

INCORPORATED VILLAGE OF MALVERNE

MALVERNE, NEW YORK

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FINANCIAL STATEMENTS

MAY 31, 2022

## Table of Contents

	<b>Page(s)</b>
<b>Independent Auditors' Report</b>	1 - 3
<b>Management's Discussion and Analysis</b>	4 - 9
<b>Basic Financial Statements</b>	
Government-wide Financial Statements:	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheets	12
Reconciliation of the Governmental Funds Balance Sheets to the Statement of Net Position	13
Statements of Revenues, Expenditures and Change in Fund Balances	14
Reconciliation of the Statements of Revenues, Expenditures and Change in Fund Balances of the Governmental Funds to the Statement of Activities	15
<b>Notes to the Financial Statements</b>	16 - 47
<b>Required Supplementary Information</b>	
Statement of Revenues, Expenditures and Change in Fund Balance Budget and Actual - General Fund	48
Statement of Revenues, Expenditures and Change in Fund Balance Budget and Actual - Public Library Fund	49
Schedule of the Local Government's Proportionate Share of the Net Pension Liability (Asset)	50
Schedule of Local Government Contributions	51
Schedule of Changes in the Village's Total Pension Liability - Ambulance	52
Schedule of Changes in the Village's Total Pension Liability - Fire Department	53
Schedule of Changes in Total OPEB Liability and Related Ratios	54

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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

**Opinion**

We have audited the accompanying financial statements of the governmental activities and each major fund, as of and for the year ended May 31, 2022, 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 accompanying financial statements present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Village, as of May 31, 2022, 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 Opinion**

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

**Responsibility 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 opinion. 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, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these 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, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for

placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Skinnon and Faber, CPAs, P.C.*

SKINNON AND FABER, CPAs, P.C.

Islandia, New York

October 15, 2022

## 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, 2022. 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 decreased \$945,456 for the fiscal year ended May 31, 2022. 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, 2022</u>	<u>May 31, 2021</u>
Assets		
Current and Other Assets	\$ 12,818,538	\$ 11,343,057
Capital Assets (net)	<u>13,517,703</u>	<u>13,998,562</u>
Total Assets	<u>26,336,241</u>	<u>25,341,619</u>
Deferred Outflows of Resources	<u>11,624,349</u>	<u>16,006,531</u>
Liabilities		
Liabilities	1,895,743	1,425,826
Long-Term Liabilities	<u>50,782,490</u>	<u>58,450,342</u>
Total Liabilities	<u>52,678,233</u>	<u>59,876,168</u>
Deferred Inflows of Resources	<u>13,920,291</u>	<u>9,164,460</u>
Net Position		
Net Investment in Capital Assets	6,587,516	6,562,056
Restricted	3,046,198	2,056,910
Unrestricted (deficit)	<u>(38,271,648)</u>	<u>(36,311,444)</u>
Total Net Position	<u>\$ (28,637,934)</u>	<u>\$ (27,692,478)</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, 2022</b>	<b>May 31, 2021</b>
Revenues		
Program Revenues:		
Fees, Fines and Charges for Services	\$ 1,612,044	\$ 1,370,557
Operating Grants and Contributions	183,099	49,311
Capital Grants and Contributions	309,231	625,772
General Revenues:		
Property Taxes and Related Tax Items	15,158,752	14,871,249
Non Property Tax Items	378,038	355,407
Use of Money and Property	101,769	208,675
State and Federal Aid	197,624	290,476
Other	234,980	126,152
Total Revenues	<u>18,175,537</u>	<u>17,897,599</u>
Expenses		
Governmental Activities:		
General Government Support	3,079,170	3,220,477
Education	2,303	4,500
Public Safety	10,023,769	10,454,676
Health	39,746	46,378
Transportation	1,704,867	2,078,214
Economic Assistance and Opportunity	3,330	14,668
Culture and Recreation	1,105,017	1,157,922
Home and Community Services	2,948,791	2,937,726
Interest on Debt	214,000	253,221
Total Expenses	<u>19,120,993</u>	<u>20,167,782</u>
Change in Net Position	<u>(945,456)</u>	<u>(2,270,183)</u>
Net Position - Beginning of Year, as reported	(27,692,478)	(26,392,349)
Prior Period Adjustment	-	970,054
Net Position - Beginning of Year, as restated	<u>(27,692,478)</u>	<u>(25,422,295)</u>
Net Position - End of Year	<u>\$ (28,637,934)</u>	<u>\$ (27,692,478)</u>



## ANALYSIS OF POSITION AND RESULTS OF OPERATION

The Village had an excess of expenses over revenues of \$945,456 resulting in an ending net position of (\$28,637,934). The decrease in net position was mainly due to recognition of expenses for long-term liabilities including other post-employment benefits and the length of service award program for the Village's fire department and ambulance services.

The Village had an increase in total revenue of \$277,938 as compared to the previous year, mainly due to increased building activity, resulting in approximately \$83,000 more revenue related to building permit fees than the previous year. There was an increase of approximately \$36,000 for summer recreational programs due to the reopening of programs that were closed due to COVID-19 in the prior year. The Village also received an additional \$45,000 related to filming permits for new projects.

## 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 \$367,323, resulting in an ending fund balance of \$7,973,996. Of this amount, \$22,912 is considered nonspendable, as it relates to inventory; \$515,000 is assigned and appropriated for the 2022-2023 budget; \$1,010,031 is assigned for various purposes and \$2,198,418 is restricted for specific items, which are listed in Note II.E to the financial statements. The remaining fund balance of \$4,227,635 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 \$594,262 and expenditures totaling \$777,035, resulting in an ending fund balance of \$1,856,362, a decrease of \$182,773 from the prior year. Revenues and other financing sources were made up of approximately \$297,000 of CHIPS reimbursements, as well as \$297,484 transferred from the General and Library Funds for vehicles, building improvements, and equipment.

A majority of the decrease in the Capital fund balance related to road repairs and the renovation of the Police Headquarters, which were partially funded utilizing a portion of the remaining bond proceeds issued during the 2016-17 and 2018-19 fiscal years. Expenditures for road repairs totaled \$329,922 and expenditures related to the renovation of Police Headquarters totaled \$166,425 for the fiscal year.

The Public Library Fund balance increased by \$33,809 to an ending balance of \$127,275, as of May 31, 2022.

## BUDGETARY ANALYSIS

During the year, the Board approved various budget modifications. The most significant variations between the original and final budget were to increase the police termination leave payout expenditure line by \$257,158 due to police retirements during the year; increase the police salaries expenditures by \$105,000 due to retroactive payments; and to increase transfers to the capital fund by \$285,031 to fund capital projects at outlined in the Village's Capital Plan and \$50,000 for additional capital asset purchases. These budget increases were funded with fund balance that had been previously allocated for these items.

The following variances exist between the final budget for the fiscal year ended May 31, 2022 and the actual results:

### Revenues:

- Real Property Taxes: Actual revenue was \$94,767 more than the final budgeted amount. This was mainly due to approximately \$72,000 of prior year taxes collected during the current year.
- Departmental Income: Actual revenue was \$142,296 more than the final budgeted amount due to higher than anticipated safety inspection fees.
- Licenses and Permits: Actual revenue was \$102,129 more than the final budgeted amounts which was primarily due to various filming projects that took place in the Village and required additional filming permits.
- State and Federal Aid: Actual revenue was \$169,255 more than the final budgeted amounts mainly due to reimbursements received from the Department of Homeland Security related to Tropical Storm Isaias.

### Expenditures:

- General Government Support: Actual expenditures were \$223,267 less than final budgeted amounts. A majority of the difference related to unused budgeted contingency expenditures of \$131,431 and tax certiorari ending the year under budget by \$40,746.
- Public Safety: Actual expenditures were \$203,302 less than final budgeted amounts due to less than anticipated expenditures related to police department personnel.
- Transportation: Actual expenditures were \$94,997 less than final budgeted amounts due to multiple factors including less than anticipated overtime, materials and supplies related to snow removal. In addition, the Village completed an LED project during the fiscal year which aided to reduce electricity costs resulting in expenditures related to electricity costs to be \$29,300 under budget.
- Employee Benefits: Actual expenditures for Employee Benefits were \$280,261 less than budgeted. Actual expenditures for health insurance and police retirement were under budget by \$163,331 and \$68,167, respectively.

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, 2022 totaled \$13,517,703 (net of accumulated depreciation). During the year, the Village acquired machinery and equipment totaling \$224,407, improvements totaling \$74,392 and infrastructure related to roadway improvements totaling \$354,102. The Village also disposed of a fully depreciated truck with an original cost of \$85,065.

As of May 31, 2022, the Village had total bond indebtedness of \$7,785,000. Scheduled payments of \$755,000 were made.

## CURRENTLY KNOWN FACTS, DECISIONS AND CONDITIONS

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

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

The Village applied for funding under the American Rescue Plan Act (ARPA). The first payment of \$435,127 was received during the 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, 2022**

**Assets**

Cash and Cash Equivalents	\$ 7,477,081
Cash and Cash Equivalents - Restricted	1,874,945
Accounts Receivable	37,077
State and Federal Aid Receivable	299,032
Length of Service Award Program Asset - Restricted	2,082,081
Net Pension Asset - Restricted	847,779
Inventory	22,912
Prepaid Expenses	177,631
Capital Assets (net)	13,517,703
<b>Total Assets</b>	<b>26,336,241</b>

**Deferred Outflows of Resources**

Deferred Amounts Related to Pensions	5,064,669
Deferred Amounts Related to Other Post-Employment Benefits	6,188,576
Deferred Amounts Related to Length of Service Award Program	371,104
<b>Total Deferred Outflows of Resources</b>	<b>11,624,349</b>

**Liabilities**

Accounts Payable and Accrued Liabilities	1,380,078
Due to Other Governments	20,290
Unearned Revenue	435,127
Bond Interest Payable	60,248
Long-term Liabilities:	
Due within one year:	
Serial Bonds	765,000
Compensated Absences	306,211
Due in more than one year:	
Serial Bonds	7,020,000
Compensated Absences	2,755,895
Net Pension Liability	470,668
Other Post-Employment Benefits Payable	36,285,562
Length of Service Award Program Liability	3,179,154
<b>Total Liabilities</b>	<b>52,678,233</b>

**Deferred Inflows of Resources**

Deferred Amounts Related to Pensions	7,123,555
Deferred Amounts Related to Other Post-Employment Benefits	6,054,635
Deferred Amounts Related to Length of Service Award Program	742,101
<b>Total Deferred Inflows of Resources</b>	<b>13,920,291</b>

**Net Position**

Net Investment in Capital Assets	6,587,516
Restricted	3,046,198
Unrestricted (deficit)	(38,271,648)
<b>Total Net Position</b>	<b>\$ (28,637,934)</b>

*See Notes to the Financial Statements*

**INCORPORATED VILLAGE OF MALVERNE**

**Statement of Activities**

**For the Year Ended May 31, 2022**

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	\$ 3,079,170	\$ 388,292	\$ 2,430	\$ -	\$ (2,688,448)
Education	2,303	-	-	-	(2,303)
Public Safety	10,023,769	1,064,738	8,060	-	(8,950,971)
Health	39,746	-	-	-	(39,746)
Transportation	1,704,867	-	160,023	296,778	(1,248,066)
Economic Assistance and Opportunity	3,330	-	-	-	(3,330)
Culture and Recreation	1,105,017	130,867	12,586	12,453	(949,111)
Home and Community Services	2,948,791	28,147	-	-	(2,920,644)
Interest on Debt	214,000	-	-	-	(214,000)
<b>Total Governmental Activities</b>	<b>\$ 19,120,993</b>	<b>\$ 1,612,044</b>	<b>\$ 183,099</b>	<b>\$ 309,231</b>	<b>(17,016,619)</b>
<b>GENERAL REVENUES:</b>					
					15,158,752
					378,038
					101,769
					105,994
					128,986
					197,624
					<u>16,071,163</u>
					(945,456)
					<u>(27,692,478)</u>
					<u>\$ (28,637,934)</u>

*See Notes to the Financial Statements*

**INCORPORATED VILLAGE OF MALVERNE**  
**Balance Sheets**  
**Governmental Funds**  
**May 31, 2022**

	<u>General</u>	<u>Capital Projects</u>	<u>Public Library</u>	<u>Total</u>
<b>Assets</b>				
Cash and Cash Equivalents	\$ 6,628,588	\$ 705,685	\$ 142,808	\$ 7,477,081
Cash and Cash Equivalents - Restricted	116,337	1,758,608	-	1,874,945
Accounts Receivable	37,077	-	-	37,077
Due From Other Funds	2,160	1,246	-	3,406
State and Federal Aid Receivable	1,008	296,778	1,246	299,032
Length of Service Award Program Asset - Restricted	2,082,081	-	-	2,082,081
Inventory	22,912	-	-	22,912
<b>Total Assets</b>	<b>\$ 8,890,163</b>	<b>\$ 2,762,317</b>	<b>\$ 144,054</b>	<b>\$ 11,796,534</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
Liabilities:				
Accounts Payable	\$ 160,320	\$ 903,795	\$ -	\$ 1,064,115
Accrued Liabilities	300,430	-	15,533	315,963
Due to Other Funds	-	2,160	1,246	3,406
Due to Other Governments	20,290	-	-	20,290
Unearned Revenue	435,127	-	-	435,127
<b>Total Liabilities</b>	<b>916,167</b>	<b>905,955</b>	<b>16,779</b>	<b>1,838,901</b>
Fund Balances:				
Nonspendable	22,912	-	-	22,912
Restricted	2,198,418	1,758,608	-	3,957,026
Assigned	1,525,031	97,754	127,275	1,750,060
Unassigned	4,227,635	-	-	4,227,635
<b>Total Fund Balances</b>	<b>7,973,996</b>	<b>1,856,362</b>	<b>127,275</b>	<b>9,957,633</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 8,890,163</b>	<b>\$ 2,762,317</b>	<b>\$ 144,054</b>	<b>\$ 11,796,534</b>

**INCORPORATED VILLAGE OF MALVERNE**  
**Reconciliation of the Governmental Funds Balance Sheets**  
**to the Statement of Net Position**  
**As of May 31, 2022**

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Total Fund Balance - Total Governmental Funds	\$ 9,957,633
<p>This amount differs from the amount of net position in the Statement of Net Position due to the following:</p>	
<p>Capital assets are included in the government-wide financial statements as assets and are added, net of accumulated depreciation.</p>	13,517,703
<p>Deferred outflows of resources related to the following are not reported in the governmental funds:</p>	
Pension	5,064,669
Other Post-Employment Benefits	6,188,576
Length of Service Award Program	371,104
<p>Amounts for prepaid expenses are included in the government-wide financial statements as assets and are added.</p>	177,631
<p>Bond interest payable applicable to governmental activities is not due and payable in the current period and, accordingly, is not reported in the governmental funds. However, these liabilities are included in the liabilities in the government-wide financial statements and are deducted.</p>	(60,248)
<p>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:</p>	
Serial Bonds	(7,785,000)
Compensated Absences	(3,062,106)
Net Pension (Liability)/Asset	377,111
Other Post-Employment Benefits Payable	(36,285,562)
Length of Service Award Program	(3,179,154)
<p>Deferred inflows of resources related to the following are not reported in the governmental funds:</p>	
Pension	(7,123,555)
Other Post-Employment Benefits	(6,054,635)
Length of Service Award Program	(742,101)
Total Net Position	\$ (28,637,934)

**INCORPORATED VILLAGE OF MALVERNE**  
**Statements of Revenues, Expenditures and Change in Fund Balances**  
**Governmental Funds**  
**For the Year Ended May 31, 2022**

	<u>General</u>	<u>Capital Projects</u>	<u>Public Library</u>	<u>Total</u>
<b>Revenues:</b>				
Real Property Taxes	\$ 15,162,290	\$ -	\$ -	\$ 15,162,290
Real Property Tax Items	72,907	-	-	72,907
Non Property Tax Items	378,038	-	-	378,038
Departmental Income	447,446	-	9,990	457,436
Intergovernmental Charges	426,714	-	84,813	511,527
Use of Money and Property	101,630	-	139	101,769
Licenses and Permits	302,929	-	-	302,929
Fines and Forfeitures	340,152	-	-	340,152
Minor Sales and Compensation for Loss	57,982	-	-	57,982
Miscellaneous Local Sources	128,986	-	-	128,986
State and Federal Aid	368,137	296,778	25,039	689,954
Total Revenues	<u>17,787,211</u>	<u>296,778</u>	<u>119,981</u>	<u>18,203,970</u>
<b>Expenditures:</b>				
General Government Support	1,965,497	52,809	-	2,018,306
Education	2,000	-	-	2,000
Public Safety	5,435,192	316,541	-	5,751,733
Health	36,627	-	-	36,627
Transportation	987,392	329,922	-	1,317,314
Economic Assistance and Opportunity	2,344	-	-	2,344
Culture and Recreation	237,059	28,952	525,266	791,277
Home and Community Services	1,866,950	48,811	-	1,915,761
Employee Benefits	5,008,541	-	188,453	5,196,994
Debt Service	974,451	-	-	974,451
Total Expenditures	<u>16,516,053</u>	<u>777,035</u>	<u>713,719</u>	<u>18,006,807</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>1,271,158</u>	<u>(480,257)</u>	<u>(593,738)</u>	<u>197,163</u>
<b>Other Financing Sources (Uses):</b>				
Loss on Valuation of Investments	(26,916)	-	-	(26,916)
Insurance Recoveries	48,112	-	-	48,112
Transfers In	-	297,484	640,000	937,484
Transfers Out	(925,031)	-	(12,453)	(937,484)
Total Other Financing Sources (Uses)	<u>(903,835)</u>	<u>297,484</u>	<u>627,547</u>	<u>21,196</u>
<b>Net Change in Fund Balances</b>	367,323	(182,773)	33,809	218,359
<b>Fund Balances at Beginning of Year</b>	<u>7,606,673</u>	<u>2,039,135</u>	<u>93,466</u>	<u>9,739,274</u>
<b>Fund Balances at End of Year</b>	<u>\$ 7,973,996</u>	<u>\$ 1,856,362</u>	<u>\$ 127,275</u>	<u>\$ 9,957,633</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, 2022**

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Net Change in Fund Balances for Total Governmental Funds \$ 218,359

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	858,226
Depreciation Expense	(1,339,085)

Revenues are recorded in the governmental funds when they become susceptible to accrual, that is when they are earned, measurable and available to provide current financial resources. In the Statement of Activities, revenues are recognized when they are earned and measurable, regardless of when they become available. (76,445)

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	755,000
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Net change in deferred outflows of resources not reported in the funds. (4,382,182)

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	10,420
Accrued Interest Cost	5,451
Compensated Absences	(264,975)
Net Pension Liability	1,991,432
Other Post-Employment Benefits	4,668,703
Length of Service Award Program	1,365,471

Net change in deferred inflows of resources not reported in the funds. (4,755,831)

Change in Net Position of Governmental Activities in the Statement of Activities \$ (945,456)

# INCORPORATED VILLAGE OF MALVERNE

## Notes to the Financial Statements For the Year Ended May 31, 2022

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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, 2022

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.

### 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, 2022

### 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 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.

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

# INCORPORATED VILLAGE OF MALVERNE

## Notes to the Financial Statements For the Year Ended May 31, 2022

- e. *Unassigned* represents the residual classification for the government's general fund, and could report a surplus or deficit. In funds other than the general fund, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

### C. 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* – 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 from year end.

Material revenues that are accrued include real property taxes, State and Federal Aid, sales 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. 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.

# INCORPORATED VILLAGE OF MALVERNE

## Notes to the Financial Statements

For the Year Ended May 31, 2022

### 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. BUDGETARY DATA

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

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

2. Budget Basis of Accounting:

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.

### G. INVENTORY

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

### H. CAPITAL ASSETS

Capital assets, which include land, construction 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

# INCORPORATED VILLAGE OF MALVERNE

## Notes to the Financial Statements For the Year Ended May 31, 2022

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.

### I. COMPENSATED ABSENCES

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

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

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

### J. OTHER POST-EMPLOYMENT BENEFITS

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

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.

# **INCORPORATED VILLAGE OF MALVERNE**

## **Notes to the Financial Statements For the Year Ended May 31, 2022**

### **K. INSURANCE**

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

### **L. USE OF ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, 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.

### **M. 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.

### **N. 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.



**INCORPORATED VILLAGE OF MALVERNE**

**Notes to the Financial Statements**

**For the Year Ended May 31, 2022**

II. DETAIL NOTES ON ALL FUNDS

A. ASSETS

1. Cash and Investments:

The Village's cash and cash equivalents consist of cash on hand and, time and demand deposits. The Village investment policies are governed by State statutes. In addition, the Village has its own written investment policy. Village monies must be deposited in FDIC-insured commercial banks or trust companies located within 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.

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.

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, 2022 totaled \$9,471,684 and are covered by federal deposit insurance or third-party collateral as follows:

Amount FDIC - Insured	\$ 670,653
Amount Collateralized	8,801,031
Total Balances	<u>\$ 9,471,684</u>

**INCORPORATED VILLAGE OF MALVERNE**

**Notes to the Financial Statements  
For the Year Ended May 31, 2022**

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, 2022 are as follows:

	<u>Amount Receivable</u>	<u>Amount Payable</u>
General Fund	\$ 2,160	\$ -
Capital Projects Fund	1,246	2,160
Public Library Fund	-	1,246
Totals	<u>\$ 3,406</u>	<u>\$ 3,406</u>

During the year, the budgeted transfers totaling \$640,000 were made from the General Fund to the Public Library Fund to support the costs of operations. In addition, \$285,031 was transferred from the General Fund and \$12,453 from the Library Fund to the Capital Projects Fund for capital improvements and equipment purchases. The following is a summary of interfund transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 925,031
Capital Projects Fund	297,484	-
Public Library Fund	640,000	12,453
Totals	<u>\$ 937,484</u>	<u>\$ 937,484</u>

# INCORPORATED VILLAGE OF MALVERNE

## Notes to the Financial Statements

**For the Year Ended May 31, 2022**

### 3. Changes in Capital Assets:

A summary of changes in capital assets follows:

	Balance 5/31/2021	Additions	Reductions	Balance 5/31/2022
Capital Assets That Are Not Depreciated:				
Land	\$ 162,033	\$ -	\$ -	\$ 162,033
Construction in Progress	5,918	205,325	-	211,243
Total Nondepreciable Cost	167,951	205,325	-	373,276
Capital Assets That Are Depreciated:				
Land Improvements	1,650,421	-	-	1,650,421
Buildings and Improvements	7,979,816	74,392	-	8,054,208
Machinery and Equipment	13,224,269	224,407	(85,065)	13,363,611
Infrastructure	26,752,749	354,102	-	27,106,851
Total Depreciable Cost	49,607,255	652,901	(85,065)	50,175,091
Less Accumulated Depreciation:				
Land Improvements	(1,337,989)	(69,824)	-	(1,407,813)
Buildings and Improvements	(4,143,015)	(264,465)	-	(4,407,480)
Machinery and Equipment	(10,171,226)	(634,901)	85,065	(10,721,062)
Infrastructure	(20,124,414)	(369,895)	-	(20,494,309)
Total Accumulated Depreciation	(35,776,644)	(1,339,085)	85,065	(37,030,664)
Net Capital Assets That Are Depreciated	13,830,611	(686,184)	-	13,144,427
Grand Total	\$ 13,998,562	\$ (480,859)	\$ -	\$ 13,517,703

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

#### *Governmental Activities*

General Government Support	\$ 216,550
Education	303
Public Safety	702,988
Health	3,119
Transportation	139,742
Economic Assistance and Opportunity	986
Culture and Recreation	77,860
Home and Community Services	197,537
Total Depreciation Expense – Governmental Activities	\$ 1,339,085

# INCORPORATED VILLAGE OF MALVERNE

## Notes to the Financial Statements For the Year Ended May 31, 2022

### 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 2018, he was elected for a new term commencing January 1, 2019.

System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a state statute. Generally, members of the System are employees of the State and its municipalities, other than New York City.

ERS and PFRS are cost sharing, 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).

##### Membership Tiers

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

##### *ERS*

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

Tier 2 Those persons who last became members on or after July 1, 1973, but before July 27, 1976.

# INCORPORATED VILLAGE OF MALVERNE

## Notes to the Financial Statements For the Year Ended May 31, 2022

- Tier 3 Generally, those persons who are State correction officers who last became members on or after July 27, 1976, but before January 1, 2010, and all others who last became members on or after July 27, 1976, but before September 1, 1983.
- Tier 4 Generally, except for correction officers, those persons who last became members on or after September 1, 1983, but before January 1, 2010.
- Tier 5 Those persons who last became members on or after January 1, 2010, but before April 1, 2012.
- Tier 6 Those persons who first became members on or after April 1, 2012.

### *PFRS*

- Tier 1 Those persons who last became members before July 31, 1973.
- Tier 2 Those persons who last became members on or after July 31, 1973, but before July 1, 2009.
- Tier 3 Those persons who last became members on or after July 1, 2009, but before January 9, 2010.
- Tier 4 N/A
- Tier 5 Those persons who last became members on or after January 9, 2010, but before April 1, 2012, or who were previously PFRS Tier 3 members who elected to become Tier 5.
- Tier 6 Those persons who first became members on or after April 1, 2012.

### Vesting

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

Subsequent to March 31, 2022, legislation was passed that reduced the number of years of service credit from ten years to five years. Therefore, all Members are vested when they reach five years of service credit.

### Benefits

#### *Tiers 1 and 2*

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

Benefit Calculation: Generally, the benefit is 1.67% of final average salary for each year of service if the member retires with less than 20 years. If the member retires with 20 or more years of service, the benefit is 2% of final average salary for each year of service. Tier 2

## **INCORPORATED VILLAGE OF MALVERNE**

### **Notes to the Financial Statements For the Year Ended May 31, 2022**

members with five or more years of service can retire as early as age 55 with reduced benefits. Tier 2 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. As a result of Article 19 of the RSSL, Tier 1 and Tier 2 members who worked continuously from April 1, 1999 through October 1, 2000 received an additional month of service credit for each year of credited service they have at retirement, up to a maximum of 24 additional months.

Final average salary is the average of the wages earned in the three highest consecutive years of employment. For Tier 1 members who joined on or after June 17, 1971, each year used in the final average salary calculation is limited to no more than 20% greater than the previous year. For Tier 2 members, each year of final average salary is limited to no more than 20% than the average of the previous two years.

#### *Tiers 3, 4, and 5*

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

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

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

#### *Tier 6*

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

Benefit Calculation: Generally, the benefit is 1.67% of final average salary for each year of service if the member retires with less than 20 years. If a member retires with 20 years of service, the benefit is 1.75% of final average salary for each year of service. If a member retires with more than 20 years of service, an additional benefit of 2% of final average salary

# INCORPORATED VILLAGE OF MALVERNE

## Notes to the Financial Statements For the Year Ended May 31, 2022

is applied for each year of service over 20 years. Tier 6 members with ten or more years of service can retire as early as age 55 with reduced benefits.

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

### *Special Plans*

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

### *Disability Retirement Benefits*

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

### *Ordinary Death Benefits*

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

### *Post-Retirement Benefit Increases*

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

# INCORPORATED VILLAGE OF MALVERNE

## Notes to the Financial Statements For the Year Ended May 31, 2022

### 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, 2022 was approximately 16.2% of covered payroll. The average contribution rate for PFRS for the fiscal year ended March 31, 2022 was approximately 28.3% 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, 2022, the applicable interest rate was 5.9%.

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

2021-2022	\$ 1,578,732
2020-2021	1,386,581
2019-2020	1,412,367

### 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, 2022, the Village reported a liability of \$470,668 (PFRS) and an asset of \$847,779 (ERS) for its proportionate share of the net pension liability/asset. The net pension liability/asset was measured as of March 31, 2022, and the total pension liability/asset used to calculate the net pension liability/asset was determined by an actuarial valuation as of that date. The Village's proportion of the net pension liability/asset 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, 2022, the Village's proportion was 0.0103709% for ERS and 0.0828575% for PFRS. This was an increase of .0009658 for ERS and decrease of .0095792 for PFRS from its proportion measured at March 31, 2021.



## INCORPORATED VILLAGE OF MALVERNE

### Notes to the Financial Statements For the Year Ended May 31, 2022

For the year ended May 31, 2022, the Village recognized a pension expense of \$603,524. At May 31, 2022, 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	\$ 317,944	\$ 83,275
Changes of Assumptions	4,231,896	23,874
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	6,730,959
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	514,829	285,447
	\$ 5,064,669	\$ 7,123,555

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:

2023	\$ (314,284)
2024	(563,449)
2025	(1,596,039)
2026	415,186
2027	(300)
	\$ (2,058,886)

#### Actuarial Assumptions

The total pension liability at the March 31, 2022 measurement date was determined by using an actuarial valuation as of April 1, 2021, with update procedures used to roll forward the total pension liability to March 31, 2022. The actuarial valuation for both ERS and PFRS used the following actuarial assumptions:

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

# INCORPORATED VILLAGE OF MALVERNE

## Notes to the Financial Statements For the Year Ended May 31, 2022

Annuitant mortality rates are based on April 1, 2015 – March 31, 2020 System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2020. The previous actuarial valuation as of April 1, 2020 used the same assumptions to measure the total pension liability.

The actuarial assumptions used in the April 1, 2021 valuation are based on the results of an actuarial experience study for the period April 1, 2015 – March 31, 2020.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	32 %	3.30 %
International equity	15	5.85
Private equity	10	6.50
Real estate	9	5.00
Opportunistic/ARS portfolio	3	4.10
Credit	4	3.78
Real assets	3	5.80
Fixed Income	23	0.00
Cash	1	(1.00)
	<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, 2022

### Sensitivity of the Proportionate Share of the Net Pension Liability (Asset) 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)	\$ 2,182,174	\$ (847,779)	\$ (3,382,188)
PFRS Net Pension Liability (asset)	5,235,452	470,668	(3,473,309)

### Pension Plan Fiduciary Net Position

The components of the collective net pension liability (asset) of the participating employers as of March 31, 2022, were as follows:

	Employees' Retirement System	Police and Fire Retirement System	Total
	(Dollars in thousands)		
Employers' total pension liability	\$ 223,874,888	\$ 42,237,292	\$ 266,112,180
Fiduciary net position	(232,049,473)	(41,669,250)	(273,718,723)
Employers' net pension liability (asset)	\$ (8,174,585)	\$ 568,042	\$ (7,606,543)

Ratio of fiduciary net position to the employers' total pension liability (asset)	103.65%	98.66%	102.86%
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## 2. Long-Term Debt:

- a. Outstanding bond indebtedness aggregated \$7,785,000.
- 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, 2022**

c. 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 – 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-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.

d. Summary of Long-Term Liabilities

The following is a summary of long-term liabilities by fund:

	General Fund	Public Library Fund	Total
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Serial Bonds	7,785,000	-	7,785,000
Total Bonds	7,785,000	-	7,785,000
Compensated Absences	3,032,193	29,913	3,062,106
OPEB Liability	34,471,284	1,814,278	36,285,562
LOSAP Liability	3,179,154	-	3,179,154
Net Pension Liability	470,668	-	470,668
Total Long-Term Liabilities	<u>\$ 48,938,299</u>	<u>\$ 1,844,191</u>	<u>\$ 50,782,490</u>

**INCORPORATED VILLAGE OF MALVERNE**

**Notes to the Financial Statements**

**For the Year Ended May 31, 2022**

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

	Payable at Beginning of Fiscal Year	Additions	Reductions	Payable at End of Fiscal Year	Due in One Year
Serial Bonds	\$ 8,540,000	\$ -	\$ (755,000)	\$ 7,785,000	\$ 765,000
Compensated Absences	2,797,131	631,758	(366,783)	3,062,106	306,211
OPEB Payable	40,954,265	2,382,128	(7,050,831)	36,285,562	-
LOSAP Liability	4,544,625	236,679	(1,602,150)	3,179,154	-
Net Pension Liability	1,614,321	-	(1,143,653)	470,668	-
	<u>\$ 58,450,342</u>	<u>\$ 3,250,565</u>	<u>\$ (10,918,417)</u>	<u>\$ 50,782,490</u>	<u>\$ 1,071,211</u>

f. Long-Term Debt Maturity Schedule

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

Description by Fund	Original Date Issued	Original Amount	Rate %	Date Final Maturity	Outstanding
General Fund	4/25/2012	\$ 2,400,000	2.00%	10/15/2027	\$ 835,000
General Fund	6/14/2016	3,580,000	2.25%	6/1/2032	1,940,000
General Fund	9/12/2018	5,600,000	3.00%	9/21/2038	5,010,000
				Total	<u>\$ 7,785,000</u>

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

Ending Date	Serial Bonds		
	Principal	Interest	Total
May 31:			
2023	\$ 765,000	\$ 201,201	\$ 966,201
2024	695,000	183,311	878,311
2025	695,000	165,814	860,814
2026	705,000	147,866	852,866
2027	625,000	130,525	755,525
2028-2032	2,765,000	429,472	3,194,472
2033-2037	1,240,000	118,609	1,358,609
2038-2039	295,000	9,669	304,669
Total	<u>\$ 7,785,000</u>	<u>\$ 1,386,467</u>	<u>\$ 9,171,467</u>

# INCORPORATED VILLAGE OF MALVERNE

## Notes to the Financial Statements For the Year Ended May 31, 2022

### 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, 2021, which is the most recent plan year for which complete information is available.

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

#### 1. Program Description:

##### Participation, Vesting and Service Credit

Active volunteer firefighters who have reached the age of eighteen and who have completed one year of firefighting service are eligible to participate in the program. Participants acquire a nonforfeitable right to a service award after being credited with 5 years of firefighting service or upon attaining the program's entitlement age. The program's entitlement age is age 65. In general, an active volunteer firefighter is credited with a year of firefighting service for each calendar year after the establishment of the program in which he or she accumulates fifty points. Points are granted for the performance of certain activities in accordance with a system established by the sponsor on the basis of a statutory list of activities and point values. A participant may also receive credit for 5 years of firefighting service rendered prior to the establishment of the program.

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

##### Benefits

A firefighter's benefit under the program is a life annuity with 10 years certain equal to \$20 per month multiplied by the person's total number of years of firefighting service. The number of years of firefighting service used to compute the benefit cannot exceed 40. Except in the case of disability or death, benefits are payable when a participant reaches entitlement age.

**INCORPORATED VILLAGE OF MALVERNE**

**Notes to the Financial Statements  
For the Year Ended May 31, 2022**

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

**Volunteer Ambulance Worker Service Award Program**

Participants

At the December 31, 2021 measurement date, the following participants were covered by the benefit terms:

Inactive participants currently receiving benefit payments	6
Inactive participants entitled to, but not yet receiving benefit payments	7
Active participants	<u>15</u>
Total	<u><u>28</u></u>

Contributions

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

Trust Assets

Although assets have been accumulated in an irrevocable trust such that the assets are dedicated to providing pensions to plan members in accordance with benefit terms, the trust assets are not legally protected from creditors of the Village. As such, the trust assets do not meet the criteria in paragraph 4 of GASB Statement No. 73.

Measurement of Total Pension Liability

The total pension liability at the December 31, 2021 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, 2022

### Actuarial Assumptions

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

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

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

### Discount Rate

The discount rate used to measure the total pension liability was 2.24%. This was the yield to maturity of the S&P Municipal Bond 20 Year High Grade Rate Index as of December 31, 2021. 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 12/31/2020 measurement date	\$ 635,093
Service Cost	14,874
Interest	12,389
Changes of assumptions or other inputs	(31,480)
Differences between expected and actual experience	(7,600)
Benefit Payments	(16,087)
Net Changes	(27,904)
Balance as of 12/31/2021 measurement date	\$ 607,189



# INCORPORATED VILLAGE OF MALVERNE

## Notes to the Financial Statements

### For the Year Ended May 31, 2022

#### 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, 2021 measurement date, calculated using the discount rate of 2.24%, as well as what the Village's total pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.24%) or 1-percentage point higher (3.24%) than the current rate:

	1% Decrease (1.24%)	Current Assumption (2.24%)	1% Increase (3.24%)
Total Pension Liability	\$ 717,814	\$ 607,189	\$ 519,926

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

For the year ended May 31, 2022, the Village recognized pension expense of \$41,889.

Components of Pension Expense	
Service Cost	\$ 14,873
Interest on total pension liability	12,389
Changes of assumptions or other inputs	11,862
Differences between expected and actual experience	(275)
Pension plan administrative expenses	3,040
Total pension expense	\$ 41,889

At May 31, 2022, 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	\$ 3,517	\$ 6,862
Changes of assumptions or other inputs	140,096	50,355
Benefit payments and administrative expenses subsequent to the measurement date	6,703	-
Total	\$ 150,316	\$ 57,217

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, 2023.

**INCORPORATED VILLAGE OF MALVERNE**

**Notes to the Financial Statements  
For the Year Ended May 31, 2022**

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

Year Ended May 31:	
2023	\$ 11,587
2024	11,587
2025	11,587
2026	11,587
2027	11,587
Thereafter	28,461
Total	<u>\$ 86,396</u>

**Volunteer Fire Department Service Award Program**

Measurement of Total Pension Liability

The total pension liability at the May 31, 2022 measurement date was determined using an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability in the May 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:	8.00%
Salary Scale:	None assumed

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

Discount Rate

The discount rate used to measure the total pension liability was 3.36%. This was the yield to maturity of the Fidelity 20-Year GO AA Bond Index.

**INCORPORATED VILLAGE OF MALVERNE**  
**Notes to the Financial Statements**  
**For the Year Ended May 31, 2022**

Changes in the Total Pension Liability

Balance as of 5/31/2021 measurement date	\$ 3,909,532
Service cost	84,242
Interest	77,634
Change in benefit terms	-
Change in assumptions or other inputs	47,540
Change due to difference in experience	(1,487,170)
Benefit payments	(59,813)
Net change	(1,337,567)
Balance as of 5/31/2022 measurement date	<u>\$ 2,571,965</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 3.36%, 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 (2.36%) or 1-percentage point higher (4.36%) than the current rate:

	1% Decrease (2.36%)	Current Assumption (3.36%)	1% Increase (4.36%)
Total Pension Liability	\$ 3,039,000	\$ 2,571,965	\$ 2,202,000

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

For the year ended May 31, 2022, the Village recognized pension expense of \$232,287.

Components of Pension Expense	
Service Cost	\$ 84,242
Interest on total pension liability	77,634
Change in benefit terms	-
Changes of assumptions or other inputs	12,943
Differences between expected and actual experience	57,468
Total Pension Expense	<u>\$ 232,287</u>

**INCORPORATED VILLAGE OF MALVERNE**

**Notes to the Financial Statements  
For the Year Ended May 31, 2022**

At May 31, 2022, 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	\$ 220,788	\$ -
Changes of assumptions or other inputs	-	684,884
Total	\$ 220,788	\$ 684,884

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

Year Ended May 31:	
2023	\$ (30,715)
2024	(30,715)
2025	(30,715)
2026	(30,715)
2027	(30,715)
Thereafter	(310,521)
Total	\$ (464,096)

**D. POST-EMPLOYMENT HEALTHCARE PLAN**

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

**Police Benevolent Fund:** The Village contributes 100% of the medical premiums for retirees who were hired before July 18, 2014 and their spouse. Retirees hired on or after July 18, 2014 the Village pays 90% 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.

## INCORPORATED VILLAGE OF MALVERNE

### Notes to the Financial Statements For the Year Ended May 31, 2022

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 2022, the Village contributed \$1,239,092 to the plan (contribution made was assumed to equal Expected Benefit Payments).

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

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

*Total OPEB Liability.* The Village's total OPEB liability of \$36,285,562 was measured using the entry age actuarial cost method as of June 1, 2020. For the year ended May 31, 2022, the Village recognized OPEB expense of \$3,202,035.

#### *Actuarial Assumptions and Other Inputs*

Discount Rate	3.16%
2020 Healthcare Trends Rate (Pre-65/Post-65)	7.00% / 5.00%
2021 Healthcare Trends Rate (Pre-65/Post-65)	6.50% / 5.00%
Ultimate Medical Trend Rate	5.00%
Year Ultimate Trend Rates Reached Pre-/Post-65	2025/2020
Annual Payroll Increase	2.50%

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

#### *Change in the Total OPEB Liability*

Balance at May 31, 2021	\$ 40,954,265
Changes for the year:	
Service cost	1,462,515
Interest	919,613
Differences between expected and actual experience	-
Changes in assumptions and other inputs	(5,811,739)
Benefit payments	(1,239,092)
Net change	(4,668,703)
Balance at May 31, 2022	\$ 36,285,562

## INCORPORATED VILLAGE OF MALVERNE

### Notes to the Financial Statements For the Year Ended May 31, 2022

*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 (2.16%) or 1-percentage point higher (4.16%) than the current discount rate:

	1% Decrease (2.16%)	Discount Rate (3.16%)	1% Increase (4.16%)
Total OPEB Liability	\$ 42,368,366	\$ 36,285,562	\$ 31,416,939

*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	\$ 30,382,565	\$ 36,285,562	\$ 43,921,255

*Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.* At May 31, 2022, the Village reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 2,219,640	\$ 339,254
Changes of Assumptions	3,968,936	5,715,381
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	-	-
	\$ 6,188,576	\$ 6,054,635

**INCORPORATED VILLAGE OF MALVERNE**

**Notes to the Financial Statements  
For the Year Ended May 31, 2022**

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:

2023	\$	819,907
2024		758,704
2025		193,426
2026		(619,215)
2027		(942,410)
Thereafter		(76,471)
Total	<u>\$</u>	<u>133,941</u>

E. FUND BALANCE

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

1. For committed fund balances:

- a. The government's highest level of decision-making authority resides with the Board of Trustees.
- b. The formal action that is required to be taken to establish (and modify or rescind) a fund balance commitment is through formal resolution by the Board of Trustees.

2. For assigned fund balances:

- a. The body or official authorized to assign amounts to a specific purpose is the Board of Trustees.
- b. The policy established by the governing body pursuant to which the authorization to assign amounts to a specific purpose is given to the Board of Trustees.

In circumstances where an expenditure is incurred for a purpose for which amounts are available in multiple fund balance classifications (that is restricted, assigned or unassigned), the expenditure is to be spent first from the restricted fund balance to the extent appropriated by either budget vote or board approved budget revision and then from the assigned fund balance to the extent that there is an assignment and then from the unassigned fund balance.

# INCORPORATED VILLAGE OF MALVERNE

## Notes to the Financial Statements

**For the Year Ended May 31, 2022**

The Village has made the following fund balance designations:

	General Fund	Capital Projects Fund	Public Library Fund
<b>Nonspendable Fund Balance:</b>			
Inventory	\$ 22,912	\$ -	\$ -
Total Nonspendable Fund Balance	\$ 22,912	\$ -	\$ -
<b>Restricted Fund Balance:</b>			
Unspent Bond Proceeds	\$ -	\$ 1,758,608	\$ -
Cablevision Scholarship	21,082	-	-
Verizon Cable Grant	95,255	-	-
Length of Service Award Program	2,082,081	-	-
Total Restricted Fund Balance	\$ 2,198,418	\$ 1,758,608	\$ -
<b>Assigned Fund Balance:</b>			
Subsequent Year's Budget	\$ 515,000	\$ -	\$ -
Terminal Leave - Police Department	822,051	-	-
Contract Settlement	75,000	-	-
Transportation	10,000	-	-
Various Capital Improvements	14,969	97,754	-
Repairs to Village Buildings	88,011	-	-
Operation of Library	-	-	127,275
Total Assigned Fund Balance	\$ 1,525,031	\$ 97,754	\$ 127,275

### F. CONCENTRATION OF RISK

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

### 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.



# INCORPORATED VILLAGE OF MALVERNE

## Notes to the Financial Statements For the Year Ended May 31, 2022

### 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, 2022 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.

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

### H. SUBSEQUENT EVENTS

There were no events subsequent to May 31, 2022 and the date that these financial statements were available to be issued, October 15, 2022, that would have a material impact on these financial statements.

**INCORPORATED VILLAGE OF MALVERNE**

**Required Supplementary Information  
For the Year Ended May 31, 2022  
(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	\$ 15,067,523	\$ 15,067,523	\$ 15,162,290	\$ -	\$ 15,162,290
Real Property Tax Items	35,000	35,000	72,907	-	72,907
Non Property Tax Items	346,000	346,000	378,038	-	378,038
Departmental Income	302,150	305,150	447,446	-	447,446
Intergovernmental Charges	424,822	424,822	426,714	-	426,714
Use of Money and Property	25,620	25,620	34,469	67,161	101,630
Licenses and Permits	200,800	200,800	302,929	-	302,929
Fines and Forfeitures	376,000	376,000	340,152	-	340,152
Minor Sales and Compensation for Loss	31,000	31,000	57,982	-	57,982
Miscellaneous Local Sources	121,018	133,928	128,986	-	128,986
State and Federal Aid	173,656	198,882	368,137	-	368,137
<b>Total Revenues</b>	<u>17,103,589</u>	<u>17,144,725</u>	<u>17,720,050</u>	<u>67,161</u>	<u>17,787,211</u>
<b>Expenditures:</b>					
General Government Support	2,429,626	2,188,764	1,965,497	-	1,965,497
Education	-	2,000	2,000	-	2,000
Public Safety	5,055,621	5,557,261	5,353,959	81,233	5,435,192
Health	43,980	43,980	36,627	-	36,627
Transportation	951,480	1,082,389	987,392	-	987,392
Economic Assistance and Opportunity	16,000	12,690	2,344	-	2,344
Culture and Recreation	206,560	277,178	237,059	-	237,059
Home and Community Services	1,861,898	1,879,711	1,866,950	-	1,866,950
Employee Benefits	5,469,924	5,478,729	5,198,468	(189,927)	5,008,541
Debt Service	975,000	975,000	974,451	-	974,451
<b>Total Expenditures</b>	<u>17,010,089</u>	<u>17,497,702</u>	<u>16,624,747</u>	<u>(108,694)</u>	<u>16,516,053</u>
<b>Excess of Revenues Over Expenditures</b>	<u>93,500</u>	<u>(352,977)</u>	<u>1,095,303</u>	<u>175,855</u>	<u>1,271,158</u>
<b>Other Financing Sources (Uses):</b>					
Loss on Valuation of Investments	-	-	-	(26,916)	(26,916)
Insurance Recoveries	-	34,227	48,112	-	48,112
Transfers Out	<u>(640,000)</u>	<u>(932,139)</u>	<u>(925,031)</u>	<u>-</u>	<u>(925,031)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(640,000)</u>	<u>(897,912)</u>	<u>(876,919)</u>	<u>(26,916)</u>	<u>(903,835)</u>
<b>Net Change in Fund Balance</b>	<u>\$ (546,500)</u>	<u>\$ (1,250,889)</u>	218,384	148,939	367,323
<b>Fund Balance at Beginning of Year</b>			5,673,531	1,933,142	7,606,673
<b>Fund Balance at End of Year</b>			<u>\$ 5,891,915</u>	<u>\$ 2,082,081</u>	<u>\$ 7,973,996</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.

\$ 148,939

**INCORPORATED VILLAGE OF MALVERNE**  
**For the Year Ended May 31, 2022**  
**(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	\$ 5,400	\$ 5,400	\$ 9,990
Intergovernmental Charges	84,391	84,391	84,813
Use of Money and Property	90	90	139
State and Federal Aid	30,591	30,591	25,039
	<u>120,472</u>	<u>120,472</u>	<u>119,981</u>
<b>Expenditures:</b>			
Culture and Recreation	545,807	545,807	525,266
Employee Benefits	214,665	214,665	188,453
	<u>760,472</u>	<u>760,472</u>	<u>713,719</u>
<b>Deficiency of Revenues Under Expenditures</b>	<u>(640,000)</u>	<u>(640,000)</u>	<u>(593,738)</u>
<b>Other Financing Sources:</b>			
Transfers In	640,000	640,000	640,000
Transfers Out	-	-	(12,453)
	<u>640,000</u>	<u>640,000</u>	<u>627,547</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	33,809
<b>Fund Balance at Beginning of Year</b>			<u>93,466</u>
<b>Fund Balance at End of Year</b>			<u>\$ 127,275</u>

*See Notes to the Financial Statements*

**INCORPORATED VILLAGE OF MALVERNE**  
**Required Supplementary Information**  
**For the Year Ended May 31, 2022**  
**(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>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	0.0103709%	0.0094051%	0.0106265%	0.0110456%	0.0112793%	0.0116979%	0.0122226%
	PFRS	0.0828575%	0.0924367%	0.0897212%	0.0878035%	.0924218%	0.0925739%	0.0895952%
Village's proportionate share of the net pension liability (asset)		\$ (377,111)	\$ 1,614,321	\$ 7,609,491	\$ 2,255,133	\$ 1,298,195	\$ 3,017,894	\$ 4,614,490
Village's covered payroll		\$ 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		(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)		102.86%	99.30%	86.16%	96.09%	98.04%	94.50%	90.70%

\*\* The amounts presented for the fiscal year were determined as of the March 31, 2022 measurement date.

**INCORPORATED VILLAGE OF MALVERNE**  
**Required Supplementary Information**  
**For the Year Ended May 31, 2022**  
**(Unaudited)**

**Schedule of Local Government Contributions**

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 1,578,732	\$ 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>1,578,732</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>
Village's covered-employee payroll	\$ 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	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, 2022**  
**(Unaudited)**

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

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

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

**Notes:**

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

December 31, 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, 2022**  
**(Unaudited)**

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

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

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

**Notes:**

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

May 31, 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.

**INCORPORATED VILLAGE OF MALVERNE**  
**Required Supplementary Information**  
**For the Year Ended May 31, 2022**  
**(Unaudited)**

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

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

**Notes:**

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

*Plan changes:* None None None None

*Assumption changes:*

Discount rate 3.16% 2.20% 2.16% 3.51%

Pre-65 Trend Rate 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 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*