred Outflows of Resources

Deferred Amounts Related to Pensions		6,559,462
Deferred Amounts Related to Length of Service Award Program		1,144,306
Deferred Amounts Related to Other Post-Employment Benefits		8,302,763
<b>Total Deferred Outflows of Resources</b>		<b>16,006,531</b>

### Liabilities

Accounts Payable and Accrued Expenses		1,316,628
Due to Other Governments		43,499
Bond Interest Payable		65,699
Long-term Liabilities:		
Due within one year		1,034,713
Due in more than one year		57,415,629
<b>Total Liabilities</b>		<b>59,876,168</b>

### Deferred Inflows of Resources

Deferred Amounts Related to Pensions		7,602,128
Deferred Amounts Related to Length of Service Award Program		25,156
Deferred Amounts Related to Other Post-Employment Benefits		1,537,176
<b>Total Deferred Inflows of Resources</b>		<b>9,164,460</b>

### Net Position

Net Investment in Capital Assets		6,562,056
Restricted		2,056,910
Unrestricted (deficit)		(36,311,444)
<b>Total Net Position</b>	\$	<b>(27,692,478)</b>

See Notes to the Financial Statements

**INCORPORATED VILLAGE OF MALVERNE**

**Statement of Activities**

**For the Year Ended May 31, 2021**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>PROGRAM REVENUES</b>			<b>Net (Expense) / Revenue</b>
		<b>Fees, Fines and Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	
<b>Governmental Activities:</b>					
General Government Support	\$ 3,220,477	\$ 280,570	\$ 39,053	\$ 91,597	\$ (2,809,257)
Education	4,500	-	-	-	(4,500)
Public Safety	10,454,676	966,313	-	21,796	(9,466,567)
Health	46,378	-	-	-	(46,378)
Transportation	2,078,214	-	-	509,146	(1,569,068)
Economic Opportunity and Development	14,668	-	-	-	(14,668)
Culture and Recreation	1,157,922	104,479	10,258	3,233	(1,039,952)
Home and Community Services	2,937,726	19,195	-	-	(2,918,531)
Interest on Debt	253,221	-	-	-	(253,221)
<b>Total Governmental Activities</b>	<b>\$ 20,167,782</b>	<b>\$ 1,370,557</b>	<b>\$ 49,311</b>	<b>\$ 625,772</b>	<b>(18,122,142)</b>
<b>GENERAL REVENUES:</b>					
					14,871,249
Real Property Taxes and Related Tax Items					355,407
Non Property Tax Items					208,675
Use of Money and Property					290,476
State and Federal Aid					53,808
Minor Sales and Compensation for Loss					72,344
Other Miscellaneous Revenues					
					<b>15,851,959</b>
					<b>(2,270,183)</b>
					<b>(26,392,349)</b>
					<b>970,054</b>
					<b>(25,422,295)</b>
					<b>\$ (27,692,478)</b>

*See Notes to the Financial Statements*

**INCORPORATED VILLAGE OF MALVERNE**

**Balance Sheets**

**Governmental Funds**

**May 31, 2021**

	<u>General</u>	<u>Capital Projects</u>	<u>Public Library</u>	<u>Total</u>
<b>Assets</b>				
Cash and Cash Equivalents	\$ 5,972,371	\$ 298,879	\$ 129,037	\$ 6,400,287
Cash and Cash Equivalents - Restricted	123,768	1,958,177	-	2,081,945
Investments - Restricted	1,933,142	-	-	1,933,142
Accounts Receivable	64,596	-	-	64,596
Taxes Receivable, Overdue	103,165	-	-	103,165
State and Federal Aid Receivable	-	559,525	7,108	566,633
Due From Other Funds	-	77,778	-	77,778
Tax Sales Certificates	10,445	-	-	10,445
Inventory	13,133	-	-	13,133
Prepaid Expenditures	2,500	-	-	2,500
<b>Total Assets</b>	<b>\$ 8,223,120</b>	<b>\$ 2,894,359</b>	<b>\$ 136,145</b>	<b>\$ 11,253,624</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts Payable	\$ 169,170	\$ 855,224	\$ 23,759	\$ 1,048,153
Accrued Liabilities	249,555	-	18,920	268,475
Due to Other Funds	77,778	-	-	77,778
Due to Other Governments	43,499	-	-	43,499
<b>Total Liabilities</b>	<b>540,002</b>	<b>855,224</b>	<b>42,679</b>	<b>1,437,905</b>
<b>Deferred Inflows of Resources:</b>				
Deferred Revenue	76,445	-	-	76,445
<b>Total Deferred Inflows of Resources</b>	<b>76,445</b>	<b>-</b>	<b>-</b>	<b>76,445</b>
<b>Fund Balance:</b>				
Nonspendable	15,633	-	-	15,633
Restricted	2,056,910	1,958,177	-	4,015,087
Assigned, Appropriated	550,000	-	-	550,000
Assigned, Unappropriated	1,332,220	80,958	93,466	1,506,644
Unassigned	3,651,910	-	-	3,651,910
<b>Total Fund Balances</b>	<b>7,606,673</b>	<b>2,039,135</b>	<b>93,466</b>	<b>9,739,274</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 8,223,120</b>	<b>\$ 2,894,359</b>	<b>\$ 136,145</b>	<b>\$ 11,253,624</b>

*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, 2021**

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Total Fund Balance - Total Governmental Funds \$ 9,739,274

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

Revenues that are earned and measurable but not available to provide financial resources, are deferred in the fund financial statements, but are recognized as revenue in the government-wide financial statements and are added. 76,445

Capital assets are included in the government-wide financial statements as assets and are added, net of accumulated depreciation. 13,998,562

Deferred outflows of resources related to the following are not reported in the governmental funds. 16,006,531

Amounts for prepaid expenses are included in the government-wide financial statements as assets and are added. 167,211

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. (65,699)

Long-term liabilities do not require the use of current financial resources and accordingly, are not reported in the governmental funds. These liabilities are, however, included in the government-wide financial statements and are deducted:

Serial Bonds	(8,540,000)
Compensated Absences	(2,797,131)
Other Post-Employment Benefits Payable	(40,954,265)
Length of Service Award Program	(4,544,625)
Net Pension Liability	(1,614,321)

Deferred inflows of resources related to the following are not reported in the governmental funds. (9,164,460)

Total Net Position \$ (27,692,478)

**INCORPORATED VILLAGE OF MALVERNE**  
**Statements of Revenues, Expenditures and Change in Fund Balances**  
**Governmental Funds**  
**For the Year Ended May 31, 2021**

	<u>General</u>	<u>Capital Projects</u>	<u>Public Library</u>	<u>Total</u>
<b>Revenues:</b>				
Real Property Taxes	\$ 14,769,181	\$ -	\$ -	\$ 14,769,181
Real Property Tax Items	36,068	-	-	36,068
Non Property Tax Items	355,407	-	-	355,407
Departmental Income	304,043	-	9,369	313,412
Intergovernmental Charges	425,549	-	83,974	509,523
Use of Money and Property	114,804	-	110	114,914
Licenses and Permits	213,363	-	-	213,363
Fines and Forfeitures	334,259	-	-	334,259
Minor Sales and Compensation for Loss	53,808	-	-	53,808
Other Miscellaneous Revenues	70,130	2,214	-	72,344
State and Federal Aid	370,747	584,554	10,258	965,559
Total Revenues	<u>17,047,359</u>	<u>586,768</u>	<u>103,711</u>	<u>17,737,838</u>
<b>Expenditures:</b>				
General Government Support	1,862,239	98,418	-	1,960,657
Education	4,500	-	-	4,500
Public Safety	5,048,077	1,447,435	-	6,495,512
Health	42,815	-	-	42,815
Transportation	1,051,949	542,345	-	1,594,294
Economic Assistance and Opportunity	13,856	-	-	13,856
Culture and Recreation	156,147	-	537,718	693,865
Home and Community Services	1,732,812	-	-	1,732,812
Employee Benefits	4,716,475	-	205,755	4,922,230
Debt Service	977,351	-	-	977,351
Total Expenditures	<u>15,606,221</u>	<u>2,088,198</u>	<u>743,473</u>	<u>18,437,892</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>1,441,138</u>	<u>(1,501,430)</u>	<u>(639,762)</u>	<u>(700,054)</u>
<b>Other Financing Sources (Uses):</b>				
Gain on Valuation of Investments	93,761	-	-	93,761
Proceeds from Sale of Assets	75,000	-	-	75,000
Transfers In	-	123,718	679,186	802,904
Transfers Out	(802,904)	-	-	(802,904)
Total Other Financing Sources (Uses)	<u>(634,143)</u>	<u>123,718</u>	<u>679,186</u>	<u>168,761</u>
<b>Net Change in Fund Balances</b>	806,995	(1,377,712)	39,424	(531,293)
<b>Fund Balances at Beginning of Year, as reported</b>	6,619,943	3,416,847	54,042	10,090,832
<b>Beginning Balance Adjustment</b>	179,735	-	-	179,735
<b>Fund Balances, Beginning of Year, as restated</b>	<u>6,799,678</u>	<u>3,416,847</u>	<u>54,042</u>	<u>10,270,567</u>
<b>Fund Balances at End of Year</b>	<u>\$ 7,606,673</u>	<u>\$ 2,039,135</u>	<u>\$ 93,466</u>	<u>\$ 9,739,274</u>

*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, 2021**

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Net Change in Fund Balances for Total Governmental Funds \$ (531,293)

This amount differs from the change in net position 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	2,068,912
Depreciation Expense	(1,531,152)
Disposition of Capital Asset	(81,250)

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, revenues are recognized when they are earned and measurable, regardless of when they become available. 66,000

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:

Repayment of Bond Principal	740,000
-----------------------------	---------

Net change in deferred outflows of resources not reported in the funds. 3,037,357

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 the governmental funds:

Compensated Absences	23,492
Other Post-Employment Benefits	(3,216,047)
Length of Service Award Program	(490,033)
Net Pension Liability	5,995,170
Accrued Interest Cost	(15,870)
Insurance Premiums	1,878

Net change in deferred inflows of resources not reported in the funds. (8,337,347)

Change in Net Position of Governmental Activities in the Statement of Activities \$ (2,270,183)

# INCORPORATED VILLAGE OF MALVERNE

## Notes to the Financial Statements For the Year Ended May 31, 2021

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Village of Malverne 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 Village's significant accounting policies are described below.

#### A. FINANCIAL REPORTING ENTITY

The Incorporated Village of Malverne, which was established in 1921, is governed by its Charter, Village law, 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, justice court, 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.

#### 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. These statements present summaries of governmental activities for the Village. 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 activities and agency activities.

# INCORPORATED VILLAGE OF MALVERNE

## Notes to the Financial Statements For the Year Ended May 31, 2021

### 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

**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 Fund - 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.

### 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 external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 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."

# INCORPORATED VILLAGE OF MALVERNE

## Notes to the Financial Statements

### For the Year Ended May 31, 2021

#### Fund Financial 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 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.

When resources are available from multiple classifications, the Village spends funds in the following order: restricted, committed, assigned, unassigned.

#### 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.

# INCORPORATED VILLAGE OF MALVERNE

## Notes to the Financial Statements For the Year Ended May 31, 2021

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. Expenditures 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.

### 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.

# INCORPORATED VILLAGE OF MALVERNE

## Notes to the Financial Statements For the Year Ended May 31, 2021

### 2. Budget Basis of Accounting:

Budgets are adopted annually on a basis consistent with generally accepted accounting principles applicable to municipalities, with the exception of activity related to the Length of Service Award Programs. 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, construction work in progress, 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 and construction work in progress 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.

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.

# INCORPORATED VILLAGE OF MALVERNE

## Notes to the Financial Statements For the Year Ended May 31, 2021

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 liability in the government-wide financial statements. The liability 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.

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. ADOPTION OF ACCOUNTING STANDARD

For the year ended May 31, 2021, the Village implemented GASB Statement No. 84, "*Fiduciary Activities*". The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement established criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. As a result of the adoption of this standard, certain transactions previously reported in the Fiduciary Fund are now reflected within governmental funds.

**INCORPORATED VILLAGE OF MALVERNE**

**Notes to the Financial Statements  
For the Year Ended May 31, 2021**

O. RECLASSIFICATION OF PRIOR YEAR PRESENTATION

Certain prior year amounts have been reclassified to conform with the current year presentation with respect to the implementation of the provisions of GASB Statement No. 84. These reclassifications had no effect on previously reported fund balance amounts.

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, 2021 totaled \$8,558,344 and are covered by federal deposit insurance or third-party collateral as follows:

Amount FDIC - Insured	\$ 633,261
Amount Collateralized	7,925,083
Total Balances	<u><u>\$ 8,558,344</u></u>

2. Property Taxes:

As of May 31, 2021, the Village had taxes receivable of \$103,165, as well as tax sale certificates held by the Village totaling \$10,445. These amounts are offset by deferred revenue of \$76,445.

**INCORPORATED VILLAGE OF MALVERNE**

**Notes to the Financial Statements**

**For the Year Ended May 31, 2021**

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, 2021 are as follows:

	<u>Amount Receivable</u>	<u>Amount Payable</u>
General Fund	\$ -	\$ 77,778
Capital Projects Fund	77,778	-
Totals	<u>\$ 77,778</u>	<u>\$ 77,778</u>

During the year, the budgeted transfers totaling \$679,186 were made from the General Fund to the Public Library Fund to support the costs of operations. In addition, \$123,718 was transferred from the General Fund to the Capital Projects Fund for equipment purchases. The following is a summary of interfund transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 802,904
Capital Projects Fund	123,718	-
Public Library Fund	679,186	-
Totals	<u>\$ 802,904</u>	<u>\$ 802,904</u>

# INCORPORATED VILLAGE OF MALVERNE

## Notes to the Financial Statements

For the Year Ended May 31, 2021

### 4. Changes in Capital Assets:

A summary of changes in capital assets follows:

	Balance 5/31/2020, as restated	Additions	Reductions	Balance 5/31/2021
Capital Assets That Are Not Depreciated:				
Land	\$ 162,033	\$ -	\$ -	\$ 162,033
Construction Work in Progress	87,652	-	(81,734)	5,918
Total Nondepreciable Cost	249,685	-	(81,734)	167,951
Capital Assets That Are Depreciated:				
Land Improvements	1,650,421		-	1,650,421
Buildings and Improvements	7,960,691	19,125	-	7,979,816
Machinery and Equipment	12,284,698	1,589,571	(650,000)	13,224,269
Infrastructure	26,210,799	541,950	-	26,752,749
Total Depreciable Cost	48,106,609	2,150,646	(650,000)	49,607,255
Less:				
Accumulated Depreciation:				
Land Improvements	(1,268,164)	(69,825)	-	(1,337,989)
Buildings and Improvements	(3,878,967)	(264,048)	-	(4,143,015)
Machinery and Equipment	(10,085,879)	(654,097)	568,750	(10,171,226)
Infrastructure	(19,581,232)	(543,182)	-	(20,124,414)
Total Accumulated Depreciation	(34,814,242)	(1,531,152)	568,750	(35,776,644)
Net Capital Assets That Are Depreciated	13,292,367	619,494	(81,250)	13,830,611
Grand Total	\$ 13,542,052	\$ 619,494	\$ (162,984)	\$ 13,998,562

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

*Governmental Activities*

General Government Support	\$ 246,885
Public Safety	816,062
Health	3,563
Transportation	164,906
Economic Assistance	812
Culture and Recreation	92,543
Home and Community Services	206,381
Total Depreciation Expense – Governmental Activities	\$ 1,531,152

# INCORPORATED VILLAGE OF MALVERNE

## Notes to the Financial Statements For the Year Ended May 31, 2021

### B. LIABILITIES

#### 1. Pension Plan:

##### 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. Thomas P. DiNapoli has served as Comptroller since February 7, 2007. In November 2018, he was elected for a new term commencing January 1, 2019.

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 that 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. The Public Employees' Group Life Insurance Plan (GLIP) provides death benefits in the form of life insurance. In these statements, GLIP amounts are apportioned to and included in ERS and PFRS.

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](http://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. |

# INCORPORATED VILLAGE OF MALVERNE

## Notes to the Financial Statements For the Year Ended May 31, 2021

- 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.
- 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 age 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

## INCORPORATED VILLAGE OF MALVERNE

### Notes to the Financial Statements For the Year Ended May 31, 2021

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

## **INCORPORATED VILLAGE OF MALVERNE**

### **Notes to the Financial Statements For the Year Ended May 31, 2021**

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

#### *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.

#### *Disability Retirement Benefits*

Disability retirement benefits are available to ERS and PFRS members unable to perform their job duties because of permanent physical or mental incapacity. There are three general types of disability benefits: ordinary, performance of duty, and accidental disability benefits. Eligibility, benefit amounts, and other rules such as any offsets or other benefits depend on a member's tier, years of service, and plan.

#### *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 retirees who have attained age 62 and have been retired for five years; (ii) all retirees who have attained age 55 and have been retired for ten years; (iii) all disability retirees, 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. This cost-of-living adjustment is a percentage of the annual retirement benefit of the eligible retiree 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, 2021

#### 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, 2021 was approximately 14.6% of covered payroll. The average contribution rate for PFRS for the fiscal year ended March 31, 2021 was approximately 24.4% of covered payroll. Delinquent annual bills for employer contributions accrue interest at the actuarial interest rate applicable during the year. For the fiscal year ended March 31, 2021, the applicable interest rate was 6.8%.

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

2020-2021	\$ 1,386,581
2019-2020	1,412,367
2018-2019	1,314,836

#### 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.

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

At May 31, 2021, the Incorporated Village of Malverne reported a liability of \$1,614,321 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2021, 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, 2021, the Incorporated Village of Malverne's proportion was 0.0094051 percent for ERS and 0.0924367 percent for PFRS. This was a decrease of .0012214 percent for ERS and increase of .0027155 for PFRS from its proportion measured at March 31, 2020.

# INCORPORATED VILLAGE OF MALVERNE

## Notes to the Financial Statements

### For the Year Ended May 31, 2021

For the year ended May 31, 2021, the Incorporated Village of Malverne recognized pension expense of \$1,182,674. At May 31, 2021, 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	\$ 470,503	\$ -
Changes of Assumptions	5,665,130	32,476
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	7,409,468
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	423,829	160,184
	\$ 6,559,462	\$ 7,602,128

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:

2022	\$ (257,120)
2023	(4,738)
2024	(259,226)
2025	(1,323,889)
2026	802,307
	\$ (1,042,666)

#### Actuarial Assumptions

The total pension liability at March 31, 2021 measurement date was determined by using an actuarial valuation as of April 1, 2020, with update procedures used to roll forward the total pension liability to March 31, 2021. The actuarial valuation for both ERS and PFRS used the following actuarial assumptions:

	ERS	PFRS
Inflation	2.7%	2.7%
Salary Increases	4.4%	6.2%
Investment Rate of Return (net of investment expense including inflation)	5.9%	5.9%
Cost of Living Adjustments	1.4%	1.4%

# INCORPORATED VILLAGE OF MALVERNE

## Notes to the Financial Statements For the Year Ended May 31, 2021

Annuitant mortality rates are based on April 1, 2015 – March 31, 2020 System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2020. The previous actuarial valuation as of April 1, 2019 used April 1, 2010 – March 31, 2015 System experience, mortality improvements based on the Society of Actuaries Scale MP-2018, inflation of 2.5%, cost-of-living adjustments of 1.3%, salary increases of 4.5% (ERS) and 5.7% (PFRS), and investment rate of return of 6.8%.

The actuarial assumptions used in the April 1, 2020 valuation are based on the results of an actuarial experience study for the period April 1, 2015 – March 31, 2020.

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 rates 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	32 %	4.05 %
International equity	15	6.30
Private equity	10	6.75
Real estate	9	4.95
Opportunistic/ARS portfolio	3	4.50
Credit	4	3.63
Real assets	3	5.95
Fixed Income	23	0.00
Cash	1	0.50
	<u>100 %</u>	

The real rate of return is net of the long-term inflation assumption of 2.00%.

### Discount Rate

The discount rate used to calculate the total pension liability was 5.9%. 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 determined. 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.

# INCORPORATED VILLAGE OF MALVERNE

## Notes to the Financial Statements

### For the Year Ended May 31, 2021

#### Sensitivity of the Employer's Proportional Share of the Net Pension Liability to the Discount Rate Assumption

The following presents the Incorporated Village of Malverne's net pension liability calculated using the current period discount rate assumption of 5.9%, as well as what the Incorporated Village of Malverne's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (4.9%) or one percentage-point higher (6.9%) than the current assumption:

	1% Decrease (4.9%)	Current Assumption (5.9%)	1% Increase (6.9%)
ERS Net Pension Liability (asset)	\$ 2,599,371	\$ 9,365	\$ (2,379,227)
PFRS Net Pension Liability (asset)	6,825,176	1,604,956	(2,716,038)

#### Net Pension Liability of Participating Employees

The components of the net pension liability of the employers in the System as of March 31, 2021, were as follows:

	Employees' Retirement System	Police and Fire Retirement System	Total
	(Dollars in thousands)		
Employers' total pension liability	\$ 220,680,157	\$ 41,236,775	\$ 261,916,932
Fiduciary net position	(220,580,583)	(39,500,500)	(260,081,083)
Employers' net pension liability	\$ 99,574	\$ 1,736,275	\$ 1,835,849

Ratio of fiduciary net position to the employers' total pension liability	99.95%	95.79%	99.30%
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#### 2. Long-Term Debt:

- a. Outstanding bond indebtedness aggregated \$8,540,000.
- 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.

## INCORPORATED VILLAGE OF MALVERNE

### Notes to the Financial Statements

#### For the Year Ended May 31, 2021

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 of Long-Term Debt – The following is a summary of long-term liabilities outstanding at May 31, 2021 by fund type:

	General Fund	Public Library Fund	Total
Serial Bonds	\$ 8,540,000	\$ -	\$ 8,540,000
Total Bonds	8,540,000	-	8,540,000
Compensated Absences	2,768,282	28,849	2,797,131
OPEB Liability	38,906,552	2,047,713	40,954,265
LOSAP Liability	4,544,625	-	4,544,625
Net Pension Liability	1,613,952	369	1,614,321
Total Long-Term Liabilities	\$ 56,373,411	\$ 2,076,931	\$ 58,450,342

e. The following is a summary of changes in long-term liabilities for the period May 31, 2021:

	Payable at Beginning of Fiscal Year, as restated	Additions	Reductions	Payable at End of Fiscal Year	Due in One Year
Serial Bonds	\$ 9,280,000	\$ -	\$ (740,000)	\$ 8,540,000	\$ 755,000
Compensated Absences	2,816,116	58,493	(77,478)	2,797,131	279,713
OPEB Liability	37,738,218	5,644,860	(2,428,813)	40,954,265	-
LOSAP Liability	4,054,592	524,698	(34,665)	4,544,625	-
Net Pension Liability	7,609,491	-	(5,995,170)	1,614,321	-
	\$ 61,498,417	\$ 6,228,051	\$ (9,276,126)	\$ 58,450,342	\$ 1,034,713

## INCORPORATED VILLAGE OF MALVERNE

### Notes to the Financial Statements

#### For the Year Ended May 31, 2021

f. Long-Term Debt Maturity Schedule – The following is a statement of serial bonds with corresponding maturity schedules as of May 31, 2021:

Description by Fund	Original Date Issued	Original Amount	Rate %	Date Final Maturity	Outstanding
General Fund	4/25/2012	\$ 2,400,000	2.00%	10/15/2027	\$ 1,015,000
General Fund	6/14/2016	3,580,000	2.25%	6/1/2032	2,215,000
General Fund	9/12/2018	5,600,000	3.00%	9/21/2038	5,310,000
Total					<u>\$ 8,540,000</u>

g. The following table summarizes the Incorporated Village of Malverne’s future debt service requirements as of May 31, 2021:

Ending Date	Serial Bonds		
	Principal	Interest	Total
May 31:			
2022	\$ 755,000	\$ 219,451	\$ 974,451
2023	765,000	201,201	966,201
2024	695,000	183,311	878,311
2025	695,000	165,814	860,814
2026	705,000	147,866	852,866
2027-2031	2,810,000	504,522	3,314,522
2032-2036	1,680,000	162,223	1,842,223
2037-2039	435,000	21,531	456,531
Total	<u>\$ 8,540,000</u>	<u>\$ 1,605,919</u>	<u>\$ 10,145,919</u>

#### 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 December 31, 2020, 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 5 years of

# INCORPORATED VILLAGE OF MALVERNE

## Notes to the Financial Statements

### For the Year Ended May 31, 2021

firefighting service or upon attaining the program's entitlement age. The program's entitlement age is age 65. 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 5 years of firefighting service rendered prior to the establishment of the program.

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 40. Except in the case of disability or death, benefits are payable when a participant reaches entitlement age.

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, 2020 measurement date, the following participants were covered by the benefit terms:

Inactive participants currently receiving benefit payments	6
Inactive participants entitled to, but not yet receiving benefit payments	7
Active participants	17
Total	<u>30</u>

# INCORPORATED VILLAGE OF MALVERNE

## Notes to the Financial Statements

For the Year Ended May 31, 2021

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

### Measurement of Total Pension Liability

The total pension liability at the December 31, 2020 measurement date was determined using an actuarial valuation as of that date.

### Actuarial Assumptions

The total pension liability in the December 31, 2020 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 2025 with scale MP2020.

### Discount Rate

The discount rate used to measure the total pension liability was 1.93%. This was the yield to maturity of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2020. 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.

**INCORPORATED VILLAGE OF MALVERNE**  
**Notes to the Financial Statements**  
**For the Year Ended May 31, 2021**

Changes in the Total Pension Liability

Balance as of 12/31/2019 measurement date	\$ 494,885
Service Cost	13,245
Interest	16,314
Changes of assumptions or other inputs	124,733
Differences between expected and actual experience	1,343
Benefit Payments	(15,427)
Net Changes	<u>140,208</u>
Balance as of 12/31/2020 measurement date	<u>\$ 635,093</u>

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, 2020 measurement date, calculated using the discount rate of 1.93%, 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 (.93%) or 1-percentage point higher (2.93%) than the current rate:

	1% Decrease (.93%)	Current Assumption (1.93%)	1% Increase (2.93%)
Total Pension Liability	\$ 740,490	\$ 635,093	\$ 537,664

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

For the year ended May 31, 2021, the Village recognized pension expense of \$48,093.

Components of Pension Expense	
Service Cost	\$ 13,245
Interest on total pension liability	16,314
Changes of assumptions or other inputs	14,918
Differences between expected and actual experience	462
Pension plan administrative expenses	3,154
Total pension expense	<u>\$ 48,093</u>

# INCORPORATED VILLAGE OF MALVERNE

## Notes to the Financial Statements

### For the Year Ended May 31, 2021

At May 31, 2021, 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	\$ 3,980	\$ -
Changes of assumptions or other inputs	158,239	25,156
Benefit payments & administrative expenses subsequent to the measurement date	6,553	-
Total	<u>\$ 168,772</u>	<u>\$ 25,156</u>

\$6,553 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 total pension liability in the year ended May 31, 2022.

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:

2022	\$ 15,381
2023	15,381
2024	15,381
2025	15,381
2026	15,381
Thereafter	60,158
Total	<u>\$ 137,063</u>

### **Volunteer Fire Department Service Award Program**

#### Measurement of Total Pension Liability

The total pension liability at the May 31, 2021 measurement date was determined using an actuarial valuation as of that date.

#### Actuarial Assumptions

The total pension liability in the May 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method:	Entry Age Normal
Inflation:	3.00%
Salary Scale:	None assumed

**INCORPORATED VILLAGE OF MALVERNE**  
**Notes to the Financial Statements**  
**For the Year Ended May 31, 2021**

Mortality rates were based on the RP-2014 Combined – Projected to 2021.

Discount Rate

The discount rate used to measure the total pension liability was 2.00%. This was the yield to maturity of the Fidelity 20-Year GO AA Bond Index.

Changes in the Total Pension Liability

Balance as of 5/31/2020 measurement date	\$ 3,559,707
Service cost	88,034
Interest	87,996
Change in benefit terms	-
Change in assumptions or other inputs	165,318
Change due to difference in experience	27,715
Benefit payments	(19,238)
Net change	349,825
Balance as of 5/31/2021 measurement date	<u>\$ 3,909,532</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 2%, 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 (1%) or 1-percentage point higher (3%) than the current rate:

	1% Decrease (1.00%)	Current Assumption (2.00%)	1% Increase (3.00%)
Total Pension Liability	\$ 4,761,000	\$ 3,909,532	\$ 3,236,000

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

For the year ended May 31, 2021, the Village recognized pension expense of \$234,190.

Components of Pension Expense	
Service Cost	\$ 88,034
Interest on total pension liability	87,996
Change in benefit terms	-
Changes of assumptions or other inputs	46,976
Differences between expected and actual experience	11,184
Total Pension Expense	<u>\$ 234,190</u>

**INCORPORATED VILLAGE OF MALVERNE**

**Notes to the Financial Statements**

**For the Year Ended May 31, 2021**

At May 31, 2021, 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	\$ 173,248	\$ -
Changes of assumptions or other inputs	802,286	-
Total	\$ 975,534	\$ -

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:	
2023	\$ 70,411
2024	70,411
2025	70,411
2026	70,411
2027	70,411
Thereafter	623,479
Total	\$ 975,534

**D. 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 age 55 and the Village pays 90% of 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

# INCORPORATED VILLAGE OF MALVERNE

## Notes to the Financial Statements For the Year Ended May 31, 2021

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 2021, the Village contributed \$1,143,789 to the plan (contribution made was assumed to equal Expected Benefit Payments).

*Benefits Provided.* As of June 1, 2020, the following employees were covered by the benefit terms:

Active employees	65
Inactive employees or beneficiaries currently receiving benefit payments	63
Total	128

*Total OPEB Liability.* The Village's total OPEB liability of \$40,954,265 was measured using the entry age actuarial cost method as of June 1, 2020. For the year ended May 31, 2021, the Village recognized OPEB expense of \$4,102,175.

### *Actuarial Assumptions and Other Inputs*

Discount Rate	2.20%
2020 Healthcare Trends Rate (Pre-65/Post-65)	7.00% / 5.00%
2021 Healthcare Trends Rate (Pre-65/Post-65)	6.50% / 5.00%
Ultimate Medical Trend Rate	5.00%
Year Ultimate Trend Rates Reached Pre-/Post-65	2025/2020
Annual Payroll Increase	2.50%

Mortality rates were based on the MP2020 Mortality Table - Unisex.

### *Change in the Total OPEB Liability*

Balance at May 31, 2020	\$ 37,738,218
Changes for the year:	
Service cost	1,442,713
Interest	883,677
Differences between expected and actual experience	3,318,470
Changes in assumptions and other inputs	(1,285,024)
Benefit payments	(1,143,789)
Net change	3,216,047
Balance at May 31, 2021	\$ 40,954,265

## INCORPORATED VILLAGE OF MALVERNE

### Notes to the Financial Statements

#### For the Year Ended May 31, 2021

*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 (1.20%) or 1 percentage point higher (3.20%) than the current discount rate:

	1% Decrease (1.20%)	Discount Rate (2.20%)	1% Increase (3.20%)
Total OPEB Liability	\$ 48,412,841	\$ 40,954,265	\$ 35,056,402

*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 (4.00%) or 1 percentage point higher (6.00%) than the healthcare cost trend rates:

	1% Decrease (4.00%)	Healthcare Cost Trend Rate (5.00%)	1% Increase (6.00%)
Total OPEB Liability	\$ 34,161,400	\$ 40,954,265	\$ 49,821,162

*Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.* At May 31, 2021, the Village reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 2,769,055	\$ 464,904
Changes of Assumptions	5,533,708	1,072,272
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	-	-
	\$ 8,302,763	\$ 1,537,176

**INCORPORATED VILLAGE OF MALVERNE**

**Notes to the Financial Statements**

**For the Year Ended May 31, 2021**

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

Year Ended May 31:

2022	\$	1,775,785
2023		1,775,785
2024		1,714,582
2025		1,149,304
2026		336,663
Thereafter		13,468
Total	\$	<u>6,765,587</u>

E. 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 a 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 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.

**INCORPORATED VILLAGE OF MALVERNE**  
**Notes to the Financial Statements**  
**For the Year Ended May 31, 2021**

The Village has made the following fund balance designations:

	General Fund	Capital Projects Fund	Public Library Fund
<b>Non-Spendable Fund Balance:</b>			
Prepaid Expense	\$ 2,500	\$ -	\$ -
Inventory	13,133	-	-
Total Non-Spendable Fund Balance	<u>\$ 15,633</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Restricted Fund Balance:</b>			
Unspent Bond Proceeds	\$ -	\$ 1,958,177	\$ -
Cablevision Scholarship	23,082	-	-
Verizon Cable Grant	100,686	-	-
Length of Service Award Program	1,933,142	-	-
	<u>\$ 2,056,910</u>	<u>\$ 1,958,177</u>	<u>\$ -</u>
<b>Assigned, Appropriated Fund Balance:</b>			
Subsequent Year's Budget	<u>\$ 550,000</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Assigned, Unappropriated Fund Balance:</b>			
Terminal Leave - Police Department	\$ 779,209	\$ -	\$ -
Retro Pay - Police Department	105,000	-	-
Transportation	10,000	-	-
Various Capital Improvements	350,000	-	-
Repairs to Village Buildings	88,011	-	-
Operation of Library	-	-	93,466
Future Projects	-	80,958	-
Total Assigned, Unappropriated Fund Balance	<u>\$ 1,332,220</u>	<u>\$ 80,958</u>	<u>\$ 93,466</u>

**F. CONCENTRATION OF RISK**

The Village maintains all cash and cash equivalents in two 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.

# INCORPORATED VILLAGE OF MALVERNE

## Notes to the Financial Statements

For the Year Ended May 31, 2021

### 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.

#### 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.

In March 2020, the World Health Organization declared the COVID-19 virus a public health emergency. As of the date of this report management cannot reasonably determine the impact of COVID-19 on the Village's operations and financial position.

### H. PRIOR PERIOD ADJUSTMENTS

As of June 1, 2020, the Village's net position of (\$26,392,349) was restated to (\$25,422,295), an increase of \$970,054. The details are as follows:

Net Position, as reported	\$ (26,392,349)
Reclassification of Trust & Agency Balances to General Fund	179,735
Addition of Public Library Fund Net Pension Liability and Related Amounts	(23,073)
Overstatement of Accumulated Depreciation	1,657,581
Understatement of Compensated Absences Liability	(844,189)
Net Changes	<u>970,054</u>
Net Position, as restated	<u><u>\$ (25,422,295)</u></u>

**INCORPORATED VILLAGE OF MALVERNE**  
**Notes to the Financial Statements**  
**For the Year Ended May 31, 2021**

I. SUBSEQUENT EVENTS

There were no events subsequent to May 31, 2021 and the date that these financial statements were available to be issued, November 19, 2021, that would have a material impact on these financial statements.

**INCORPORATED VILLAGE OF MALVERNE**

**Required Supplementary Information  
For the Year Ended May 31, 2021  
(Unaudited)**

**Statement of Revenues, Expenditures and Change in Fund Balance  
Budget and Actual - General Fund**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Budget to GAAP Differences Over (Under)</u>	<u>Actual Amounts GAAP Basis</u>
<b>Revenues:</b>					
Real Property Taxes	\$ 14,809,153	\$ 14,809,153	\$ 14,769,181	\$ -	\$ 14,769,181
Real Property Tax Items	43,000	62,700	36,068	-	36,068
Non Property Tax Items	341,000	341,000	355,407	-	355,407
Departmental Income	317,450	253,250	304,043	-	304,043
Intergovernmental Charges	461,402	425,402	425,549	-	425,549
Use of Money and Property	50,210	50,210	74,463	40,341	114,804
Licenses and Permits	203,925	184,125	213,363	-	213,363
Fines and Forfeitures	575,000	300,800	334,259	-	334,259
Minor Sales and Compensation for Loss	30,549	22,173	53,808	-	53,808
Other Miscellaneous Revenues	12,900	5,000	70,130	-	70,130
State and Federal Aid	270,505	317,240	370,747	-	370,747
<b>Total Revenues</b>	<b>17,115,094</b>	<b>16,771,053</b>	<b>17,007,018</b>	<b>40,341</b>	<b>17,047,359</b>
<b>Expenditures:</b>					
General Government Support	2,293,724	2,144,784	1,862,239	-	1,862,239
Education	-	-	4,500	-	4,500
Public Safety	5,137,119	5,047,674	5,007,655	40,422	5,048,077
Health	45,700	45,700	42,815	-	42,815
Transportation	1,159,887	1,066,417	1,051,949	-	1,051,949
Economic Opportunity and Development	19,950	16,420	13,856	-	13,856
Culture and Recreation	209,160	179,277	156,147	-	156,147
Home and Community Services	1,716,744	1,767,457	1,732,812	-	1,732,812
Employee Benefits	5,373,624	5,042,089	4,907,310	(190,835)	4,716,475
Debt Service	980,000	980,000	977,351	-	977,351
<b>Total Expenditures</b>	<b>16,935,908</b>	<b>16,289,818</b>	<b>15,756,634</b>	<b>(150,413)</b>	<b>15,606,221</b>
<b>Excess of Revenues Over Expenditures</b>	<b>179,186</b>	<b>481,235</b>	<b>1,250,384</b>	<b>190,754</b>	<b>1,441,138</b>
<b>Other Financing Sources (Uses):</b>					
Gain on Investments	-	-	-	93,761	93,761
Proceeds from Sale of Assets	-	-	75,000	-	75,000
Transfers Out	(679,186)	(679,186)	(802,904)	-	(802,904)
<b>Total Other Financing Sources (Uses)</b>	<b>(679,186)</b>	<b>(679,186)</b>	<b>(727,904)</b>	<b>93,761</b>	<b>(634,143)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (500,000)</b>	<b>\$ (197,951)</b>	<b>522,480</b>	<b>284,515</b>	<b>806,995</b>
<b>Fund Balance at Beginning of Year, as reported</b>			<b>4,971,316</b>	<b>1,648,627</b>	<b>6,619,943</b>
<b>Beginning Balance Adjustment</b>			<b>179,735</b>	<b>-</b>	<b>179,735</b>
<b>Fund Balance at Beginning of Year, as restated</b>			<b>5,151,051</b>	<b>1,648,627</b>	<b>6,799,678</b>
<b>Fund Balance at End of Year</b>			<b>\$ 5,673,531</b>	<b>\$ 1,933,142</b>	<b>\$ 7,606,673</b>

**Explanation of differences:**

LOSAP activity is not included in the budget. When presenting GAAP basis financial statements items such as interest, dividends, gains, losses, contributions and payouts are reflected in the revenue and expenditures. This is the net effect of the LOSAP activity.

\$ 284,515

*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, 2021**  
**(Unaudited)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
<b>Revenues:</b>			
Departmental Income	\$ 11,330	\$ 11,330	\$ 9,369
Intergovernmental Charges	82,270	82,270	83,974
Use of Money and Property	90	90	110
State and Federal Aid	2,400	2,400	10,258
	<u>96,090</u>	<u>96,090</u>	<u>103,711</u>
<b>Expenditures:</b>			
Culture and Recreation	551,721	551,721	537,718
Employee Benefits	223,554	223,554	205,755
	<u>775,275</u>	<u>775,275</u>	<u>743,473</u>
<b>Deficiency of Revenues Under Expenditures</b>	<u>(679,185)</u>	<u>(679,185)</u>	<u>(639,762)</u>
<b>Other Financing Sources:</b>			
Transfers In	679,185	679,185	679,186
	<u>679,185</u>	<u>679,185</u>	<u>679,186</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	39,424
<b>Fund Balance at Beginning of Year</b>			<u>54,042</u>
<b>Fund Balance at End of Year</b>			<u>\$ 93,466</u>

*See Notes to the Financial Statements*

**INCORPORATED VILLAGE OF MALVERNE**  
**Required Supplementary Information**  
**For the Year Ended May 31, 2021**  
**(Unaudited)**

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

**NYSLRS Pension Plan**  
**For the 2021 Fiscal Year \*\***

		<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Village's proportion of the net pension liability (asset)	ERS	0.0094051%	0.0106265%	0.0110456%	0.0112793%	0.0116979%	0.0122226%
	PFRS	0.0924367%	0.0897212%	0.0878035%	.0924218%	0.0925739%	0.0895952%
Village's proportionate share of the net pension liability (asset)		\$ 1,614,321	\$ 7,609,491	\$ 2,255,133	\$ 1,298,195	\$ 3,017,894	\$ 4,614,490
Village's covered payroll		\$ 7,286,436	\$ 6,836,135	\$ 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		22.16%	111.31%	32.49%	19.92%	46.32%	70.82%
Plan fiduciary net position as a percentage of the total pension liability		99.30%	86.16%	96.09%	98.04%	94.50%	90.70%

\*\* The amounts presented for the fiscal year were determined as of the March 31, 2021 measurement date.

**INCORPORATED VILLAGE OF MALVERNE**  
**Required Supplementary Information**  
**For the Year Ended May 31, 2021**  
**(Unaudited)**

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**Schedule of Local Government Contributions**

**NYSLRS Pension Plan**  
**For the 2021 Fiscal Year**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 1,386,581	\$ 1,412,367	\$ 1,359,682	\$ 1,402,795	\$ 1,346,845	\$ 1,304,124
Contributions in relation to the contractually required contribution	<u>1,386,581</u>	<u>1,412,367</u>	<u>1,359,682</u>	<u>1,402,795</u>	<u>1,346,845</u>	<u>1,304,124</u>
Contribution deficiency (excess)	<u>\$ -</u>					
 Village's covered-employee payroll	 \$ 7,286,436	 \$ 6,836,135	 \$ 6,940,658	 \$ 6,515,725	 \$ 6,515,725	 \$ 6,515,725
Contributions as a percentage of covered employee payroll	19.03%	20.66%	19.59%	21.53%	19.92%	19.28%

*See Notes to Financial Statements*

**INCORPORATED VILLAGE OF MALVERNE**  
**Required Supplementary Information**  
**For the Year Ended May 31, 2021**  
**(Unaudited)**

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

Measurement date as of December 31,	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Total Pension Liability</b>				
Service cost	\$ 13,245	\$ 12,310	\$ 13,894	\$ 18,414
Interest	16,314	16,591	15,038	15,641
Changes of assumptions or other inputs	124,733	27,682	(34,832)	35,443
Differences between expected and actual experience	1,343	1,598	656	1,485
Benefit payments	(15,427)	(13,567)	(12,952)	(11,362)
Net change in total pension liability	140,208	44,614	(18,196)	59,621
<b>Total pension liability - beginning</b>	<u>494,885</u>	<u>450,271</u>	<u>468,467</u>	<u>408,846</u>
<b>Total pension liability - ending</b>	<u>\$ 635,093</u>	<u>\$ 494,885</u>	<u>\$ 450,271</u>	<u>\$ 468,467</u>
<b>Covered-employee payroll</b>	N/A	N/A	N/A	N/A
<b>Total pension liability as a percentage of covered-employee payroll</b>	N/A	N/A	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, 2020: 1.93%

December 31, 2019: 3.26%

Mortality rates were based on the RP-2014 Mortality Table (60/40 male/female blend) projected for mortality improvement to the year 2025 with scale MP2020.

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, 2021**  
**(Unaudited)**

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

Measurement date as of May 31,	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total Pension Liability</b>				
Service cost	\$ 88,034	\$ 68,706	\$ 42,608	\$ 46,615
Interest	87,996	89,007	79,240	75,418
Change in benefit terms	-	-	361,523	-
Change in assumptions or other inputs	165,318	545,615	257,126	(51,437)
Differences between expected and actual experience	27,715	24,310	112,717	44,961
Benefit payments	(19,238)	(32,223)	(220,581)	(28,698)
Net change in total pension liability	<u>349,825</u>	<u>695,415</u>	<u>632,633</u>	<u>86,859</u>
<b>Total pension liability - beginning</b>	<u>3,559,707</u>	<u>2,864,292</u>	<u>2,231,659</u>	<u>2,144,800</u>
<b>Total pension liability - ending</b>	<u><u>\$ 3,909,532</u></u>	<u><u>\$ 3,559,707</u></u>	<u><u>\$ 2,864,292</u></u>	<u><u>\$ 2,231,659</u></u>
<b>Covered-employee payroll</b>	N/A	N/A	N/A	N/A
<b>Total pension liability as a percentage of covered-employee payroll</b>	N/A	N/A	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, 2021: 2.00%

May 31, 2020: 2.48%

May 31, 2019: 3.12%

Mortality rates were based on RP2014 Combined - Projected to 2021

**INCORPORATED VILLAGE OF MALVERNE**  
**Required Supplementary Information**  
**For the Year Ended May 31, 2021**  
**(Unaudited)**

**Schedule of Changes in Total OPEB Liability and Related Ratios**

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Service cost	\$ 1,442,713	\$ 924,278	\$ 819,116
Interest	883,677	1,071,314	1,076,527
Changes of benefit terms	-	-	-
Difference between expected and actual experience	3,318,470	(716,204)	-
Changes in assumptions	(1,285,024)	7,333,410	1,608,051
Net benefits payments	<u>(1,143,789)</u>	<u>(936,102)</u>	<u>(872,266)</u>
Net change in total OPEB liability	3,216,047	7,676,696	2,631,428
Total OPEB liability - beginning of year	<u>37,738,218</u>	<u>30,061,522</u>	<u>27,430,094</u>
Total OPEB liability - end of year	<u>\$ 40,954,265</u>	<u>\$ 37,738,218</u>	<u>\$ 30,061,522</u>
Covered Employee Payroll	\$ 7,286,436	\$ 6,836,135	\$ 6,940,658
Total OPEB Liability as a percentage of Covered Employee Payroll	562.06%	552.04%	433.12%

**Notes:**

The information in this schedule is intended to show 10 years. However, as of May 31, 2021 only three years were available.

No assets are accumulated in a trust that meets the criteria in GASB Statement No. 75, paragraph 4, to pay other-postemployment benefits (OPEB).

*Assumption changes:*

Discount rate	2.20%	2.16%	3.51%
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*Plan changes:*

	None	None	None
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