

INCORPORATED VILLAGE OF MALVERNE

MALVERNE, NEW YORK

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FINANCIAL STATEMENTS

MAY 31, 2023

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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

**Opinions**

We have audited the accompanying financial statements of the governmental activities and each major fund, as of and for the year ended May 31, 2023, and the related notes to the financial statements, which collectively comprise the Incorporated Village of Malverne's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Village, as of May 31, 2023, 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.

**Basis for Opinions**

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

**Responsibilities of Management for the Financial Statements**

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

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



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## **Auditors' Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with GAAS, we:

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

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

## **Required 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 (asset), 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 is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be

an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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.

Hauppauge, New York

October 25, 2023

## 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, 2023. 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 (asset), 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 ANALYSIS OF THE VILLAGE AS A WHOLE

### Net Position

The Village's total net position increased \$400,356 for the fiscal year ended May 31, 2023. 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, 2023</u>	<u>May 31, 2022</u>
Assets		
Current and Other Assets	\$ 13,763,072	\$ 12,818,538
Capital Assets (net)	<u>15,445,618</u>	<u>13,517,703</u>
Total Assets	<u>29,208,690</u>	<u>26,336,241</u>
Deferred Outflows of Resources	<u>9,948,351</u>	<u>11,624,349</u>
Liabilities		
Current and Other Liabilities	4,772,322	1,895,743
Long-Term Liabilities	<u>49,504,560</u>	<u>50,782,490</u>
Total Liabilities	<u>54,276,882</u>	<u>52,678,233</u>
Deferred Inflows of Resources	<u>13,117,737</u>	<u>13,920,291</u>
Net Position		
Net Investment in Capital Assets	8,152,738	6,587,516
Restricted	2,046,742	3,046,198
Unrestricted (deficit)	<u>(38,437,058)</u>	<u>(38,271,648)</u>
Total Net Position	<u>\$ (28,237,578)</u>	<u>\$ (28,637,934)</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 in progress, which are not depreciated. More detailed information can be found in the Notes to the Financial Statements.

## Change 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, 2023</b>	<b>May 31, 2022</b>
Revenues		
Program Revenues:		
Fees, Fines and Charges for Services	\$ 1,483,026	\$ 1,612,044
Operating Grants and Contributions	96,245	183,099
Capital Grants and Contributions	1,158,177	309,231
General Revenues:		
Property Taxes and Related Tax Items	15,294,827	15,158,752
Non Property Tax Items	397,942	378,038
Use of Money and Property	321,508	101,769
State and Federal Aid	258,990	197,624
Other	162,284	234,980
Total Revenues	<u>19,172,999</u>	<u>18,175,537</u>
Expenses		
Governmental Activities:		
General Government Support	3,015,195	3,079,170
Education	1,151	2,303
Public Safety	9,297,586	10,023,769
Health	25,655	39,746
Transportation	2,073,561	1,704,867
Economic Assistance and Opportunity	786	3,330
Culture and Recreation	1,088,611	1,105,017
Home and Community Services	3,067,151	2,948,791
Interest on Debt	202,947	214,000
Total Expenses	<u>18,772,643</u>	<u>19,120,993</u>
Change in Net Position	400,356	(945,456)
Net Position - Beginning of Year	<u>(28,637,934)</u>	<u>(27,692,478)</u>
Net Position - End of Year	<u>\$ (28,237,578)</u>	<u>\$ (28,637,934)</u>



## ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATION

The Village had an excess of revenues over expenses of \$400,356 resulting in an ending net position of (\$28,237,578). The increase in net position was mainly due to increases in capital grants and use of money and property.

The Village had an increase in total revenue of \$997,462 as compared to the previous year, mainly due to an increase in interest earnings of approximately \$200,000. The Village received several grants from New York State, including \$125,000 to replace the Fire Department roof and \$100,000 to purchase two police vehicles. The Village also recognized revenue of \$579,054 related to funds received as part of the American Rescue Plan Act; the Village utilized the funds for a LED streetlighting project.

## ANALYSIS OF BALANCES AND TRANSACTIONS OF INDIVIDUAL FUNDS

The General Fund had an excess of revenues and other financing sources over expenditures and other financing uses of \$215,952, resulting in an ending fund balance of \$8,189,948. Of this amount, \$15,122 is considered nonspendable, as it relates to inventory; \$515,000 is assigned and appropriated for the 2023-2024 budget; \$1,650,031 is assigned for various purposes and \$2,046,742 is restricted for specific items, which are listed in Note II section E to the financial statements. The remaining fund balance of \$3,963,053 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 \$4,424,675 and expenditures and other financing uses totaling \$3,126,692 resulting in an ending fund balance of \$3,154,345, an increase of \$1,297,983 from the prior year. Revenues and other financing sources were made up of approximately \$551,500 of grant revenue, as well as \$1,373,143 transferred from the General Fund for infrastructure, vehicles, building improvements, and equipment. The Village also received \$2,500,000 in proceeds from the issuance of Bond Anticipation Notes for road resurfacing and the renovation of Police Headquarters.

Expenditures from the Capital Projects Fund consisted of LED streetlighting project totaled \$579,054, the Malverne Pine Street Extension totaled \$260,768, Fire Department improvements totaled \$392,078 and expenditures related to the renovation of Police Headquarters totaled \$1,158,828 for the fiscal year.

The Public Library Fund balance decreased by \$1,946 to an ending balance of \$125,329, as of May 31, 2023.

## BUDGETARY ANALYSIS

The following variances exist between the final budget for the fiscal year ended May 31, 2023 and the actual results:

### Revenues:

- Use of Money and Property: Actual revenue was \$248,314 more than the final budgeted amounts mainly due to an increase in interest earnings. Increased interest rates are reflective of the economic conditions across the region.
- State and Federal Aid: Actual revenue was \$595,388 more than the final budgeted amounts mainly due to funds received as part of the American Rescue Plan Act, which the Village utilized for a LED streetlighting project.

### Expenditures:

- General Government Support: Actual expenditures were \$292,132 less than final budgeted amounts. A majority of the difference related to unused budgeted contingency expenditures of \$220,393.
- Public Safety: Actual expenditures were \$109,854 less than final budgeted amounts due to less than anticipated expenditures related to police department personnel.
- Employee Benefits: Actual expenditures for Employee Benefits were \$494,543 less than budgeted. Actual expenditures for employee retirement, police retirement, and health insurance were under budget by \$149,382, \$136,614 and \$78,156, respectively. As noted above, expenditures related to police department personnel were less than anticipated, which also resulted in the expenditures for payroll taxes being under budget by \$44,811 and workers compensation being under budget by \$35,000.

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, 2023 totaled \$15,445,618 (net of accumulated depreciation). During the year, the Village acquired machinery and equipment totaling \$881,657, improvements totaling \$346,638 and infrastructure related to roadway improvements totaling \$351,561. The Village also had two projects that were still in progress at year end; the Police Headquarters renovation and the Malverne Pine Stream Extension project, of which totaled \$1,588,562 for the fiscal year. Depreciation expense totaled \$1,240,503. The Village did not dispose of any capital assets during the fiscal year.

As of May 31, 2023, the Village had total bond indebtedness of \$7,020,000. Scheduled payments of \$765,000 were made. In addition, the Village issued bond anticipation notes totaling \$2,500,000 in the current fiscal year to aid in funding road resurfacing and the renovation of Police Headquarters.

## 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, however, the administration has been diligent in containing expenses without sacrificing services to the residents.

The Village applied for funding under the American Rescue Plan Act (ARPA). The first payment of \$435,127 was received during the prior fiscal year. The second payment of the same amount was received on July 15, 2022.

## 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, 2023**

<b>Assets</b>	
Cash and Cash Equivalents	\$ 8,733,314
Cash and Cash Equivalents - Restricted	2,742,298
Accounts Receivable	45,580
State and Federal Aid Receivable	107,508
Length of Service Award Program Asset (LOSAP) - Restricted	1,936,907
Inventory	15,122
Prepaid Expenses	182,343
Capital Assets (net)	15,445,618
<b>Total Assets</b>	<u>29,208,690</u>
<b>Deferred Outflows of Resources</b>	
Net Pension	4,439,045
Other Post-Employment Benefits	4,074,389
Length of Service Award Program	1,434,917
<b>Total Deferred Outflows of Resources</b>	<u>9,948,351</u>
<b>Liabilities</b>	
Accounts Payable and Accrued Liabilities	1,768,521
Due to Other Governments	23,190
Unearned Revenue	291,200
Retained Percentage Payable	127,417
Bond Interest Payable	61,994
Bond Anticipation Notes Payable	2,500,000
Long-term Liabilities:	
Due within one year:	
Serial Bonds	695,000
Compensated Absences	316,690
Due in more than one year:	
Serial Bonds	6,325,000
Compensated Absences	2,850,215
Net Pension Liability - Proportionate Share	6,708,295
Other Post-Employment Benefits Payable	29,509,820
Length of Service Award Program Liability	3,099,540
<b>Total Liabilities</b>	<u>54,276,882</u>
<b>Deferred Inflows of Resources</b>	
Collections in Advance	28,196
Net Pension	321,274
Other Post-Employment Benefits	11,168,560
Length of Service Award Program	1,599,707
<b>Total Deferred Inflows of Resources</b>	<u>13,117,737</u>
<b>Net Position</b>	
Net Investment in Capital Assets	8,152,738
Restricted	2,046,742
Unrestricted (deficit)	(38,437,058)
<b>Total Net Position</b>	<u>\$ (28,237,578)</u>

*See Notes to the Financial Statements*

**INCORPORATED VILLAGE OF MALVERNE**

**Statement of Activities**

**For the Year Ended May 31, 2023**

Functions/Programs	Expenses	PROGRAM REVENUES			Net (Expense) / Revenue
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
General Government Support	\$ 3,015,195	\$ 319,828	\$ 8,686	\$ -	\$ (2,686,681)
Education	1,151	-	-	-	(1,151)
Public Safety	9,297,586	1,004,304	36,713	240,256	(8,016,313)
Health	25,655	-	-	-	(25,655)
Transportation	2,073,561	-	25,270	916,675	(1,131,616)
Economic Assistance and Opportunity	786	-	-	-	(786)
Culture and Recreation	1,088,611	139,245	25,576	1,246	(922,544)
Home and Community Services	3,067,151	19,649	-	-	(3,047,502)
Interest on Debt	202,947	-	-	-	(202,947)
<b>Total Governmental Activities</b>	<b>\$ 18,772,643</b>	<b>\$ 1,483,026</b>	<b>\$ 96,245</b>	<b>\$ 1,158,177</b>	<b>(16,035,195)</b>
<b>GENERAL REVENUES:</b>					
					15,294,827
					397,942
					321,508
					144,605
					17,679
					258,990
					<u>16,435,551</u>
					400,356
					<u>(28,637,934)</u>
					<u>\$ (28,237,578)</u>

*See Notes to the Financial Statements*

**INCORPORATED VILLAGE OF MALVERNE**

**Balance Sheets**

**Governmental Funds**

**May 31, 2023**

	<u>General</u>	<u>Capital Projects</u>	<u>Public Library</u>	<u>Total</u>
<b>Assets</b>				
Cash and Cash Equivalents	\$ 6,928,451	\$ 1,661,682	\$ 143,181	\$ 8,733,314
Cash and Cash Equivalents - Restricted	109,835	2,632,463	-	2,742,298
Accounts Receivable	45,580	-	-	45,580
Due From Other Funds	12,031	-	-	12,031
State and Federal Aid Receivable	7,508	100,000	-	107,508
LOSAP - Restricted	1,936,907	-	-	1,936,907
Inventory	15,122	-	-	15,122
<b>Total Assets</b>	<u>\$ 9,055,434</u>	<u>\$ 4,394,145</u>	<u>\$ 143,181</u>	<u>\$ 13,592,760</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 522,900	\$ 1,227,769	\$ 17,852	\$ 1,768,521
Due to Other Funds	-	12,031	-	12,031
Due to Other Governments	23,190	-	-	23,190
Unearned Revenue	291,200	-	-	291,200
<b>Total Liabilities</b>	<u>837,290</u>	<u>1,239,800</u>	<u>17,852</u>	<u>2,094,942</u>
Deferred Inflows of Resources:				
Collections in Advance	28,196	-	-	28,196
<b>Total Deferred Inflows of Resources</b>	<u>28,196</u>	<u>-</u>	<u>-</u>	<u>28,196</u>
Fund Balances:				
Nonspendable	15,122	-	-	15,122
Restricted	2,046,742	2,682,463	-	4,729,205
Assigned	2,165,031	471,882	125,329	2,762,242
Unassigned	3,963,053	-	-	3,963,053
<b>Total Fund Balances</b>	<u>8,189,948</u>	<u>3,154,345</u>	<u>125,329</u>	<u>11,469,622</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<u>\$ 9,055,434</u>	<u>\$ 4,394,145</u>	<u>\$ 143,181</u>	<u>\$ 13,592,760</u>

**INCORPORATED VILLAGE OF MALVERNE**  
**Reconciliation of the Governmental Funds Balance Sheets**  
**to the Statement of Net Position**  
**As of May 31, 2023**

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Total Fund Balance - Total Governmental Funds	\$ 11,469,622
This amount differs from the amount of net position in the Statement of Net Position due to the following:	
Capital assets are included in the government-wide financial statements as assets and are added, net of accumulated depreciation.	15,445,618
Deferred outflows of resources related to the following are not reported in the governmental funds:	
Net Pension	4,439,045
Other Post-Employment Benefits	4,074,389
Length of Service Award Program	1,434,917
Amounts for prepaid expenses are included in the government-wide financial statements as assets and are added.	182,343
Bond interest payable and retained percentage 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.	(189,411)
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:	
Bond Anticipation Notes	(2,500,000)
Serial Bonds	(7,020,000)
Compensated Absences	(3,166,905)
Net Pension Liability - Proportionate Share	(6,708,295)
Other Post-Employment Benefits Payable	(29,509,820)
Length of Service Award Program Liability	(3,099,540)
Deferred inflows of resources related to the following are not reported in the governmental funds:	
Net Pension	(321,274)
Other Post-Employment Benefits	(11,168,560)
Length of Service Award Program	(1,599,707)
Total Net Position	<u>\$ (28,237,578)</u>

**INCORPORATED VILLAGE OF MALVERNE**  
**Statements of Revenues, Expenditures and Change in Fund Balances**  
**Governmental Funds**  
**For the Year Ended May 31, 2023**

	<u>General</u>	<u>Capital Projects</u>	<u>Public Library</u>	<u>Total</u>
<b>Revenues:</b>				
Real Property Taxes	\$ 15,254,126	\$ -	\$ -	\$ 15,254,126
Real Property Tax Items	40,701	-	-	40,701
Non Property Tax Items	397,942	-	-	397,942
Departmental Income	358,410	-	11,729	370,139
Intergovernmental Charges	422,366	-	85,661	508,027
Use of Money and Property	321,357	-	151	321,508
Licenses and Permits	223,796	-	-	223,796
Fines and Forfeitures	381,064	-	-	381,064
Minor Sales and Compensation for Loss	102,132	-	-	102,132
Miscellaneous Local Sources	17,679	-	-	17,679
State and Federal Aid	938,332	551,532	23,548	1,513,412
Total Revenues	<u>18,457,905</u>	<u>551,532</u>	<u>121,089</u>	<u>19,130,526</u>
<b>Expenditures:</b>				
General Government Support	2,012,440	-	-	2,012,440
Education	1,000	-	-	1,000
Public Safety	5,499,291	1,709,884	-	7,209,175
Health	23,047	-	-	23,047
Transportation	832,100	946,235	-	1,778,335
Economic Assistance and Opportunity	568	-	-	568
Culture and Recreation	190,450	-	571,373	761,823
Home and Community Services	1,888,898	323,658	-	2,212,556
Employee Benefits	5,014,203	-	181,662	5,195,865
Debt Service	966,201	-	-	966,201
Total Expenditures	<u>16,428,198</u>	<u>2,979,777</u>	<u>753,035</u>	<u>20,161,010</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>2,029,707</u>	<u>(2,428,245)</u>	<u>(631,946)</u>	<u>(1,030,484)</u>
<b>Other Financing Sources (Uses):</b>				
Proceeds from Bonds Anticipation Notes	-	2,500,000	-	2,500,000
Insurance Recoveries	42,473	-	-	42,473
Transfers In	146,915	1,373,143	630,000	2,150,058
Transfers Out	(2,003,143)	(146,915)	-	(2,150,058)
Total Other Financing Sources (Uses)	<u>(1,813,755)</u>	<u>3,726,228</u>	<u>630,000</u>	<u>2,542,473</u>
<b>Net Change in Fund Balances</b>	215,952	1,297,983	(1,946)	1,511,989
<b>Fund Balances at Beginning of Year</b>	<u>7,973,996</u>	<u>1,856,362</u>	<u>127,275</u>	<u>9,957,633</u>
<b>Fund Balances at End of Year</b>	<u>\$ 8,189,948</u>	<u>\$ 3,154,345</u>	<u>\$ 125,329</u>	<u>\$ 11,469,622</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, 2023**

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Net Change in Fund Balances for Total Governmental Funds \$ 1,511,989

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	3,168,418
Depreciation Expense	(1,240,503)

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	765,000
Issuance of Bond Anticipation Notes	(2,500,000)

Change in deferred outflows of resources not reported in the governmental funds:

Net Pension	(625,624)
Other Post-Employment Benefits	(2,114,187)
Length of Service Award Program	1,063,813

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:

Insurance Premiums	4,712
Retainage Cost	(127,417)
Accrued Interest Cost	(1,746)
Compensated Absences	(104,799)
Net Pension Liability - Proportionate Share	(7,085,406)
Other Post-Employment Benefits Payable	6,775,742
Length of Service Award Program Liability	79,614

Change in deferred inflows of resources not reported in the governmental funds:

Net Pension	6,802,281
Other Post-Employment Benefits	(5,113,925)
Length of Service Award Program	(857,606)

Change in Net Position of Governmental Activities in the Statement of Activities \$ 400,356

# INCORPORATED VILLAGE OF MALVERNE

## Notes to the Financial Statements For the Year Ended May 31, 2023

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Incorporated Village of Malverne have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental 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. The Board of Trustees is the legislative body responsible for overall operations, 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 Village are its direct responsibility. No other governmental organizations have been included or excluded from the reporting entity.

The financial reporting entity consists of (a) the primary government, which is the Village, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth in GASB Statements Number 14, 39, and 61.

The decision to include a potential component unit in the Village's reporting entity is based on several criteria set forth in GASB Statements Number 14, 39, and 61 including legal standing, fiscal dependency, and financial accountability. No other 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

# INCORPORATED VILLAGE OF MALVERNE

## Notes to the Financial Statements For the Year Ended May 31, 2023

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 custodial activities.

### 2. Fund Financial Statements:

The Village uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts.

The Village records its transactions in the fund types described below.

#### 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 sources, uses, and balances of current financial resources). The following are the Village's governmental fund types.

General Fund – the principal operating fund and includes all operations not accounted for and reported in another fund.

Capital Projects Fund – used to account for and report financial resources that are restricted, committed, or assigned to expenditures for the acquisition or construction of capital facilities and other capital assets.

Special Revenue Fund – used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for a specified purpose other than debt service or capital projects. The following Special Revenue Fund is utilized:

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

# INCORPORATED VILLAGE OF MALVERNE

## Notes to the Financial Statements For the Year Ended May 31, 2023

### 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.”

#### Fund Financial Statements

GASB Statement Number 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54), breaks fund balance out into five different classifications: Nonspendable, restricted, committed, assigned, and unassigned.

*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.

*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.

*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.

*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.

# INCORPORATED VILLAGE OF MALVERNE

## Notes to the Financial Statements For the Year Ended May 31, 2023

*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.

The Village has, by resolution, adopted a fund balance policy that states the Village Board will make all reasonable efforts to maintain an unreserved and unappropriated fund balance in its General Fund at the end of each fiscal year equal to no less than 10% of its total operating budget. Unrestricted fund balance below the minimum should be replenished within the succeeding fiscal year.

### C. BASIS OF ACCOUNTING/MEASUREMENT FOCUS

Basis of accounting refers to when revenues and expenditures/expenses and the related assets, deferred outflows, liabilities and deferred inflows 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. Measurement focus is the determination of what is measured, i.e., expenditures or expenses.

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.

*Modified Accrual Basis* – All Governmental funds 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 of the end of the fiscal year.

Material revenues that are accrued include real property taxes, State and Federal Aid, mortgage tax and certain user charges. If expenditures are the prime factor for determining eligibility, revenue from Federal and State grants are accrued when the expenditure is made, all other grant requirements have been met, and the resources are available.

# INCORPORATED VILLAGE OF MALVERNE

## Notes to the Financial Statements For the Year Ended May 31, 2023

Expenditures are recorded when the liability is incurred except that:

- Expenditures for prepaid expenses and inventory-type items are generally recognized at the time of purchase.
- Principal and interest on indebtedness are recognized as expenditures when payment is due.
- Compensated absences, such as vacation and sick leave, which vests or accumulates, are charged as expenditures when payment is due.
- Pension costs are recognized as expenditures when billed by the State.
- Other Post-Employment Benefits are charged as expenditures when payment is due.
- Length of Service Award Program costs are charged as expenditures when payment is due.

### 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.

General Municipal Law Section 3-c established a tax levy limit for local governments in New York State effective June 24, 2011. This law generally limits the amount by which local governments can increase property tax levies to 2% or the rate of inflation, whichever is less. The law does provide exclusions for certain specific costs and allows the governing board to override the tax levy limit with a supermajority vote.

### F. ACCOUNTS RECEIVABLE

Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible amounts have been provided since it is believed that such allowance would not be material.

### G. BUDGETARY DATA

Budget Policies – The budget policies are as follows:

- No later than 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.
- After public hearings are conducted to obtain taxpayer comments, no later than April 30, the governing board adopts the budget.

# INCORPORATED VILLAGE OF MALVERNE

## Notes to the Financial Statements For the Year Ended May 31, 2023

- All modifications of the budget must be approved by the Board of Trustees. However, the Clerk-Treasurer is authorized to transfer certain budgeted amounts within departments.
- 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 in all budgeted funds lapse at the end of the fiscal year, except that outstanding encumbrances are re-appropriated in the subsequent year.

### H. INVENTORY AND PREPAID ITEMS

Inventory consists of fuel in storage tanks for use in Village vehicles and is valued at cost, utilizing the first-in, first-out method for governmental funds. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

### I. CAPITAL ASSETS

Capital assets, which include land, construction in progress, land improvements, buildings and improvements, machinery and equipment, and infrastructure are reported in the government-wide financial statements. The Village defines capital assets as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of two years. Such assets are recorded historical cost or estimated historical cost of purchased or constructed. Donated capital assets and assets acquired in a service concession arrangement are recorded at acquisition value. 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 in progress are not depreciated. General infrastructure assets acquired or constructed prior to June 1, 2004 are not reported in the financial statements.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

The cost associated with the acquisition or construction of capital assets are shown as capital outlay expenditures in governmental funds. Capital assets are not shown on governmental balance sheets.

### J. 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.

# INCORPORATED VILLAGE OF MALVERNE

## Notes to the Financial Statements For the Year Ended May 31, 2023

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.

### K. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

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

Healthcare benefits and survivor benefits are provided through an insurance company whose premiums are based on the benefits paid during the year. The Village recognizes the cost of providing benefits by recording its share of insurance premiums as an expenditure in the governmental funds in the year paid. The liability for these other post-employment benefits 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.

### L. 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.

### M. 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, deferred outflows of resources, liabilities, deferred inflows of resources 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. Estimates and assumptions are made in a variety of areas, including other post-employment benefits, net pension liability (asset) amounts, length of service award program amounts, and useful lives of capital assets.

### N. UNEARNED REVENUE

Unearned revenues are reported when the Village receives resources before it has legal claim to them as a result of an exchange transaction. In subsequent periods, when the funds are available, the liability for unearned revenue is removed and revenue is recorded.



# INCORPORATED VILLAGE OF MALVERNE

## Notes to the Financial Statements For the Year Ended May 31, 2023

### O. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the Statement of Net 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 Net 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.

### P. NEW ACCOUNTING STANDARD

Effective June 1, 2022, the Village implemented GASB Statement No. 87, *Leases*. This standard will improve consistency in accounting and financial reporting for leases by governments, as well as requiring the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases. The provisions of this adoption had no material effect on the financial statements of the Village.

## II. DETAIL NOTES ON ALL FUNDS

### A. ASSETS

#### 1. Cash and Investments:

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 FDIC-insured commercial banks or trust companies located within the State. The Village Treasurer is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. agencies, repurchase agreements, and obligations of New York State or its localities.

Collateral is required for demand deposits and certificates of deposit as provided for by law of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities.

The written investment policy requires repurchase agreements to be purchased from banks located within the State and that underlying securities must be obligations of the federal government. Underlying securities must have a market value of at least a percentage provided for by law of the cost of the repurchase agreement.

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 in the Village's name.

**INCORPORATED VILLAGE OF MALVERNE**

**Notes to the Financial Statements  
For the Year Ended May 31, 2023**

They consisted of:

Deposits: All deposits, including certificates of deposit, are carried at cost plus accrued interest.

Bank balances for the Village’s deposits with financial institutions as of May 31, 2023 totaled \$11,555,176 and are covered by federal deposit insurance or third-party collateral as follows:

Amount FDIC - Insured	\$ 653,061
Amount Collateralized by Third Parties	10,902,115
Total Balances	\$ 11,555,176

2. 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, 2023 are as follows:

	Amount Receivable	Amount Payable
General Fund	\$ 12,031	\$ -
Capital Projects Fund	-	12,031
Totals	\$ 12,031	\$ 12,031

During the year, the budgeted transfers totaling \$630,000 were made from the General Fund to the Public Library Fund to support the costs of operations. In addition, \$1,373,143 was transferred from the General Fund to the Capital Projects Fund for capital improvements and equipment purchases. There was also a \$146,915 transfer from the Capital Projects Fund to the General Fund for debt payments. The following is a summary of interfund transfers:

	Transfers In	Transfers Out
General Fund	\$ 146,915	\$ 2,003,143
Capital Projects Fund	1,373,143	146,915
Public Library Fund	630,000	-
Totals	\$ 2,150,058	\$ 2,150,058

**INCORPORATED VILLAGE OF MALVERNE**

**Notes to the Financial Statements**

**For the Year Ended May 31, 2023**

3. Changes in Capital Assets:

A summary of changes in capital assets follows:

	Balance 5/31/2022	Additions	Reductions	Balance 5/31/2023
<b>Capital Assets That Are Not Depreciated:</b>				
Land	\$ 162,033	\$ -	\$ -	\$ 162,033
Construction in Progress	211,243	1,588,562	-	1,799,805
<b>Total Nondepreciable Cost</b>	<b>373,276</b>	<b>1,588,562</b>	<b>-</b>	<b>1,961,838</b>
<b>Capital Assets That Are Depreciated:</b>				
Land Improvements	1,650,421	-	-	1,650,421
Buildings and Improvements	8,054,208	346,638	-	8,400,846
Machinery and Equipment	13,363,611	881,657	-	14,245,268
Infrastructure	27,106,851	351,561	-	27,458,412
<b>Total Depreciable Cost</b>	<b>50,175,091</b>	<b>1,579,856</b>	<b>-</b>	<b>51,754,947</b>
<b>Less Accumulated Depreciation:</b>				
Land Improvements	(1,407,813)	(69,825)	-	(1,477,638)
Buildings and Improvements	(4,407,480)	(269,608)	-	(4,677,088)
Machinery and Equipment	(10,721,062)	(642,269)	-	(11,363,331)
Infrastructure	(20,494,309)	(258,801)	-	(20,753,110)
<b>Total Accumulated Depreciation</b>	<b>(37,030,664)</b>	<b>(1,240,503)</b>	<b>-</b>	<b>(38,271,167)</b>
<b>Net Capital Assets That Are Depreciated</b>	<b>13,144,427</b>	<b>339,353</b>	<b>-</b>	<b>13,483,780</b>
<b>Grand Total</b>	<b>\$ 13,517,703</b>	<b>\$ 1,927,915</b>	<b>\$ -</b>	<b>\$ 15,445,618</b>

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

*Governmental Activities*

General Government Support	\$ 202,028
Education	151
Public Safety	657,667
Health	2,608
Transportation	111,858
Economic Assistance and Opportunity	218
Culture and Recreation	72,501
Home and Community Services	193,472
<b>Total Depreciation Expense – Governmental Activities</b>	<b>\$ 1,240,503</b>

# INCORPORATED VILLAGE OF MALVERNE

## Notes to the Financial Statements For the Year Ended May 31, 2023

### B. LIABILITIES

#### 1. Pension Plan:

##### Description of Plan

The Village 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 2022, he was elected for a new term commencing January 1, 2023.

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, multi-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).

##### 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, 2023 was approximately 11.6% of covered payroll. The average contribution rate for PFRS for the fiscal year ended March 31, 2023 was approximately 27% 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, 2023, the applicable interest rate was 5.9%.

# INCORPORATED VILLAGE OF MALVERNE

## Notes to the Financial Statements For the Year Ended May 31, 2023

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

2022-2023	\$ 1,378,861
2021-2022	1,578,732
2020-2021	1,386,581

### 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, 2023, the Village reported liabilities of \$4,613,848 for PFRS and \$2,094,447 for ERS for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Village's proportion of the net pension liability was based on a projection of the Village's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At May 31, 2023, the Village's proportion was 0.0097670% for ERS and 0.0837287% for PFRS. This was a decrease of .0006039% for ERS and an increase of .0008712% for PFRS from its proportion measured at March 31, 2022.

For the year ended May 31, 2023, the Village recognized a pension expense of \$2,286,240. At May 31, 2023, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

# INCORPORATED VILLAGE OF MALVERNE

## Notes to the Financial Statements For the Year Ended May 31, 2023

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 674,032	\$ 58,820
Changes of Assumptions	3,265,515	11,242
Net Difference Between Projected and Actual Investment		
Earning on Pension Plan Investments	8,157	12,305
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	491,341	238,907
	\$ 4,439,045	\$ 321,274

There were no amounts reported as deferred outflows of resources related to pensions resulting from Village 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:

2024	\$ 875,702
2025	(139,432)
2026	1,853,761
2027	1,424,005
2028	103,735
	\$ 4,117,771

### Actuarial Assumptions

The total pension liability at the March 31, 2023 measurement date was determined by using an actuarial valuation as of April 1, 2022, with update procedures used to roll forward the total pension liability to March 31, 2023. The actuarial valuation for ERS and PFRS used the following actuarial assumptions:

	ERS	PFRS
Inflation	2.9%	2.9%
Salary increases	4.4%	6.2%
Investment rate of return (net of investment expense, including inflation)	5.9%	5.9%
Cost-of-living adjustments	1.5%	1.5%

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-2021. The previous actuarial valuation as of April 1, 2020 used the same assumptions to measure the total pension liability.

# INCORPORATED VILLAGE OF MALVERNE

## Notes to the Financial Statements

### For the Year Ended May 31, 2023

The actuarial assumptions used in the April 1, 2022 valuation are based on the results of an actuarial experience study for the period April 1, 2015 – April 1, 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 %	4.30 %
International equity	15	6.85
Private equity	10	7.50
Real estate	9	4.60
Opportunistic/ARS portfolio	3	5.38
Credit	4	5.43
Real assets	3	5.84
Fixed income	23	1.50
Cash	1	-
	<u>100 %</u>	

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

#### 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, 2023

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

The following presents the Village's proportionate share of the net pension liability (asset) calculated using the current period discount rate assumption of 5.9%, as well as what the Village's proportionate share of the 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 rate:

	1% Decrease (4.9%)	Current Assumption (5.9%)	1% Increase (6.9%)
ERS Net Pension Liability (asset)	\$ 5,061,380	\$ 2,094,447	\$ (384,771)
PFRS Net Pension Liability (asset)	9,617,782	4,613,848	470,290

### Pension Plan Fiduciary Net Position

The components of the collective net pension liability of the participating employers as of March 31, 2023, were as follows:

	Employees' Retirement System	Police and Fire Retirement System	Total
	(Dollars in thousands)		
Employers' total pension liability	\$ 232,627,259	\$ 43,835,333	\$ 276,462,592
Fiduciary net position	(211,183,223)	(38,324,863)	(249,508,086)
Employers' net pension liability	\$ 21,444,036	\$ 5,510,470	\$ 26,954,506

Ratio of fiduciary net position to the employers' total pension liability	90.78%	87.43%	90.25%
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## 2. Long-Term Liabilities:

- a. Outstanding bond indebtedness aggregated \$7,020,000.
- b. Serial Bonds

The Village, like most municipalities, borrows money in order to acquire land, or equipment or construct buildings or improvements. 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 amount exclusive of interest, 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, 2023

c. Short-Term Debt

Short-term debt provides financing for governmental activities. In May 2023, the Village issued Bond Anticipation Notes in the amount of \$2,500,000 at a 3.49% interest rate. This debt was issued for interim financing of the renovation of Police Headquarters and additional road improvements and will be replaced with long-term financing in the future.

Short-term debt activity for the year ended May 31, 2023, was as follows:

Balance, May 31, 2022	\$	-
Additions		2,500,000
Reductions		-
Balance, May 31, 2023	\$	<u>2,500,000</u>

d. Other Long-Term Liabilities

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.
- Net Pension Liability – Proportionate Share – 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.
- Other Post-Employment Benefits (OPEB) – Represents the non-current portion of the 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.

e. The following is a summary of changes in long-term liabilities for Governmental Activities:

	Payable at Beginning of Fiscal Year	Additions	Reductions	Payable at End of Fiscal Year	Due in One Year
Serial Bonds	\$ 7,785,000	\$ -	\$ (765,000)	\$ 7,020,000	\$ 695,000
Compensated Absences	3,062,106	104,799	-	3,166,905	316,690
Net Pension Liability	470,668	6,237,627	-	6,708,295	-
OPEB Payable	36,285,562	2,514,177	(9,289,919)	29,509,820	-
LOSAP Liability	3,179,154	460,525	(540,139)	3,099,540	-
	<u>\$ 50,782,490</u>	<u>\$ 9,317,128</u>	<u>\$ (10,595,058)</u>	<u>\$ 49,504,560</u>	<u>\$ 1,011,690</u>

**INCORPORATED VILLAGE OF MALVERNE**  
**Notes to the Financial Statements**  
**For the Year Ended May 31, 2023**

f. Long-Term Debt Maturity Schedule – Governmental Activities

The following is a statement of serial bonds with corresponding maturity schedules:

Original Date Issued	Original Amount	Rate %	Date Final Maturity	Outstanding
4/25/2012	\$ 2,400,000	2.00%	10/15/2027	\$ 655,000
6/14/2016	3,580,000	2.25%	6/1/2032	1,665,000
9/12/2018	5,600,000	3.00%	9/21/2038	4,700,000
			Total	<u><u>\$ 7,020,000</u></u>

g. The following table summarizes the Village’s future debt service requirements:

Ending Date	Serial Bonds - Governmental Activities		
	Principal	Interest	Total
May 31:			
2024	\$ 695,000	\$ 183,311	\$ 878,311
2025	695,000	165,814	860,814
2026	705,000	147,866	852,866
2027	625,000	130,525	755,525
2028	530,000	115,300	645,300
2029-2033	2,645,000	355,491	3,000,491
2034-2038	975,000	84,522	1,059,522
2039-2043	150,000	2,437	152,437
Total	<u><u>\$ 7,020,000</u></u>	<u><u>\$ 1,185,266</u></u>	<u><u>\$ 8,205,266</u></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 ended December 31, 2022, which is the most recent plan year for which complete information is available.

Effective March 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.

# INCORPORATED VILLAGE OF MALVERNE

## Notes to the Financial Statements For the Year Ended May 31, 2023

### 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 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 65 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 forty. 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.

# INCORPORATED VILLAGE OF MALVERNE

## Notes to the Financial Statements

For the Year Ended May 31, 2023

### Volunteer Ambulance Worker Service Award Program

#### Participants

At the December 31, 2022 measurement date, the following participants were covered by the benefit terms:

Inactive participants currently receiving benefit payments	8
Inactive participants entitled to, but not yet receiving benefit payments	6
Active participants	14
Total	<u>28</u>

#### Contributions

New York State General Municipal Law Section 219-o (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, 2022 measurement date was determined using an actuarial valuation as of that date.

#### Actuarial Assumptions

The total pension liability in the December 31, 2022 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.

# INCORPORATED VILLAGE OF MALVERNE

## Notes to the Financial Statements

For the Year Ended May 31, 2023

### Discount Rate

The discount rate used to measure the total pension liability was 4.31%. This was the yield to maturity of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2022. In describing this index, S&P Dow Jones Indices notes that the index consists of bonds in the S&P Municipal Bond Index with a maturity of 20 years and with a rating of at least Aa2 by Moody's Investors Service's, AA by Fitch, or AA by Standard & Poor's Rating Services.

### Changes in the Total Pension Liability

Balance as of 12/31/2021 measurement date	\$ 607,189
Service Cost	13,987
Interest	13,718
Changes of assumptions or other inputs	(160,370)
Differences between expected and actual experience	840
Benefit Payments	(17,552)
Net Changes	(149,377)
Balance as of 12/31/2022 measurement date	<u>\$ 457,812</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, 2022 measurement date, calculated using the discount rate of 4.31%, 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 (3.31%) or 1-percentage point higher (5.31%) than the current rate:

	1% Decrease (3.31%)	Current Assumption (4.31%)	1% Increase (5.31%)
Total Pension Liability	\$ 526,181	\$ 457,812	\$ 402,425

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

For the year ended May 31, 2023, the Village recognized pension expense of \$29,185.

**INCORPORATED VILLAGE OF MALVERNE**  
**Notes to the Financial Statements**  
**For the Year Ended May 31, 2023**

*Components of Pension Expense:*

Service Cost	\$ 13,987
Interest on total pension liability	13,718
Changes of assumptions or other inputs	(1,664)
Differences between expected and actual experience	(195)
Pension plan administrative expenses	3,339
Total pension expense	\$ 29,185

At May 31, 2023, 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	\$ 3,812	\$ 6,124
Changes of assumptions or other inputs	121,955	174,666
Benefit payments and administrative expenses subsequent to the measurement date	9,043	-
Total	\$ 134,810	\$ 180,790

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 ending May 31, 2024.

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:

2024	\$	(1,859)
2025		(1,859)
2026		(1,859)
2027		(1,859)
2028		(1,859)
Thereafter		(45,728)
Total	\$	(55,023)

**Volunteer Fire Department Service Award Program**

Measurement of Total Pension Liability

The total pension liability at the May 31, 2023 measurement date was determined using an actuarial valuation as of that date.

# INCORPORATED VILLAGE OF MALVERNE

## Notes to the Financial Statements For the Year Ended May 31, 2023

### Actuarial Assumptions

The total pension liability in the May 31, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method:	Entry Age Normal
Inflation:	3.75%
Salary Scale:	None assumed

Mortality rates were based on the RP-2014 Combined – Projected to 2023.

### Discount Rate

The discount rate used to measure the total pension liability was 3.90%. This was the yield to maturity of the Fidelity 20-Year GO AA Bond Index.

### Changes in the Total Pension Liability

Balance as of 5/31/2022 measurement date	<u>\$ 2,571,965</u>
Service cost	25,760
Interest	82,606
Change in benefit terms	-
Change in assumptions or other inputs	233,709
Change due to difference in experience	89,905
Benefit payments	<u>(362,217)</u>
Net change	<u>69,763</u>
Balance as of 5/31/2023 measurement date	<u><u>\$ 2,641,728</u></u>

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

The following presents the total pension liability calculated using the discount rate of 3.9%, as well as what the Village's total pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.9%) or 1-percentage point higher (4.9%) than the current rate:

	1% Decrease (2.9%)	Current Assumption (3.9%)	1% Increase (4.9%)
Total Pension Liability	\$ 3,157,000	\$ 2,641,728	\$ 2,225,000

**INCORPORATED VILLAGE OF MALVERNE**

**Notes to the Financial Statements  
For the Year Ended May 31, 2023**

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

For the year ended May 31, 2023, the Village recognized pension expense of \$77,651.

Components of Pension Expense	
Service Cost	\$ 25,760
Interest on total pension liability	82,606
Change in benefit terms	-
Changes of assumptions or other inputs	(46,997)
Differences between expected and actual experience	16,282
Total Pension Expense	<u>\$ 77,651</u>

At May 31, 2023, 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	\$ 294,411	\$ -
Changes of assumptions or other inputs	1,014,739	1,418,917
Total	<u>\$ 1,309,150</u>	<u>\$ 1,418,917</u>

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

Year Ended May 31:	
2024	\$ (6,345)
2025	(6,345)
2026	(6,345)
2027	(6,345)
2028	(6,345)
Thereafter	(78,042)
Total	<u>\$ (109,767)</u>

**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.



# INCORPORATED VILLAGE OF MALVERNE

## Notes to the Financial Statements For the Year Ended May 31, 2023

They are as follows:

**Police Benevolent Fund:** The Village contributes 100% of the medical premiums for retirees who were hired before July 18, 2014 and their spouse. For retirees hired on or after July 18, 2014 but before September 16, 2021, the Village contributes 90% of the medical premiums for the retiree and their spouse. For retirees hired on or after September 16, 2021 the Village contributes 85% of the medical premiums for the retiree and their spouse. Eligibility is age 55 with 5 years of service.

**Department of Public Works:** The Village contributes 100% of the medical premium for retirees who were hired before June 1, 1992 and their spouse. Retirees hired on or after June 1, 1992 the Village pays 100% of the medical premiums for the retiree and 35% of the medical premiums for the retiree spouse. Eligibility is age 55 with 5 years of service.

**Village:** The Village contributes 100% of the medical premiums for retirees who were hired before October 1, 2015 and their spouse. Retirees hired on or after October 1, 2015 the Village pays 90% of the medical premiums for the retiree and their spouse. Eligibility is age 55 with 5 years of service.

*Funding Policy.* The contribution requirements of plan members and the Village are established by village contracts. For fiscal year 2023, the Village contributed \$1,140,353 to the plan (contribution made was assumed to equal Expected Benefit Payments).

*Benefits Provided.* As of June 1, 2022, the following employees were covered by the benefit terms:

Active employees	61
Inactive employees or beneficiaries currently receiving benefit payments	<u>68</u>
Total	<u><u>129</u></u>

*Total OPEB Liability.* The Village's total OPEB liability of \$29,509,820 was measured using the entry age actuarial cost method as of June 1, 2022. For the year ended May 31, 2023, the Village recognized OPEB expense of \$1,592,723.

### *Actuarial Assumptions and Other Inputs*

Discount Rate	3.67%
2022 Healthcare Trends Rate (Pre-65/Post-65)	7.00% / 5.00%
2023 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	2026/2022
Annual Payroll Increase	2.50%

**INCORPORATED VILLAGE OF MALVERNE**

**Notes to the Financial Statements  
For the Year Ended May 31, 2023**

Mortality rates were based on the PUB-2010 headcount weighted mortality tables using projection scale MP-2021. The prior mortality rates were based on the MP2020 Mortality Table - Unisex.

*Change in the Total OPEB Liability*

Balance at May 31, 2022	<u>\$ 36,285,562</u>
Changes for the year:	
Service cost	780,220
Interest	992,976
Changes in benefit terms	740,981
Differences between expected and actual experience	(5,388,586)
Changes in assumptions and other inputs	(2,760,980)
Benefit payments	<u>(1,140,353)</u>
Net change	<u>(6,775,742)</u>
Balance at May 31, 2023	<u><u>\$ 29,509,820</u></u>

*Sensitivity of the total OPEB liability to changes in the discount rate.* The following presents the total OPEB liability of the Village, as well as what the Village's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.67%) or 1-percentage point higher (4.67%) than the current discount rate:

	1% Decrease (2.67%)	Discount Rate (3.67%)	1% Increase (4.67%)
Total OPEB Liability	\$ 34,363,701	\$ 29,509,820	\$ 25,655,283

*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	\$ 25,248,933	\$ 29,509,820	\$ 34,925,781

**INCORPORATED VILLAGE OF MALVERNE**

**Notes to the Financial Statements**

**For the Year Ended May 31, 2023**

*Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.* At May 31, 2023, 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	\$ 1,670,225	\$ 4,450,782
Changes of Assumptions	2,404,164	6,717,778
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	-	-
	\$ 4,074,389	\$ 11,168,560

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

Year Ended May 31:

2024	\$ (982,657)
2025	(1,547,935)
2026	(2,360,576)
2027	(2,126,532)
2028	(76,471)
Total	\$ (7,094,171)

**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.

# INCORPORATED VILLAGE OF MALVERNE

## Notes to the Financial Statements For the Year Ended May 31, 2023

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.

The Village has made the following fund balance designations:

	General Fund	Capital Projects Fund	Public Library Fund
<b>Nonspendable Fund Balance:</b>			
Inventory	\$ 15,122	\$ -	\$ -
Total Nonspendable Fund Balance	\$ 15,122	\$ -	\$ -
<b>Restricted Fund Balance:</b>			
Unspent Bond Proceeds	\$ -	\$ 2,682,463	\$ -
Cablevision Scholarship	21,082	-	-
Verizon Cable Grant	88,753	-	-
Length of Service Award Program	1,936,907	-	-
Total Restricted Fund Balance	\$ 2,046,742	\$ 2,682,463	\$ -
<b>Assigned Fund Balance:</b>			
Subsequent Year's Budget	\$ 515,000	\$ -	\$ -
Terminal Leave - Police Department	1,122,051	-	-
Contract Settlement	165,000	-	-
Retirement Benefits	10,000	-	-
Various Capital Improvements	264,969	471,882	-
Repairs to Village Buildings	88,011	-	-
Operation of Library	-	-	125,329
Total Assigned Fund Balance	\$ 2,165,031	\$ 471,882	\$ 125,329

### 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 separately. 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, 2023

### G. COMMITMENTS AND CONTINGENCIES

#### Federal and State Grants

The Village is a recipient of a number of Federal and State grants. These grants are administered by various agencies. The grants are subject to various compliance and financial audits by the respective agencies administering the grants, which could lead to certain disallowances. 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

From time to time, the Village is involved in certiorari proceedings under which taxpayers seek a reduction in the assessed value of property upon which taxes are measured. A reduction in assessed valuation may result in a refund of real property taxes previously paid by the claimant. It is not possible to estimate the amount of refunds, if any, that the Village may be required to make for taxes collected through May 31, 2023 which could affect future operating budgets of the Village.

#### 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. On February 26, 2020, a former employee of the Village commenced a lawsuit against the Village. Although there is a risk of liability to the Village, the amount was indeterminable, and no amount has been recorded.

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

### H. SUBSEQUENT EVENTS

The Village has evaluated subsequent events through October 25, 2023, the date that the financial statements are considered available to be issued and noted the following:

A former employee of the Village is being investigated for the possible theft of funds from the Fire Department. The Village does not anticipate this to significantly impact its financial condition for the year ended May 31, 2024.

**INCORPORATED VILLAGE OF MALVERNE**

**Required Supplementary Information  
For the Year Ended May 31, 2023  
(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	\$ 15,256,228	\$ 15,256,228	\$ 15,254,126	\$ -	\$ 15,254,126
Real Property Tax Items	35,000	35,000	40,701	-	40,701
Non Property Tax Items	350,000	350,000	397,942	-	397,942
Departmental Income	350,950	350,950	358,410	-	358,410
Intergovernmental Charges	424,814	424,814	422,366	-	422,366
Use of Money and Property	16,998	16,998	265,312	56,045	321,357
Licenses and Permits	207,700	207,700	223,796	-	223,796
Fines and Forfeitures	363,000	363,000	381,064	-	381,064
Minor Sales and Compensation for Loss	46,200	71,200	102,132	-	102,132
Miscellaneous Local Sources	17,050	17,050	17,679	-	17,679
State and Federal Aid	304,600	342,944	938,332	-	938,332
<b>Total Revenues</b>	<u>17,372,540</u>	<u>17,435,884</u>	<u>18,401,860</u>	<u>56,045</u>	<u>18,457,905</u>
<b>Expenditures:</b>					
General Government Support	2,364,361	2,304,572	2,012,440	-	2,012,440
Education	2,000	2,000	1,000	-	1,000
Public Safety	5,137,007	5,222,294	5,112,440	386,851	5,499,291
Health	38,955	41,349	23,047	-	23,047
Transportation	902,968	927,982	832,100	-	832,100
Economic Assistance and Opportunity	16,000	16,000	568	-	568
Culture and Recreation	211,760	216,358	190,450	-	190,450
Home and Community Services	1,904,086	1,949,302	1,888,898	-	1,888,898
Employee Benefits	5,714,504	5,694,378	5,199,835	(185,632)	5,014,203
Debt Service	967,000	967,000	966,201	-	966,201
<b>Total Expenditures</b>	<u>17,258,640</u>	<u>17,341,234</u>	<u>16,226,979</u>	<u>201,219</u>	<u>16,428,198</u>
<b>Excess of Revenues Over Expenditures</b>	<u>113,900</u>	<u>94,650</u>	<u>2,174,881</u>	<u>(145,174)</u>	<u>2,029,707</u>
<b>Other Financing Sources (Uses):</b>					
Insurance Recoveries	-	19,250	42,473	-	42,473
Transfers In	-	-	146,915	-	146,915
Transfers Out	<u>(630,000)</u>	<u>(630,000)</u>	<u>(2,003,143)</u>	<u>-</u>	<u>(2,003,143)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(630,000)</u>	<u>(610,750)</u>	<u>(1,813,755)</u>	<u>-</u>	<u>(1,813,755)</u>
<b>Net Change in Fund Balance</b>	<u>\$ (516,100)</u>	<u>\$ (516,100)</u>	361,126	(145,174)	215,952
<b>Fund Balance at Beginning of Year</b>			5,891,915	2,082,081	7,973,996
<b>Fund Balance at End of Year</b>			<u>\$ 6,253,041</u>	<u>\$ 1,936,907</u>	<u>\$ 8,189,948</u>

**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.

\$ (145,174)

**INCORPORATED VILLAGE OF MALVERNE**  
**Required Supplementary Information**  
**For the Year Ended May 31, 2023**  
**(Unaudited)**

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

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
<b>Revenues:</b>			
Departmental Income	\$ 6,620	\$ 6,620	\$ 11,729
Intergovernmental Charges	85,235	85,235	85,661
Use of Money and Property	90	90	151
State and Federal Aid	22,365	22,365	23,548
	<u>114,310</u>	<u>114,310</u>	<u>121,089</u>
<b>Expenditures:</b>			
Culture and Recreation	568,059	568,059	571,373
Employee Benefits	198,165	198,165	181,662
	<u>766,224</u>	<u>766,224</u>	<u>753,035</u>
<b>Deficiency of Revenues Under Expenditures</b>	<u>(651,914)</u>	<u>(651,914)</u>	<u>(631,946)</u>
<b>Other Financing Sources:</b>			
Transfers In	630,000	630,000	630,000
	<u>630,000</u>	<u>630,000</u>	<u>630,000</u>
<b>Net Change in Fund Balance</b>	<u>\$ (21,914)</u>	<u>\$ (21,914)</u>	(1,946)
<b>Fund Balance at Beginning of Year</b>			<u>127,275</u>
<b>Fund Balance at End of Year</b>			<u>\$ 125,329</u>

**INCORPORATED VILLAGE OF MALVERNE**  
**Required Supplementary Information**  
**For the Year Ended May 31, 2023**  
**(Unaudited)**

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

**NYSLRS Pension Plan**  
**For the Fiscal Year Ended May 31,\*\***

		<u>2023</u>	<u>2022</u>	<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	0.0097670%	0.0103709%	0.0094051%	0.0106265%	0.0110456%	0.0112793%	0.0116979%	0.0122226%
	PFRS	0.0837287%	0.0828575%	0.0924367%	0.0897212%	0.0878035%	0.0924218%	0.0925739%	0.0895952%
Village's proportionate share of the net pension liability (asset)		\$ 6,708,295	\$ (377,111)	\$ 1,614,321	\$ 7,609,491	\$ 2,255,133	\$ 1,298,195	\$ 3,017,894	\$ 4,614,490
Village's covered payroll		\$ 6,969,800	\$ 7,127,776	\$ 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		96.25%	(5.29%)	22.16%	111.31%	32.49%	19.92%	46.32%	70.82%
Plan fiduciary net position as a percentage of the total pension liability (asset)		90.25%	102.86%	99.30%	86.16%	96.09%	98.04%	94.50%	90.70%

**Notes to the Schedule:**

Additional years will be presented as they become available for a full 10-year trend.

\*\* The amounts presented for the fiscal year were determined as of the March 31, 2023 measurement date.



**INCORPORATED VILLAGE OF MALVERNE**  
**Required Supplementary Information**  
**For the Year Ended May 31, 2023**  
**(Unaudited)**

**Schedule of Local Government Contributions**

**NYSLRS Pension Plan**  
**For the Fiscal Year Ended May 31,**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 1,378,861	\$ 1,578,732	\$ 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>1,378,861</u>	<u>1,578,732</u>	<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>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Village's covered-employee payroll	 \$ 6,969,800	 \$ 7,127,776	 \$ 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	19.78%	22.15%	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, 2023**  
**(Unaudited)**

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

Measurement date as of December 31,	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>Total Pension Liability</b>						
Service cost	\$ 13,987	\$ 14,874	13,245	\$ 12,310	\$ 13,894	\$ 18,414
Interest	13,718	12,389	16,314	16,591	15,038	15,641
Changes of assumptions or other inputs	(160,370)	(31,480)	124,733	27,682	(34,832)	35,443
Differences between expected and actual experience	840	(7,600)	1,343	1,598	656	1,485
Benefit payments	(17,552)	(16,087)	(15,427)	(13,567)	(12,952)	(11,362)
Net change in total pension liability	(149,377)	(27,904)	140,208	44,614	(18,196)	59,621
<b>Total pension liability - beginning</b>	<u>607,189</u>	<u>635,093</u>	<u>494,885</u>	<u>450,271</u>	<u>468,467</u>	<u>408,846</u>
<b>Total pension liability - ending</b>	<u>\$ 457,812</u>	<u>\$ 607,189</u>	<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	N/A	N/A
<b>Total pension liability as a percentage of covered-employee payroll</b>	N/A	N/A	N/A	N/A	N/A	N/A

**Notes to the Schedule:**

Additional years will be presented as they become available for a full 10-year trend.

*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, 2022: 4.31%  
December 31, 2021: 2.24%  
December 31, 2020: 1.93%  
December 31, 2019: 3.26%

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, 2023**  
**(Unaudited)**

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

Measurement date as of May 31,	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total Pension Liability</b>						
Service cost	\$ 25,760	\$ 84,242	\$ 88,034	\$ 68,706	\$ 42,608	\$ 46,615
Interest	82,606	77,634	87,996	89,007	79,240	75,418
Change in benefit terms	-	-	-	-	361,523	-
Change in assumptions or other inputs	233,709	47,540	165,318	545,615	257,126	(51,437)
Differences between expected and actual experience	89,905	(1,487,170)	27,715	24,310	112,717	44,961
Benefit payments	(362,217)	(59,813)	(19,238)	(32,223)	(220,581)	(28,698)
Net change in total pension liability	69,763	(1,337,567)	349,825	695,415	632,633	86,859
<b>Total pension liability - beginning</b>	<u>2,571,965</u>	<u>3,909,532</u>	<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>\$ 2,641,728</u>	<u>\$ 2,571,965</u>	<u>\$ 3,909,532</u>	<u>\$ 3,559,707</u>	<u>\$ 2,864,292</u>	<u>\$ 2,231,659</u>
<b>Covered-employee payroll</b>	N/A	N/A	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	N/A	N/A

**Notes to the Schedule:**

Additional years will be presented as they become available for a full 10-year trend.

*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, 2023: 3.90%  
May 31, 2022: 3.36%  
May 31, 2021: 2.00%  
May 31, 2020: 2.48%  
May 31, 2019: 3.12%  
May 31, 2018: 3.57%

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.

*See Notes to Financial Statements*

**INCORPORATED VILLAGE OF MALVERNE**  
**Required Supplementary Information**  
**For the Year Ended May 31, 2023**  
**(Unaudited)**

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Service cost	\$ 780,220	\$ 1,462,515	\$ 1,442,713	\$ 924,278	\$ 819,116
Interest	992,976	919,613	883,677	1,071,314	1,076,527
Changes of benefit terms	740,981	-	-	-	-
Difference between expected and actual experience	(5,388,586)	-	3,318,470	(716,204)	-
Changes in assumptions	(2,760,980)	(5,811,739)	(1,285,024)	7,333,410	1,608,051
Net benefits payments	(1,140,353)	(1,239,092)	(1,143,789)	(936,102)	(872,266)
Net change in total OPEB liability	(6,775,742)	(4,668,703)	3,216,047	7,676,696	2,631,428
Total OPEB liability - beginning of year	36,285,562	40,954,265	37,738,218	30,061,522	27,430,094
Total OPEB liability - end of year	<u>\$ 29,509,820</u>	<u>\$ 36,285,562</u>	<u>\$ 40,954,265</u>	<u>\$ 37,738,218</u>	<u>\$ 30,061,522</u>
Covered Employee Payroll	\$ 6,969,800	\$ 7,127,776	\$ 7,286,436	\$ 6,836,135	\$ 6,940,658
Total OPEB Liability as a percentage of Covered Employee Payroll	423.40%	509.07%	562.06%	552.04%	433.12%

**Notes to the Schedule:**

Additional years will be presented as they become available for a full 10-year trend.

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

*Plan changes:*

PBA Cost Sharing: Hired after September 16, 2021	Village pays 85% of premium	Village pays 90% of premium	No Change	No Change	No Change
BBA Surviving Spouse Benefits	Village pays 100% of premium for first 5 years	Survivor pays 100% of premium	No Change	No Change	No Change

*Assumption changes:*

Discount rate	3.67%	3.16%	2.20%	2.16%	3.51%
Pre-65 Trend Rate	7.00% initially, grading down to 5.00% in 2026	6.50% initially, grading down to 5.00% in 2024	7.00% initially, grading down to 5.00% in 2024	7.00% initially, grading down to 5.00% in 2023	7.50% initially, grading down to 5.00% in 2023
Demographic Assumptions	From the 2021 New York/SUNY Valuation	From the 2018 New York/SUNY Valuation	From the 2018 New York/SUNY Valuation	From the 2016 New York/SUNY Valuation	From the 2016 New York/SUNY Valuation

*See Notes to Financial Statements*