



**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION WITH
INDEPENDENT AUDITOR'S REPORTS**

May 31, 2020

INCORPORATED VILLAGE OF OCEAN BEACH
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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Incorporated Village of Ocean Beach
Ocean Beach, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the fiduciary fund of the Incorporated Village of Ocean Beach (Village), as of and for the year ended May 31, 2020, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the fiduciary fund of the Incorporated Village of Ocean Beach, as of May 31, 2020, 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.

Changes in Accounting Principles

As described in Note 2 to the financial statements, "Changes in Accounting Principles", the Village has adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as of May 31, 2020. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, schedule of revenues, expenditures and changes in fund balance – budget and actual – general fund, schedule of revenues, expenditures and changes in fund balance – budget and actual – water fund, schedule of revenues, expenditures and changes in fund balance – budget and actual – sewer fund, schedule of the Village's proportionate share of the net pension liability, schedule of Village pension contributions, and schedule of changes in the Village's total OPEB liability and related ratios on pages 3 through 14 and 50 through 58, respectively, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2020 on our consideration of the Incorporated Village of Ocean Beach's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Incorporated Village of Ocean Beach's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Incorporated Village of Ocean Beach's internal control over financial reporting and compliance.

Cullen & Danowski, LLP

October 30, 2020

**INCORPORATED VILLAGE OF OCEAN BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Incorporated Village of Ocean Beach's discussion and analysis of the financial performance provides an overall review of the Village's financial activities for the fiscal year ended May 31, 2020 in comparison with the year ended May 31, 2019, with emphasis on the current year. This should be read in conjunction with the financial statements and notes to financial statements, which immediately follow this section.

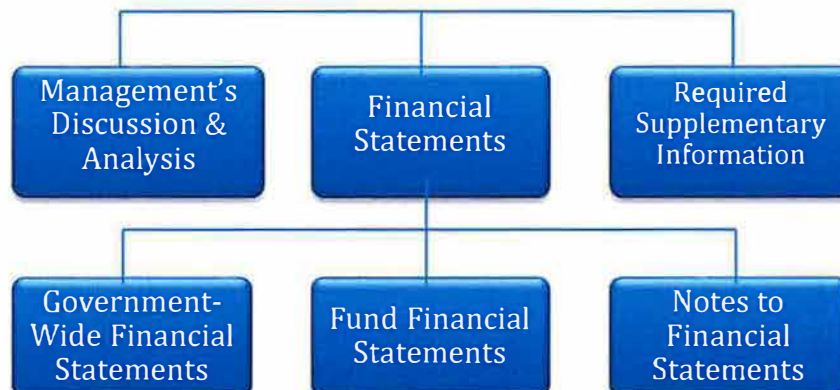
1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2020 are as follows:

- The Village's total net position at May 31, 2020 was restated and decreased by \$3,603,260, as a result of the required implementation of a GASB accounting standard during the year. This GASB accounting standard has no impact on the governmental funds financial statements.
- The Village's total net position, as reflected in the government-wide financial statements, increased by \$2,632,709. This was due to an excess of revenues over expenses using the economic resources measurement focus and the accrual basis of accounting.
- The Village's expenses for the year, as reflected in the government-wide financial statements, totaled \$7,922,068. This amount was offset by program charges for services and capital grants totaling \$4,157,152. General revenues of \$6,397,625 amount to 60.6% of total revenues.
- The general fund's total fund balance, as reflected in the fund financial statements, increased by \$42,047. This was due to an excess of revenues over expenditures and other financing uses using the current financial resources measurement focus and the modified accrual basis of accounting.
- On the balance sheet, the general fund's unassigned fund balance at year end was \$4,545,906. This represents a decrease of \$44,779 from the prior year.
- The Village redeemed \$1,120,000 in BANs from appropriations in the current year.
- The Village's 2020 property tax levy of \$4,341,049 was a 2.68% increase over the 2019 tax levy. The Village's property tax cap was 3.07%.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts - management's discussion and analysis (MD&A), the financial statements, and required supplementary information. The financial statements consist of government-wide financial statements, fund financial statements, and notes to financial statements. A graphic display of the relationship of these statements follows:



INCORPORATED VILLAGE OF OCEAN BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

A. Government-Wide Financial Statements

The government-wide financial statements present the governmental activities of the Village and are organized to provide an understanding of the fiscal performance of the Village as a whole in a manner similar to a private sector business. There are two government-wide financial statements - the Statement of Net Position and the Statement of Activities. These statements provide both an aggregate and long-term view of the Village's finances.

These statements utilize the economic resources measurement focus and the accrual basis of accounting. This basis of accounting recognizes the financial effects of events when they occur, without regard to the timing of cash flows related to the events.

The Statement of Net Position

The Statement of Net Position presents information on all of the Village's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The Statement of Activities

The Statement of Activities presents information showing the change in net position during the fiscal year. All changes in net position are recorded at the time the underlying financial event occurs. Revenues are recognized in the period when they are earned and expenses are recognized in the period when the liability is incurred. Therefore, revenues and expenses are reported in the statement for some items that will result in cash flow in future fiscal periods.

B. Fund Financial Statements

The fund financial statements provide more detailed information about the Village's funds, not the Village as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village also uses fund accounting to ensure compliance with finance-related legal requirements. The funds of the Village are reported in the governmental funds and the fiduciary fund.

Governmental Funds

These statements utilize the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting recognizes revenues in the period when they become measurable and available. It recognizes expenditures in the period when the Village incurs the liability, except for certain expenditures such as debt service on general long-term indebtedness, compensated absences, pension costs, and other postemployment benefits which are recognized as expenditures to the extent the related liabilities mature each period.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental fund financial statements focus on shorter term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year for spending in future years. Consequently, the governmental fund statements provide a detailed short-term view of the Village's operations and the services it provides.

INCORPORATED VILLAGE OF OCEAN BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may better understand the long-term impact of the Village's near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Village maintains four individual governmental funds: general fund, sewer fund, water fund and capital projects fund, each of which is considered to be a major fund and is presented separately in the fund financial statements.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the Village in its capacity as agent or trustee and utilize the economic resources measurement focus and the accrual basis of accounting. All of the Village's fiduciary activities are reported in a separate statement. The fiduciary activities have been excluded from the government-wide financial statements because the Village cannot use these assets to finance its operations.

3. FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

A. Net Position

The Village's total net position increased by \$2,632,709 between fiscal year 2020 and 2019. The May 31, 2019 net position has been decreased by \$3,603,260, resulting from the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Additionally, the May 31, 2019 balances reflect the total OPEB liability in accordance with the GASB Statement. A summary of the Village's Statements of Net Position follows:

	2020	As Restated 2019	Increase (Decrease)	Percentage Change
Assets				
Current and Other Assets	\$ 10,363,040	\$ 13,813,296	\$ (3,450,256)	(24.98)%
Capital Assets, Net	31,847,254	30,958,980	888,274	2.87 %
Total Assets	<u>42,210,294</u>	<u>44,772,276</u>	<u>(2,561,982)</u>	(5.72)%
Deferred Outflows of Resources	<u>1,533,857</u>	<u>504,458</u>	<u>1,029,399</u>	204.06 %
Liabilities				
Current and Other Liabilities	593,939	4,928,116	(4,334,177)	(87.95)%
Long-Term Liabilities	6,017,408	6,499,073	(481,665)	(7.41)%
Net Pension Liability - Proportionate Share	1,985,390	631,007	1,354,383	214.64 %
Total OPEB Liability	<u>3,861,869</u>	<u>3,603,260</u>	<u>258,609</u>	7.18 %
Total Liabilities	<u>12,458,606</u>	<u>15,661,456</u>	<u>(3,202,850)</u>	(20.45)%
Deferred Inflows of Resources	<u>255,967</u>	<u>1,218,409</u>	<u>(962,442)</u>	(78.99)%
Net Position				
Net Investment in Capital Assets	26,319,014	21,130,888	5,188,126	24.55 %
Restricted	664,499	653,708	10,791	1.65 %
Unrestricted	<u>4,046,065</u>	<u>6,612,273</u>	<u>(2,566,208)</u>	(38.81)%
Total Net Position	<u>\$ 31,029,578</u>	<u>\$ 28,396,869</u>	<u>\$ 2,632,709</u>	9.27 %

INCORPORATED VILLAGE OF OCEAN BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

The decrease in current and other assets was primarily the result of decreases in cash and the amount due from state and federal governments (primarily a decrease in FEMA aid receivable), offset by increases in accounts receivable and inventory of ferry tickets.

The increase in capital assets, net is due to capital asset additions in excess of depreciation expense. The accompanying Notes to Financial Statements, Note 9 "Capital Assets" provides additional information.

Deferred outflows of resources represents contributions to the pension plans subsequent to the measurement dates and actuarial adjustments of the pension and OPEB plans that will be amortized in future years.

The decrease in current and other liabilities is mainly due to decreases in bond anticipation notes payables, account payable (primarily in amounts due for capital projects), and collections in advance (primarily in fire protection fees). The decrease in bond anticipation notes payable is the result of the Village redeeming the balance outstanding from the prior year.

The decrease in long-term liabilities is primarily the result of the repayment of the current maturity of the bond indebtedness, net of the increase in compensated absences liability.

Net pension liability – proportionate share represents the Village's share of the New York State and Local Employees' Retirement System and the New York State Local Police and Fire Retirement System's collective net pension liability, at the measurement date of the respective year. The accompanying Notes to Financial Statements, Note 13 "Pension Plans – New York State" provides additional information.

Total other postemployment benefits (OPEB) liability increased, based on the actuarial valuation of the plan. The accompanying Notes to Financial Statements, Note 15 "Postemployment Healthcare Benefits", provides additional information.

Deferred inflows of resources represents actuarial adjustments of the pension plans that will be amortized in future years.

The net investment in capital assets is the investment in capital assets at cost, net of accumulated depreciation and related outstanding debt.

The restricted amount relates to the Village's reserves and restricted fund balance. This number increased over the prior year principally due to the net increase in the Village-sponsored LOSAP for volunteers of the Village fire department.

The unrestricted amount relates to the balance of the Village's net position. This balance does not include the Village's reserves, which are classified as restricted. Additionally, certain unfunded liabilities will have the effect of reducing the Village's unrestricted net position. One such unfunded liability is the total OPEB obligation. In accordance with state guidelines, the Village is only permitted to fund OPEB on a "pay as you go" basis, and is not permitted to accumulate funds for the OPEB obligation.

**INCORPORATED VILLAGE OF OCEAN BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**

B. Changes in Net Position

The results of operations as a whole are reported in the Statement of Activities in a programmatic format. A summary of this statement for the years ended May 31, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Revenues				
Program Revenues				
Charges for Services	\$ 2,143,503	\$ 2,087,764	\$ 55,739	2.67 %
Capital Grants	2,013,649	6,167,896	(4,154,247)	(67.35)%
General Revenues				
Property Taxes	4,310,551	4,201,178	109,373	2.60 %
State Sources	83,042	65,827	17,215	26.15 %
Other	2,004,032	2,009,785	(5,753)	(0.29)%
Total Revenues	<u>10,554,777</u>	<u>14,532,450</u>	<u>(3,977,673)</u>	<u>(27.37)%</u>
Expenses				
General government	2,453,607	2,530,459	(76,852)	(3.04)%
Public safety	1,854,050	1,773,876	80,174	4.52 %
Health	3,757	3,768	(11)	(0.29)%
Transportation	312,206	269,135	43,071	16.00 %
Culture and recreation	486,148	450,116	36,032	8.01 %
Home and community	1,328,039	1,458,214	(130,175)	(8.93)%
Debt Service - Interest	189,267	312,036	(122,769)	(39.34)%
Depreciation expense - unallocated	1,294,994	989,266	305,728	
Total Expenses	<u>7,922,068</u>	<u>7,786,870</u>	<u>135,198</u>	<u>1.74 %</u>
Change in Net Position	<u>\$ 2,632,709</u>	<u>\$ 6,745,580</u>	<u>\$ (4,112,871)</u>	<u>(60.97)%</u>

The Village's net position increased by \$2,632,709, exclusive of a prior period adjustment of \$3,603,260, and \$6,745,580 for the years ended May 31, 2020 and 2019, respectively.

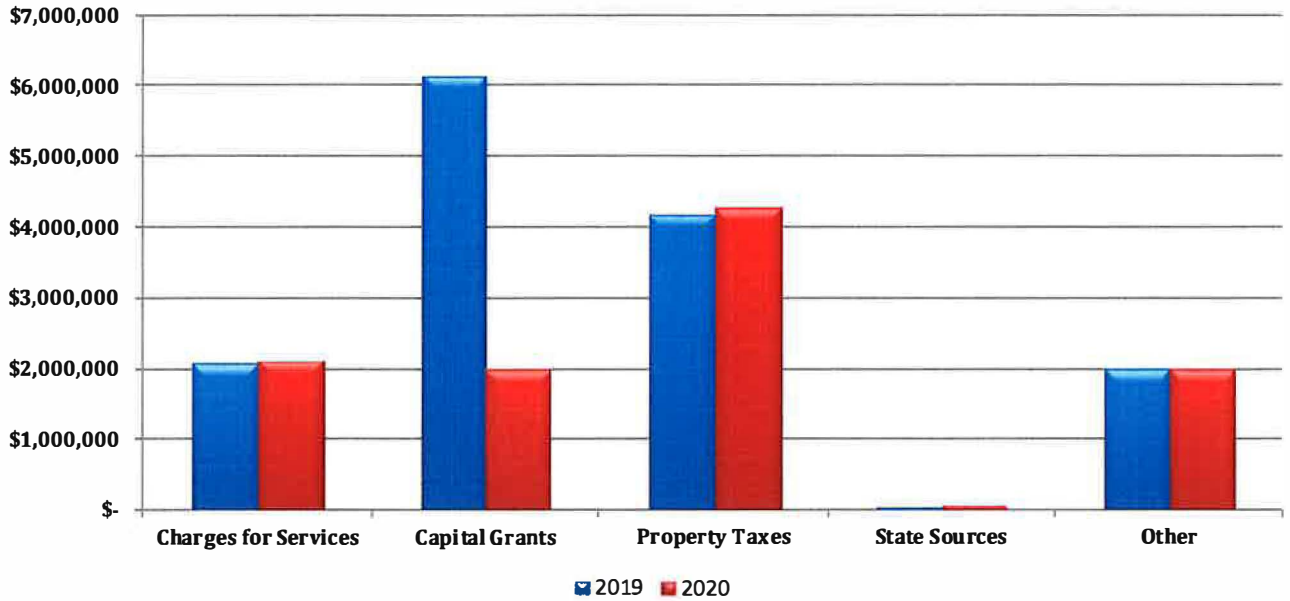
The Village's revenues decreased \$3,977,673 or 27.37%. The decrease is mainly attributable to a decrease in capital grants, which is the result of decreased FEMA aid due to the completion of various repair projects.

The Village's total expenses for the year increased by \$135,198 or 1.74%. The increase is due to a combination of increases and decreases in various areas. Depreciation expense increased due to a large number of assets being placed in service as capital projects were completed, and employee benefits allocated to functions increased in general government support, public safety, transportation, culture and recreation, and home and community services in varying amounts compared to the prior year. Home and community services decreased overall due to the upgrade of water meters in the prior year.

As indicated in the graphs that follow, property taxes (40.8%) and capital grants (42.4%) are the largest component of revenues recognized of the total for the years 2020 and 2019, respectively. General government support expenses is the largest category of expenses incurred (i.e. 31.0% and 32.5% of the total for the years 2020 and 2019, respectively).

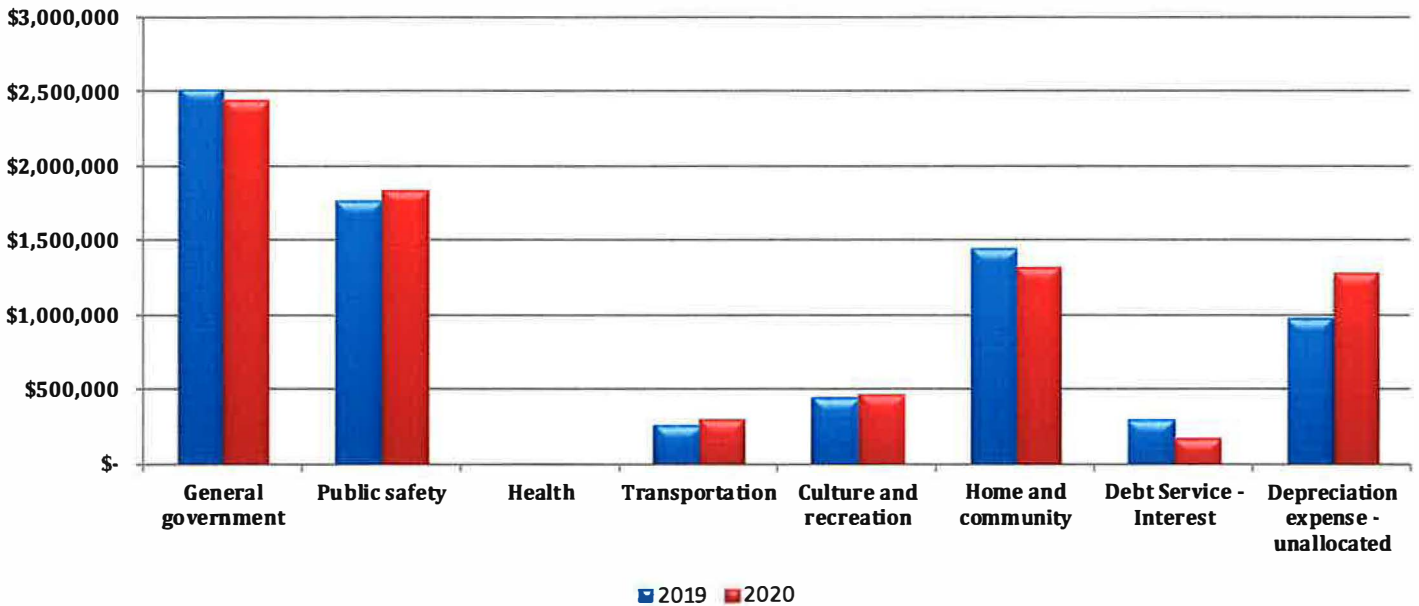
**INCORPORATED VILLAGE OF OCEAN BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**

A graphic display of the distribution of revenues for the two years follows:



	Charges for Services	Capital Grants	Property Taxes	State Sources	Other
2019	14.4%	42.4%	28.9%	0.5%	13.8%
2020	20.3%	19.1%	40.8%	0.8%	19.0%

A graphic display of the distribution of expenses for the two years follows:



	General government	Public safety	Health	Transportation	Culture and recreation	Home and community	Debt Service - Interest	Depreciation expense - unallocated
2019	32.5%	22.8%	0.0%	3.5%	5.8%	18.7%	4.0%	12.7%
2020	31.0%	23.5%	0.0%	3.9%	6.1%	16.8%	2.4%	16.3%

INCORPORATED VILLAGE OF OCEAN BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

4. FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

At May 31, 2020, the Village's governmental funds reported a combined fund balance of \$9,737,059, which is an increase of \$1,640,422 over the prior year. This increase is due to an excess of revenues and other financing sources over expenditures and other financing uses using the current financial resources measurement focus and the modified accrual basis of accounting. A summary of the change in the components of fund balance by fund is as follows:

	2020	2019	Increase (Decrease)
General Fund			
Nonspendable:			
Inventory	\$ 74,065	\$ 16,594	\$ 57,471
Prepays	1,574		1,574
Restricted			
Retirement contribution	20,000	20,000	-
Debt service	56,179	56,179	-
Service award program	588,320	577,529	10,791
Assigned: Unappropriated fund balance			
Fireworks fund	717	717	-
Storm damage	1,000,000	1,000,000	-
Tax certiorari settlements	38,395	38,395	-
Beach, parks, recreation facilities	158,017	158,017	-
Dune protection/flood erosion	67,228	67,228	-
Encumbrances	16,990		16,990
Unassigned: Fund balance	4,545,906	4,590,685	(44,779)
	<u>6,567,391</u>	<u>6,525,344</u>	<u>42,047</u>
Water Fund			
Nonspendable: Prepays	158	-	158
Assigned: Appropriated fund balance	35,681	31,479	4,202
Assigned: Unappropriated fund balance	821,375	722,666	98,709
	<u>857,214</u>	<u>754,145</u>	<u>103,069</u>
Sewer Fund			
Assigned: Unappropriated fund balance	<u>1,231,459</u>	<u>1,174,771</u>	<u>56,688</u>
Capital Projects Fund			
Restricted: Unspent bond proceeds	429,181	174,212	254,969
Assigned: Unappropriated fund balance	651,814		651,814
Unassigned: Fund balance (deficit)		(531,835)	531,835
	<u>1,080,995</u>	<u>(357,623)</u>	<u>1,438,618</u>
Total Fund Balance	<u>\$ 9,737,059</u>	<u>\$ 8,096,637</u>	<u>\$ 1,640,422</u>

INCORPORATED VILLAGE OF OCEAN BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

A. General Fund

The net change in the general fund – fund balance is an increase of \$42,047, compared to a decrease of \$169,475 in 2019. This resulted from revenues in excess of expenditures and other financing uses.

The Village's revenues increased by \$215,901 or 3.20%, as compared to the prior year. The increase is primarily attributable to increases in real property taxes and use of money and property. The increase in property taxes is due to an increase in the tax levy in accordance with the 2019-2020 budget. Use of money and property increased as a result of increased annual fees for rental of property.

Expenditures and other financing uses increased \$4,379 or 0.06% over the prior year. This was due to an increase debt service principal, offset by decreases in general government, culture and recreation, and debt service interest.

B. Water Fund

The net change in the water fund – fund balance is an increase of \$103,069, compared to a decrease of \$94,764 in 2019. This resulted from revenues in excess of expenditures.

The Village's revenues increased by \$11,643 or 1.41%, as compared to the prior year. The increase is primarily attributable to the increase in the annual water service charges.

Expenditures decreased \$186,190 or 20.17%, from the prior year. This decrease was primarily due to a decrease in home and community services because the Village purchased and installed new water meters in the prior year.

C. Sewer Fund

The net change in the sewer fund – fund balance is an increase of \$56,688, compared to an increase of \$115,314 in 2019. This resulted from revenues in excess of expenditures.

The Village's revenues decrease by \$17,539 or 1.98%, as compared to the prior year. This decrease is primarily attributable to a decrease in use of money and property, which is the result of a decreased interest rate in the Village's NYCLASS bank account.

Expenditures increased \$41,087 or 5.33% over the prior year. This increase was primarily due to increases in general government, home and community, and employee benefits. The increases in general government and employee benefits are due to the Village increasing the allocation of the Clerk/Treasurer's salary to the sewer fund in the current year. The increase in home and community is the result of a non-recurring expense to clean and inspect pipes.

D. Capital Projects Fund

The capital projects fund - fund balance increased by \$1,438,618, compared to an increase of \$2,878,328 in 2019. This increase was a result of revenues and other financing sources in excess of expenditures.

The Village's revenues decreased by \$4,162,546. This was due to a decrease in the amount of Federal aid received for ongoing capital projects.

Expenditures decreased by \$5,075,641. This was the result of larger projects nearing completion in the prior year, therefore requiring fewer expenditures in the current year.

**INCORPORATED VILLAGE OF OCEAN BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2019-2020 Budget

The Village's general fund adopted budget for the year ended May 31, 2020 was \$6,810,881. This amount was increased by a budget revision in the amount of \$629,000 for a final budget of \$7,439,881.

The final budget was funded by estimated revenues. The majority of this funding source was \$3,814,441 in estimated property taxes.

B. Change in General Fund's Unassigned Fund Balance (Budget to Actual)

The general fund's unassigned fund balance is the component of total fund balance that is the residual of prior years' excess revenues over expenditures, net of transfers to reserves, assignments and amounts classified as nonspendable. The change in this balance demonstrated through a comparison of the actual revenues and expenditures for the year compared to budget follows:

Opening, Unassigned Fund Balance	\$ 4,590,685
Fund Balance Appropriated for Budget Revision	(629,000)
Revenues Over Budget	157,735
Expenditures and Encumbrances Under Budget	496,322
Net Change in Nonspendable Fund Balance	(59,045)
Net Change to Service Award Program Fund Balance	<u>(10,791)</u>
Closing, Unassigned Fund Balance	<u>\$ 4,545,906</u>

Opening, Unassigned Fund Balance

The \$4,590,685 shown in the table is the portion of the Village's May 31, 2019 fund balance that was retained as unassigned.

Fund Balance Appropriated for Budget Revision

The Village increased appropriations by \$629,000, funded by unassigned fund balance. The increase was needed to fund the redemption of bond anticipation notes. This decreased the unassigned portion of the general fund fund balance.

Revenues Over Budget

The 2019-2020 budget for revenues was \$6,810,881. Actual revenues recognized for the year were \$6,968,616. The excess of actual revenue over estimated or budgeted revenue was \$157,735, which contributes directly to the change to the general fund unassigned fund balance from May 31, 2019 to May 31, 2020. The accompanying Required Supplementary Information, Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund, provides additional information.

**INCORPORATED VILLAGE OF OCEAN BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**

Expenditures and Encumbrances Under Budget

The 2019-2020 final budget for expenditures was \$7,439,881. Actual expenditures as of May 31, 2020 were \$6,926,569 and outstanding encumbrances were \$16,990. Combined, the expenditures plus encumbrances for 2019-2020 were \$6,943,559. The final variance was \$496,332, which contributes directly to the change to the general fund unassigned fund balance from May 31, 2019 to May 31, 2020. The accompanying Required Supplementary Information, Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund, provides additional information.

Net Change in Nonspendable Fund Balance

The Village had purchased ferry tickets available for resale at May 31, 2020. Accordingly, an equal amount of fund balance is classified as Nonspendable. The increase in Nonspendable fund balance reduces unassigned fund balance.

Net Change to Service Award Program Fund Balance

Service award program fund balance increase reflects the excess of service award program revenues over expenditures.

Closing Unassigned Fund Balance

Based upon the summary changes shown in the above table, the unassigned fund balance at May 31, 2020 was \$4,545,906. This amount equals 67% of the 2020-2021 budget.

6. CAPITAL ASSETS, DEBT ADMINISTRATION AND OTHER LONG-TERM LIABILITIES

A. Capital Assets

At May 31, 2020, the Village had invested in a broad range of capital assets, as indicated in the table below. The net increase in capital assets is due to capital additions of \$2,183,268 in excess of depreciation expense of \$1,294,994 recorded for the year ended May 31, 2020. A summary of the Village's capital assets, net of accumulated depreciation at May 31, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>
Land	\$ 225,326	\$ 225,326	\$ -
Construction in progress	574,971	6,229,254	(5,654,283)
Buildings	11,629,652	12,317,013	(687,361)
Equipment	956,690	821,913	134,777
Infrastructure	<u>18,460,615</u>	<u>11,365,474</u>	<u>7,095,141</u>
Capital assets, net	<u>\$ 31,847,254</u>	<u>\$ 30,958,980</u>	<u>\$ 888,274</u>

**INCORPORATED VILLAGE OF OCEAN BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**

B. Debt Administration

At May 31, 2020, the Village has total bonds payable of \$5,923,484. The decrease in outstanding bonds represents principal payments. The Village also has total capital leases payables of \$33,937. The decrease in outstanding capital leases represents current year principal payments. A summary of the outstanding debt at May 31, 2020 and 2019 is as follows:

Issue Date	Interest Rate	2020	2019	Increase (Decrease)
Bonds Payable				
12/13/2012	1.25 - 2.25%	\$ 695,000	\$ 785,000	\$ (90,000)
12/13/2012	1.25 - 2.25%	225,000	250,000	(25,000)
12/13/2012	1.25 - 2.00%	340,000	440,000	(100,000)
12/13/2012	1.25 - 2.00%	40,000	50,000	(10,000)
4/12/2018	2.00 - 3.00%	870,000	935,000	(65,000)
4/12/2018	2.00 - 3.00%	580,000	630,000	(50,000)
4/12/2018	2.00 - 3.00%	430,000	465,000	(35,000)
6/13/2019	0.00%	1,732,260	1,792,000	(59,740)
6/20/2019	1.31 - 3.81%	1,011,224	1,041,224	(30,000)
		<u>\$ 5,923,484</u>	<u>\$ 6,388,224</u>	<u>\$ (464,740)</u>
Capital Lease Payable				
2/1/2005	5.58%	<u>\$ 33,937</u>	<u>\$ 66,081</u>	<u>\$ (32,144)</u>

The Village's latest underlying, long-term credit rating from Standard & Poor's Corporation is AAA. The Village's outstanding serial bonds at May 31, 2020 are 24.92% of the Village's available debt limit.

C. Other Long-Term Liabilities

Included in the Village's long-term liabilities are the estimated amounts due for compensated absences, net pension liability – proportionate share, and total other postemployment benefits. The compensated absences liability is based on the employee handbook. The net pension liability – proportionate share and total other postemployment benefits are based on actuarial valuations.

	2020	As Restated 2019	Increase (Decrease)
Compensated absences	\$ 59,987	\$ 44,768	\$ 15,219
Net pension liability - proportionate share	1,985,390	631,007	1,354,383
Total other postemployment benefits	<u>3,861,869</u>	<u>3,603,260</u>	<u>258,609</u>
	<u>\$ 5,907,246</u>	<u>\$ 4,279,035</u>	<u>\$ 1,628,211</u>

**INCORPORATED VILLAGE OF OCEAN BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**

7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

A. Subsequent Year's Budget

The Board of Trustees approved a \$6,747,693 general fund budget, \$871,349 water fund budget, and \$909,742 sewer fund budget for a total budget of \$8,528,784 for the year ending May 31, 2021. This is a decrease of \$66,357 or 0.77% from the previous year's budget. The decrease is principally the result of a combination of increases in general government support, public safety, home and community services, and employee benefits offset by decreases in debt service, culture and recreation, transportation, and health.

The Village budgeted non-property tax revenues at a \$97,636 decrease from the prior year's estimate. A property tax increase of \$29,110 (0.67%), levy to levy, was needed to meet the funding shortfall. The tax cap for the year ending May 31, 2021 is 2.89%.

B. Future Budgets

The property tax cap and uncertainty in state aid, as well as operating adjustments attributed to COVID-19, may impact the Village's future budgets.

C. Tax Cap

New York State law limits the increase in the property tax levy of municipalities to the lesser of 2% or the rate of inflation. There are additional statutory adjustments in the law. Municipalities may override the tax levy limit by first passing a local law that allows for the tax levy limit to be exceeded. A subsequent vote to override the tax levy limit requires a 60% vote of the voting power of the governing body to pass (i.e., super majority). Based on the law, the Village's tax cap is 2.89%. The Village's 2020-2021 property tax increase of 0.67% was less than the tax cap and did not require an override vote.

8. CONTACTING THE VILLAGE

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. Requests for additional information can be directed to:

Steven Brautigam
Village Clerk/Treasurer
Incorporated Village of Ocean Beach
P.O. Box 457
Ocean Beach, NY 11770

INCORPORATED VILLAGE OF OCEAN BEACH
Statement of Net Position
May 31, 2020

ASSETS

Cash	
Unrestricted	\$ 7,887,253
Restricted	1,093,680
Receivables	
Accounts receivable	529,972
Taxes receivable	10,665
Due from fiduciary funds	46
Due from state and federal	165,714
Due from other governments	11,593
Inventory	74,065
Prepays	1,732
Service award program	588,320
Capital assets:	
Not being depreciated	800,297
Being depreciated, net of accumulated depreciation	<u>31,046,957</u>
 Total Assets	 <u>42,210,294</u>

DEFERRED OUTFLOWS OF RESOURCES

Pensions	1,343,241
Other postemployment benefits	<u>190,616</u>
 Total Deferred Outflow of Resources	 <u>1,533,857</u>

LIABILITIES

Payables	
Accounts payable	229,202
Accrued liabilities	224,629
Due to NYSLRS	64,686
Unearned credits - collections in advance	75,422
Long-term liabilities	
Due and payable within one year	
Bonds payable	475,964
Capital lease payable	33,937
Due and payable after one year	
Bonds payable	5,447,520
Compensated absences payable	59,987
Net pension liability - proportionate share	1,985,390
Total other postemployment benefits	<u>3,861,869</u>
 Total Liabilities	 <u>12,458,606</u>

DEFERRED INFLOWS OF RESOURCES

Pensions	<u>255,967</u>
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NET POSITION

Net investment in capital assets	<u>26,319,014</u>
Restricted:	
Retirement contribution	20,000
Debt service	56,179
Service award program	<u>588,320</u>
	<u>664,499</u>
Unrestricted	<u>4,046,065</u>
 Total Net Position	 <u>\$ 31,029,578</u>

INCORPORATED VILLAGE OF OCEAN BEACH

Statement of Activities

For the Year Ended May 31, 2020

		Program Revenues		Net (Expense)
	Expenses	Charges for Services	Capital Grants	Revenue and Changes in Net Position
FUNCTIONS/PROGRAMS				
General government	\$ 2,453,607	\$ 568	\$ 136,532	\$ (2,316,507)
Public safety	1,854,050	678,551		(1,175,499)
Health	3,757			(3,757)
Transportation	312,206		233,849	(78,357)
Culture and recreation	486,148	328,493		(157,655)
Home and community	1,328,039	1,135,891	1,643,268	1,451,120
Debt service - interest	189,267			(189,267)
Depreciation - unallocated	1,294,994			(1,294,994)
	<u>\$ 7,922,068</u>	<u>\$ 2,143,503</u>	<u>\$ 2,013,649</u>	<u>(3,764,916)</u>
GENERAL REVENUES				
Real property taxes				4,310,551
Other tax items				504,474
Nonproperty taxes				14,422
Use of money and property				1,103,320
Licenses and permits				278,094
Fines and forfeitures				46,884
Sale of property and compensation for loss				50
Miscellaneous				56,788
State aid				83,042
				<u>6,397,625</u>
Change in Net Position				2,632,709
Total Net Position - Beginning of Year, as Restated				<u>28,396,869</u>
Total Net Position - End of Year				<u>\$ 31,029,578</u>

INCORPORATED VILLAGE OF OCEAN BEACH
Balance Sheet - Governmental Funds
 May 31, 2020

	General	Water	Sewer	Capital Projects	Total Governmental Funds
ASSETS					
Cash					
Unrestricted	\$ 5,029,872	\$ 886,724	\$ 1,226,856	\$ 743,801	\$ 7,887,253
Restricted	664,499			429,181	1,093,680
Receivables					
Accounts receivable	528,472	1,500			529,972
Taxes receivable	10,665				10,665
Due from other funds	23,043		22,480		45,523
Due from state and federal				165,714	165,714
Due from other governments	11,593				11,593
Inventory	74,065				74,065
Prepays	1,574	158			1,732
Service award program	588,320				588,320
Total Assets	\$ 6,932,103	\$ 888,382	\$ 1,249,336	\$ 1,338,696	\$ 10,408,517
LIABILITIES					
Payables					
Accounts payable	\$	\$	\$	\$ 229,202	\$ 229,202
Accrued liabilities	173,590	17,967	2,289		193,846
Due to other funds		7,952	9,026	28,499	45,477
Due to NYSLRS	52,875	5,249	6,562		64,686
Unearned credits - collections in advance	75,422				75,422
Total Liabilities	301,887	31,168	17,877	257,701	608,633
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	62,825				62,825
FUND BALANCES					
Nonspendable:					
Inventory	74,065				74,065
Prepays	1,574	158			1,732
Restricted:					
Retirement contribution	20,000				20,000
Debt service	56,179				56,179
Service award program	588,320				588,320
Unspent bond proceeds				429,181	429,181
Assigned:					
Appropriated fund balance		35,681			35,681
Unappropriated fund balance					
Fireworks fund	717				717
Storm damage	1,000,000				1,000,000
Tax certiorari settlements	38,395				38,395
Beach, parks, recreation facilities	158,017				158,017
Dune protection/flood erosion	67,228				67,228
Other fund balance	16,990	821,375	1,231,459	651,814	2,721,638
Unassigned: Fund balance	4,545,906				4,545,906
Total Fund Balances	6,567,391	857,214	1,231,459	1,080,995	9,737,059
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 6,932,103	\$ 888,382	\$ 1,249,336	\$ 1,338,696	\$ 10,408,517

INCORPORATED VILLAGE OF OCEAN BEACH
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
May 31, 2020

Total Governmental Fund Balances \$ 9,737,059

Amounts reported for governmental activities in the Statement of Net Position are different because:

The costs of building and acquiring capital assets (land, buildings, equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Balance Sheet. However, the Statement of Net Position includes those capital assets among the assets of the Village as a whole, and their original costs are expensed annually over their useful lives.

Original cost of capital assets	\$ 44,060,828	
Less: Accumulated depreciation	<u>(12,213,574)</u>	31,847,254

Proportionate share of long-term asset and liability, and deferred outflows and inflows associated with participation in the state retirement systems are not current financial resources or obligations and are not reported in the funds.

Deferred outflows of resources	1,343,241	
Net pension liability - police and fire retirement system	(935,459)	
Net pension liability - employees' retirement system	(1,049,931)	
Deferred inflows of resources	<u>(255,967)</u>	(898,116)

Total other postemployment benefits obligation and deferred outflows and inflows related to providing benefits in retirement are not current financial resources or obligations and are not reported in the funds.

Deferred outflows of resources	190,616	
Total other postemployment benefits obligation	<u>(3,861,869)</u>	(3,671,253)

Some of the Village's revenues will be collected after the year end, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the governmental funds, but are not deferred on the Statement of Net Position. 62,825

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:

Accrued interest on bonds payable	(30,783)	
Bonds payable	(5,923,484)	
Capital lease payable	(33,937)	
Compensated absences payable	<u>(59,987)</u>	<u>(6,048,191)</u>

Total Net Position \$ 31,029,578

INCORPORATED VILLAGE OF OCEAN BEACH
Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
For the Year Ended May 31, 2020

	General	Water	Sewer	Capital Projects	Total Governmental Funds
REVENUES					
Real property taxes	\$ 3,783,935	\$ 245,390	\$ 281,226	\$	\$ 4,310,551
Real property tax items	504,474				504,474
Non-property taxes	14,422				14,422
Departmental income	343,011	585,894	546,497		1,475,402
Intergovernmental income	668,101				668,101
Use of money and property	1,099,194	8,762	12,234		1,120,190
Licenses and permits	278,094				278,094
Fines and forfeited bail	46,884				46,884
Sale of property and compensation for loss	50				50
Miscellaneous	28,771		28,017		56,788
State aid	76,606				76,606
Federal aid	125,074			1,888,575	2,013,649
Total Revenues	6,968,616	840,046	867,974	1,888,575	10,565,211
EXPENDITURES					
General government support	1,794,147	59,434	92,065		1,945,646
Public safety	1,438,914				1,438,914
Health	3,757				3,757
Transportation	212,681			442,128	654,809
Culture and recreation	549,881				549,881
Home and community	477,138	291,839	396,730	1,157,329	2,323,036
Employee benefits	1,010,886	140,679	159,727		1,311,292
Debt service					
Principal	1,317,144	204,740	95,000		1,616,884
Interest	92,521	40,285	67,764		200,570
Total Expenditures	6,897,069	736,977	811,286	1,599,457	10,044,789
Excess of Revenues Over Expenditures	71,547	103,069	56,688	289,118	520,422
OTHER FINANCING SOURCES AND (USES)					
BANs redeemed from appropriations				1,120,000	1,120,000
Operating transfers in				29,500	29,500
Operating transfers (out)	(29,500)				(29,500)
Total Other Financing Sources and (Uses)	(29,500)	-	-	1,149,500	1,120,000
Net Change in Fund Balances	42,047	103,069	56,688	1,438,618	1,640,422
Fund Balances (Deficit) - Beginning of Year	6,525,344	754,145	1,174,771	(357,623)	8,096,637
End of Year	\$ 6,567,391	\$ 857,214	\$ 1,231,459	\$ 1,080,995	\$ 9,737,059

INCORPORATED VILLAGE OF OCEAN BEACH
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
For the Year Ended May 31, 2020

Net Change in Fund Balances \$ 1,640,422

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

Long-Term Revenue and Expense Differences

Certain revenues are recognized in the governmental funds when they provide current financial resources. However, these revenues were recognized in the Statement of Activities in prior years when they were earned. \$ (10,434)

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

Increase in compensated absences payable (15,219)
(25,653)

Capital Related Differences

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized and shown in the Statement of Net Position and allocated over their useful lives as annual depreciation expense in the Statement of Activities. This is the amount by which, capital outlays exceeded depreciation in the period.

Capital outlays and other additions 2,183,268
Depreciation expense (1,294,994)
888,274

Long-Term Debt Transactions Differences

Proceeds from the redemptions of BANs are an other financing source in the governmental funds, but increase long-term liabilities in the Statement of Net Position and do not affect the Statement of Activities. (1,120,000)

Repayment of long-term debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

Repayment of bond principal 464,740
Repayment of capital lease payable 32,144
Repayment of BAN principal 1,120,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount by which accrued decreased from May 31, 2019 to May 31, 2020. 11,303

508,187

Pension and Other Postemployment Benefits Differences

The change in the proportionate share of the collective pension expense of the state retirement plans and the change in other postemployment benefits expense reported in the Statement of Activities did not affect current financial resources and, therefore, are not reported in the governmental funds.

Police and fire retirement system (113,788)
Employees' retirement system (196,740)
Other postemployment benefits (67,993)
(378,521)

Change in Net Position of Governmental Activities \$ 2,632,709

INCORPORATED VILLAGE OF OCEAN BEACH
Statement of Fiduciary Net Position -
Fiduciary Fund
May 31, 2020

	<u>Agency</u>
ASSETS	
Cash	
Unrestricted	<u>\$ 63,082</u>
 LIABILITIES	
Due to governmental funds	\$ 46
Other liabilities	<u>63,036</u>
 Total Liabilities	 <u>\$ 63,082</u>

INCORPORATED VILLAGE OF OCEAN BEACH
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Incorporated Village of Ocean Beach (the "Village"), which was established in 1921, is governed by its Charter, New York State Village Law and 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 the Chief Executive Officer and the Treasurer serves as the Chief Fiscal Officer.

The financial statements of the Village have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) for governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of these accounting policies are as follows:

A. Financial Reporting Entity

The financial reporting entity is based on criteria set forth by GASB. The financial reporting entity consists of the primary government, which is the Village, organizations for which the primary government is financially accountable and 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.

The following basic services are provided: general support, public safety (police, fire protection, safety inspections), health, transportation (street maintenance and lighting), culture and recreation (parks, beaches, and other activities), and home and community service (sanitation services).

The accompanying financial statements present the activities of the Village. The Village is not a component unit of another reporting entity. The decision to include a potential component unit in the Village's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, there are no other entities that would be included in the Village's reporting entity.

B. Basis of Presentation

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities present information about the overall governmental financial activities of the Village, except for fiduciary activities. Eliminations have been made to minimize the double counting of interfund transactions. Governmental activities generally are financed through taxes, state aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while capital grants reflect capital-specific grants, if applicable.

The Statement of Net Position presents the financial position of the Village at fiscal year end. The Statement of Activities presents a comparison between program expenses and revenues for each function of the Village's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Employee benefits are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including real property taxes and state aid, are presented as general revenues.

INCORPORATED VILLAGE OF OCEAN BEACH
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fund Financial Statements

The fund financial statements provide information about the Village's funds, including fiduciary funds. Separate statements for each fund type, governmental and fiduciary, are presented. The Village's financial statements present the following fund types:

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 emphasis of governmental fund financial statements is on major funds as defined by GASB, each displayed in a separate column. The following are the Village's major governmental funds:

General Fund - is the general operating fund and is used to account for all financial transactions except those required to be accounted for in another fund.

Special Revenue Funds - are used to account for the proceeds of specific revenue sources (other than special grant funds and capital projects funds) that are legally restricted to expenditures for specified purposes.

Water Fund - used to account for transactions of the Village water system.

Sewer Fund - used to account for transactions of the Village sewer system.

Capital Projects Fund - is used to account for and report financial resources to be used for the acquisition, construction, renovation or major repair of capital facilities and other capital assets.

Fiduciary Funds - are used to account for activities in which the Village acts as a trustee or agent for resources that belong to others. These activities are not included in the government-wide financial statements, because their resources do not belong to the Village and are not available to be used to finance Village operations. The Village uses the following fiduciary fund:

Agency Fund - These funds are strictly custodial in nature and do not involve the measurement of results of operations. The agency fund is used to account for money (and/or property) received and held in the capacity of trustee, custodian, or agent.

C. Measurement Focus and Basis of Accounting

Measurement focus describes what type of information is reported, and is either the economic resources measurement focus or the current financial resources measurement focus. The economic resources measurement focus reports all assets, liabilities and deferred resources related to a given activity, as well as transactions of the period that affect net position. For example, all assets, whether financial (e.g., cash and receivables) or capital (e.g., property and equipment) and liabilities (including long-term debt and obligations) are reported. The current financial resources measurement focus reports more narrowly on assets, liabilities and deferred resources that are relevant to near-term liquidity, along with net changes resulting from transactions of the period. Consequently, capital assets and the unmatured portion of long-term debt and certain other liabilities the Village would not expect to liquidate currently with expendable available financial resources (e.g., compensated absences for employees still in active service) would not be reported.

INCORPORATED VILLAGE OF OCEAN BEACH
NOTES TO FINANCIAL STATEMENTS
(Continued)

Basis of accounting describes when changes are recognized, and is either the accrual basis of accounting or the modified accrual basis of accounting. The accrual basis of accounting recognizes changes in net position when the underlying event occurs, regardless of the timing of related cash flows. The modified accrual basis of accounting recognizes changes only at the point they affect near-term liquidity.

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the Village gives or receives value without directly receiving or giving equal value in exchange, include real property taxes, state aid, grants and donations. On an accrual basis, revenue from real property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from state aid is recognized in the fiscal year it is apportioned by the state. Revenue from grants and similar items is recognized in the fiscal year in which all eligibility requirements have been satisfied. Charges for services are recognized in the year the services are provided.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when measurable and available. The Village considers all revenues reported in the governmental funds to be available if the revenues are collected within 180 days after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, pension costs, and other postemployment benefits, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

D. Real Property Taxes

Real property taxes are levied no later than May 15th and become a lien on June 1st. The Village collects its own taxes. Taxes are collected during the month of June without penalty. A 5% penalty is assessed on taxes paid after July 1st; and an additional 1% is assessed each month on taxes paid after July. Unpaid Village taxes can be collected through tax sales.

E. Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net resources are available, the Village's policy concerning which to apply first varies with the intended use, and with associated legal requirements, many of which are described elsewhere in these Notes to Financial Statements.

F. Interfund Transactions

The operations of the Village include transactions between funds. These transactions may be temporary in nature, such as with interfund borrowings. The Village typically loans resources between funds for the purpose of providing cash flow. These interfund receivables and payables are expected to be repaid within one year. Permanent transfers of funds include transfers to provide financing or other services. This includes the transfer of unrestricted general fund revenues to finance various programs that the Village must account for in other funds in accordance with budgetary authorizations.

INCORPORATED VILLAGE OF OCEAN BEACH
NOTES TO FINANCIAL STATEMENTS
(Continued)

In the government-wide statements, the amounts reported on the Statement of Net Position for interfund receivables and payables represent amounts due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for all interfund receivables and payables between the funds, with the exception of those due from or to the fiduciary fund.

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables are netted on the accompanying governmental funds balance sheet when it is the Village's practice to settle these amounts at a net balance based upon the right of legal offset.

A detailed disclosure by individual fund for interfund receivables, payables, transfers in and transfers out activity is provided subsequently in these Notes to Financial Statements.

G. 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 and deferred inflows of resources, and disclosure of contingencies at the date of the financial statements and the reported revenues and expenses/expenditures during the reporting period. Accordingly, actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including compensated absences, pension costs, other postemployment benefits, and useful lives of capital assets.

H. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, bank deposits and investments with a maturity date of three months or less from date of acquisition.

Certain cash balances are restricted by various legal and contractual obligations, such as legal reserves and debt agreements.

I. Restricted Length of Service Award Program Investments

The Village sponsors the Ocean Beach Volunteer Firefighter Service Award Program, a defined contribution pension plan, and has reported service award program assets. The underlying assets are reported at fair value based on quoted market prices and includes equity mutual funds.

The service award program assets are restricted for the purpose of providing benefits to the participants of the plan.

J. Receivables

Receivables are shown net of an allowance for uncollectibles, if any. However, no allowance for uncollectibles has been provided since it is believed that such allowance would not be material.

K. Inventory and Prepaid Items

Inventory consists of purchased ferry tickets available for resale and is stated at the lower of cost or market. Cost is determined using specific identifications.

Prepaid items represent payments made by the Village for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as assets on the Statement of Net Position and Balance Sheet using the consumption method.

INCORPORATED VILLAGE OF OCEAN BEACH
NOTES TO FINANCIAL STATEMENTS
(Continued)

Under the consumption method, a current asset for the inventory and/or prepaid item is recorded at the time of receipt and/or purchase and an expense/expenditure is reported in the year the goods or services are consumed.

A portion of fund balance has been classified as nonspendable to indicate that inventory and prepaids do not constitute available spendable resources.

L. Capital Assets

Capital assets are reflected in the government-wide financial statements. Capital assets are reported at actual cost, when the information is available, or estimated historical cost based on professional third-party information. Donated assets are reported at acquisition value at the date of donation.

All capital assets, except land and construction in progress, are depreciated on a straight line basis over their estimated useful lives. Capitalization thresholds, the dollar value above which asset acquisitions are added to the capital asset accounts, and estimated useful lives of capital assets as reported in the government-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Buildings and other improvements	\$ 5,000	10 - 40 years
Machinery and equipment	5,000	3 - 10 years
Infrastructure	5,000	15 - 40 years
Capital leases - fire trucks	5,000	8 - 10 years

M. Deferred Outflows of Resources

Deferred outflows of resources, in the Statement of Net Position, represents a consumption of net position that applies to a future reporting period and so will not be recognized as an outflow of resources (expense) until that time. The Village has two items that qualify for reporting in this category. The first item is related to pensions (NYSLRS) and consists of the Village's proportionate share of changes in the collective net pension liability not included in collective pension expense and the Village's contributions to the pension systems (NYSLRS) subsequent to the measurement date. The second item is related to OPEB and represents changes in the total other postemployment benefits obligation not included in OPEB expense.

N. Short-Term Debt

The Village may issue bond anticipation notes (BAN), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date; seven years if originally issued during calendar year 2015 through and including 2021. The notes, or renewal thereof, may not extend more than two years beyond the original date of issue, unless a portion is redeemed within two years and within each twelve month period thereafter.

BANs that are replaced with long-term financing, or renewed subsequent to the year-end, are treated as long-term obligations, as these notes will not require the use of working capital during that period.

INCORPORATED VILLAGE OF OCEAN BEACH
NOTES TO FINANCIAL STATEMENTS
(Continued)

O. Collections in Advance

Collections in advance arise when resources are received by the Village before it has a legal claim to them, as when charges for services monies are received in advance from payers prior to the services being rendered by the Village. These amounts are recorded as liabilities in the financial statements. The liabilities are removed and revenues are recognized in subsequent periods when the Village has legal claim to the resources.

P. Employee Benefits - Compensated Absences

Compensated absences consist of unpaid accumulated sick leave and vacation time.

Sick leave eligibility and accumulation is specified in collective bargaining agreements and in individual employment contracts. Upon retirement, resignation or death, employees may contractually receive a payment based on unused accumulated sick leave.

Vacation eligibility and accumulation is specified in collective bargaining agreements and in individual employment contracts. Some earned benefits may be forfeited if not taken within varying time periods.

The liability for compensated absences has been calculated using the vesting method and an accrual for that liability is included in the government-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year-end.

In the fund financial statements, a liability is reported only for payments due for unused compensated absences for those employees who have obligated themselves to separate from service with the Village by May 31st.

Q. Other Benefits

Eligible Village employees participate in the New York State and Local Employees' Retirement System or the New York State Police and Fire Retirement System.

The Village provides individual or family health insurance coverage for active employees pursuant to collective bargaining agreements and individual employment contracts.

Eligible volunteer firefighters participate in the Village sponsored Length of Service Award Program.

In addition to providing these benefits, the Village provides individual, family or surviving spouse postemployment health insurance coverage for eligible retired employees. Collective bargaining agreements and individual employment contracts determine if Village employees are eligible for these benefits if they reach normal retirement age while working for the Village. The costs of providing post-retirement benefits is shared between the Village and the retired employee. The Village recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure in the governmental funds as the liabilities for premiums mature (come due for payment). In the government-wide statements, the cost of postemployment health insurance coverage is recognized on the economic resources measurement focus and the accrual basis of accounting in accordance with GASB Statement No. 75.

INCORPORATED VILLAGE OF OCEAN BEACH
NOTES TO FINANCIAL STATEMENTS
(Continued)

R. Deferred Inflows of Resources

Deferred inflows of resources represents an acquisition of net position that applies to a future reporting period and so will not be recognized as an inflow of resources (revenue/expense credit) until that time. The Village has two items that qualify for reporting in this category. First is unavailable revenues reported in the governmental funds when potential revenues do not meet the availability criterion for recognition in the current period. In subsequent periods, when the availability criterion is met, unavailable revenues are reclassified as revenues. In the government-wide financial statements, unavailable revenues are treated as revenues. The second item is related to pensions reported in the government-wide Statement of Net Position and consists of the Village's proportionate share of changes in the collective net pension liability not included in collective pension expense and the Village's contributions to the pension systems (NYSLRS) subsequent to the measurement date.

S. Equity Classifications

Government-wide Statements

In the government-wide statements there are three classes of net position:

Net investment in capital assets – Consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisitions, construction and improvements of those assets.

Restricted – Reports net position when constraints placed on the assets or deferred outflows of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted – Reports the balance of net position that does not meet the definition of the above two classifications.

Fund Statements

The fund statements report fund balance classifications according to the relative strength of spending constraints placed on the purpose for which resources can be used, as follows:

Nonspendable – Consists of amounts that are inherently nonspendable in the current period either because of their form or because they must be maintained intact. Nonspendable fund balance consists of inventory, which is recorded in the general fund, and prepaids, which are recorded in the general fund and water fund.

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. The Village has established the following restricted fund balances:

INCORPORATED VILLAGE OF OCEAN BEACH
NOTES TO FINANCIAL STATEMENTS
(Continued)

Retirement Contribution Reserve

Retirement Contribution Reserve (GML §6-r) is used for the purpose of financing retirement contributions payable to the New York State and Local Employees' Retirement System and New York State and Local Police and Fire Retirement System. The Board, by resolution, may establish the reserve and authorize expenditures from the reserve. The reserve is funded by budgetary appropriations or taxes raised for the reserve, revenues that are not required by law to be paid into any other fund or account, transfers from reserves and other funds that may legally be appropriated. The reserve is accounted for in the general fund.

Restricted for Debt Service

Unexpended balances of proceeds of borrowings for capital projects, interest and earnings from investing proceeds of obligations, and premiums and accrued interest on long-term borrowings are held until appropriated for debt payments. These restricted amounts are accounted for in the general fund.

Restricted for Service Award Program

The Village established a defined contribution plan for the active volunteer firefighters in the Village of Ocean Beach. The plan provides municipally-funded pension-like benefits and the Village is the sponsor of the plan. In accordance with GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, the Village reports the value of the assets available for benefits as restricted in the general fund.

Restricted – Unspent Bond Proceeds

Unspent long-term bond proceeds are recorded as restricted fund balance because they are subject to external constraints contained in the debt agreement. These restricted funds are accounted for in the capital projects fund.

Assigned – Consists of amounts that are subject to a purpose constraint that represents an intended use established by the Village's Board of Trustees. 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. Assigned fund balance also includes an amount appropriated to partially fund the subsequent year's budget, as well as encumbrances not classified as restricted at the end of the fiscal year.

Unassigned – Represents the residual classification for the Village's general fund and could report a surplus or deficit. In funds other than the general fund, the unassigned classification is used to report a deficit fund balance resulting from overspending of available resources.

Fund Balance Classification

Any portion of fund balance may be applied or transferred for a specific purpose by law, voter approval if required by law or by formal action of the Board of Trustees if voter approval is not required. Amendments or modification to the applied or transferred fund balance must also be approved by formal action of the Board of Trustees.

INCORPORATED VILLAGE OF OCEAN BEACH
NOTES TO FINANCIAL STATEMENTS
(Continued)

The Board of Trustees shall delegate the authority to assign fund balance, for encumbrance purposes, to the person(s) to whom it has delegated the authority to sign purchase orders.

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 the budget or any Board approved budget revision, then from the assigned fund balance to the extent appropriated by the Board, and then from the unassigned fund balance.

2. CHANGES IN ACCOUNTING PRINCIPLES

For the fiscal year ended May 31, 2020, the Village implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of the Statement requires the Village to report other postemployment benefits liabilities, expenses and deferred outflows of resources and deferred inflows of resources on the full accrual basis.

3. FUTURE ACCOUNTING STANDARDS

The Governmental Accounting Standards Board (GASB) Statements are issued to set generally accepted accounting principles (GAAP) for state and local governments. The following is not an all-inclusive list of GASB standards issued, but statements that the Village feels may have a future impact on these financial statements. The Village will evaluate the impact of these pronouncements and implement them, as applicable, if material.

Effective for the Year Ending	Statement
May 31, 2021	GASB No. 84 - <i>Fiduciary Activities</i>
May 31, 2023	GASB No. 87 - <i>Leases</i>

GASB Statement No. 84 will require the Village to assess activities currently classified as fiduciary and reported in the fiduciary funds to determine if these activities should be considered fiduciary in nature or if these activities should be reported as governmental funds.

GASB Statement No. 87 will change the reporting of leases in the government-wide financial statements. A lessee will be required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor will be required to recognize a lease receivable and a deferred inflow of financial resources.

4. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENT-WIDE STATEMENTS AND THE GOVERNMENTAL FUND STATEMENTS

Due to the differences in the measurement focus and basis of accounting used in the government-wide statements and the governmental fund statements, certain financial transactions are treated differently. The financial statements contain a full reconciliation of these items.

A. Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities

Total fund balances of the Village's governmental funds differ from net position of governmental activities reported in the Statement of Net Position. This difference primarily results from the long-term economic focus of the Statement of Net Position versus the current financial resources focus of the governmental fund Balance Sheet, as applied to the reporting of capital assets and long-term assets and liabilities.

INCORPORATED VILLAGE OF OCEAN BEACH
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Statement of Revenues, Expenditures and Changes in Fund Balances vs. Statement of Activities

Differences between the Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities fall into any of four broad categories.

Long-Term Revenue and Expense Differences

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a current financial resources measurement focus and the modified accrual basis, whereas the economic resources measurement focus and the accrual basis of accounting is used on the Statement of Activities, thereby affecting expenses such as compensated absences.

Capital Related Differences

Capital related differences include the difference between proceeds from the sale of capital assets reported on fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the fund statements and depreciation expense on those items as recorded in the Statement of Activities.

Long-Term Debt Transaction Differences

Long-term debt transaction differences occur because the issuance of long-term debt provides current financial resources to governmental funds, but is recorded as a liability in the Statement of Net Position. In addition, both interest and principal are recorded as expenditures in the fund statements when due and payable, whereas interest expense is recorded in the Statement of Activities as it accrues, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.

Pension and Other Postemployment Benefits Differences

Pension differences occur as a result of recognizing pension costs using the current financial resources measurement focus and the modified accrual basis of accounting, whereby an expenditure is recognized based on the contractually required contribution as calculated by the plan, versus the economic resources measurement focus and the accrual basis of accounting, whereby an expense is recognized related to the Village's proportionate share of the collective pension expense of the plan.

Other postemployment benefit differences occur as a result of recognizing OPEB costs using the current financial resources measurement focus and the modified accrual basis of accounting, whereby an expenditure is recognized for premiums and other postemployment benefit costs as they mature (come due for payment), versus the economic resources measurement focus and the accrual basis of accounting, whereby an expense is recognized related to the future cost of benefits in retirement over the term of employment.

INCORPORATED VILLAGE OF OCEAN BEACH
NOTES TO FINANCIAL STATEMENTS
(Continued)

5. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets

The Village administration submits a proposed budget for approval by the Board of Trustees for the general fund, water fund and sewer fund. The tentative budget includes proposed expenditures and the proposed means of financing. A public hearing is held on the tentative budgets by April 15. After completion of the budgets hearing, the Board of Trustees may further change the tentative budget. Such budgets, as so revised, shall be adopted by resolution no later than May 1. All subsequent modifications of the budgets must be approved by the Board of Trustees.

Appropriations established by adoption of the budget constitute a limitation on expenditures (and encumbrances), that may be incurred. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year.

Appropriations authorized for the current year can be funded by the planned use of specific reserves, and can be increased by budget amendments approved by the Board of Trustees as a result of selected new revenue sources not included in the original budget (when permitted by law) and appropriations of fund balance. These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. During the year there was a supplemental appropriation of \$629,000 for the redemption of bond anticipation notes which were funded with prior year's surplus.

Budgets are adopted annually on a basis consistent with GAAP.

Budgets are established and used for individual capital projects based on authorized funding. The maximum project amount authorized is based upon the estimated cost of the project. These budgets do not lapse and are carried over to subsequent fiscal years until the completion of the projects.

B. Encumbrances

Encumbrance accounting is used for budget control and monitoring purposes and is reported as a part of the governmental funds. Under this method, purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve applicable appropriations. Outstanding encumbrances as of year-end are presented as part of assigned fund balance, unless classified as restricted, and do not represent expenditures or liabilities. These commitments will be honored in the subsequent period. Related expenditures are recognized at that time, as the liability is incurred or the commitment is paid.

6. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

The Village's investment policies are governed by state statutes and Village policy. Resources must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the State. 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 and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its Agencies and obligations of New York State and its municipalities. Investments are stated at fair value.

INCORPORATED VILLAGE OF OCEAN BEACH
NOTES TO FINANCIAL STATEMENTS
(Continued)

Custodial credit risk is the risk that in the event of a bank failure, the Village may be unable to recover deposits or collateral securities that are in possession of an outside agency. GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are as follows:

- A. Uncollateralized,
- B. Collateralized by securities held by the pledging financial institution, or
- C. Collateralized by securities held by the pledging financial institution's trust department or agent but not in the Village's name.

The Village's aggregate bank balances were covered by FDIC insurance or fully collateralized by securities pledged on the Village's behalf at year end.

The Village did not have any investments at year-end or during the year. Consequently, the Village was not exposed to any material interest rate risk or foreign currency risk.

Investment pool:

The Village participates in the Cooperative Liquid Assets Securities System – New York (NYCLASS), a multi-municipal cooperative investment pool agreement pursuant to New York State General Municipal Law Article 3-A and 5-G, whereby it holds a portion of the investments in cooperation with other participants. The investments are highly liquid and are considered to be cash equivalents. All NYCLASS investment and collateral policies are in accordance with General Municipal Law, Sections 10 and 11.

Total investments of the cooperative at May 31, 2020 are \$3,819,493,557, which consisted of \$381,158,925 in repurchase agreements, \$2,489,800,599 in U.S. Treasury Securities and \$948,534,033 in collateralized bank deposits, with various interest rates and due dates.

The following amounts are included as cash:

Fund	Carrying Amount
General	\$ 4,106,982
Water	517,539
Sewer	721,243
	\$ 5,345,764

The above amounts represent the fair value of the investment pool shares. The Lead Participant of NYCLASS is the Village of Potsdam. Additional information concerning NYCLASS, including the annual report, can be found on its website at www.newyorkclass.org.

7. DUE FROM STATE AND FEDERAL

The Village is owed \$165,714 in Federal Emergency Management Aid for storm damages in the Capital Projects Fund. Village management expects this amount to be fully collectible.

INCORPORATED VILLAGE OF OCEAN BEACH
NOTES TO FINANCIAL STATEMENTS
(Continued)

8. DUE FROM OTHER GOVERNMENTS

Due from other governments at May 31, 2020 consisted of:

General Fund		
Fire Protection Charges - ambulance contract	\$	9,943
NYS Unemployment		<u>1,650</u>
	<u>\$</u>	<u>11,593</u>

Village management expects this amount to be fully collectible.

9. CAPITAL ASSETS

Capital asset balances and activity for the year ended May 31, 2020 were as follows:

	Balance May 31, 2019	Additions	Reductions	Balance May 31, 2020
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 225,326	\$	\$	\$ 225,326
Construction in progress	<u>6,229,254</u>	<u>1,599,458</u>	<u>(7,253,741)</u>	<u>574,971</u>
Total capital assets not being depreciated	<u>6,454,580</u>	<u>1,599,458</u>	<u>(7,253,741)</u>	<u>800,297</u>
Capital assets being depreciated:				
Buildings	13,980,483			13,980,483
Equipment	2,991,978	358,234		3,350,212
Infrastructure	17,914,503	7,479,317		25,393,820
Capital leases	<u>536,016</u>			<u>536,016</u>
Total capital assets being depreciated	<u>35,422,980</u>	<u>7,837,551</u>	<u>-</u>	<u>43,260,531</u>
Less accumulated depreciation for:				
Buildings	1,663,470	687,361		2,350,831
Equipment	2,170,065	223,457		2,393,522
Infrastructure	6,549,029	384,176		6,933,205
Capital leases	<u>536,016</u>			<u>536,016</u>
Total accumulated depreciation	<u>10,918,580</u>	<u>1,294,994</u>	<u>-</u>	<u>12,213,574</u>
Total capital assets, being depreciated, net	<u>24,504,400</u>	<u>6,542,557</u>	<u>-</u>	<u>31,046,957</u>
Capital assets, net	<u>\$ 30,958,980</u>	<u>\$ 8,142,015</u>	<u>\$ (7,253,741)</u>	<u>\$ 31,847,254</u>

The total depreciation expense recorded in the government-wide statements is \$1,294,994.

INCORPORATED VILLAGE OF OCEAN BEACH
NOTES TO FINANCIAL STATEMENTS
(Continued)

10. INTERFUND TRANSACTIONS

Interfund balances and activities at May 31, 2020, are as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 23,043	\$	\$	\$ 29,500
Water Fund		7,952		
Sewer Fund	22,480	9,026		
Capital Projects Fund		28,499	29,500	
Total Governmental Funds	<u>45,523</u>	<u>45,477</u>	<u>\$ 29,500</u>	<u>\$ 29,500</u>
Fiduciary Funds		46		
Total	<u>\$ 45,523</u>	<u>\$ 45,523</u>		

The transfer to the capital projects fund was for FEMA aid received for ongoing capital projects.

11. SHORT-TERM DEBT

Short-term debt activity for the year is summarized below:

	Maturity	Stated Interest Rate	Balance May 31, 2019	Issued	Redeemed	Balance May 31, 2020
BAN	4/10/2020	2.75%	\$ 2,048,000	\$	\$ (2,048,000)	\$
BAN	4/10/2020	2.75%	<u>1,500,000</u>		<u>(1,500,000)</u>	
			<u>\$ 3,548,000</u>	<u>\$ -</u>	<u>\$ (3,548,000)</u>	<u>\$ -</u>

Interest on short-term debt for the year was composed of:

Interest paid	\$ 97,300
Less interest accrued in the prior year	<u>(13,633)</u>
Total interest expense on short-term debt	<u>\$ 83,667</u>

INCORPORATED VILLAGE OF OCEAN BEACH
NOTES TO FINANCIAL STATEMENTS
(Continued)

12. LONG-TERM LIABILITIES

A. Changes

Long-term liability balances and activity, excluding pension and other postemployment benefits obligations, for the year are summarized below:

	Balance May 31, 2019	Additions	Reductions	Balance May 31, 2020	Amounts Due Within One Year
Long-term debt:					
Bonds payable	\$ 6,388,224	\$	\$ (464,740)	\$ 5,923,484	\$ 475,964
Capital lease payable	66,081		(32,144)	33,937	33,937
	<u>6,454,305</u>		<u>(496,884)</u>	<u>5,957,421</u>	<u>509,901</u>
Other long-term liabilities:					
Compensated absences	44,768	15,219		59,987	
	<u>\$ 6,499,073</u>	<u>\$ 15,219</u>	<u>\$ (496,884)</u>	<u>\$ 6,017,408</u>	<u>\$ 509,901</u>

The general fund has typically been used to liquidate other long-term liabilities. Additions and reductions to compensated absences are shown net since it is impractical to separately determine these amounts. The maturity of compensated absences is not determinable.

B. Bonds Payable

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at May 31, 2020
Serial Bond - sidewalks	12/13/2012	7/1/2027	1.25 - 2.25%	\$ 695,000
Serial Bond - water pipes	12/13/2012	7/1/2027	1.25 - 2.25%	225,000
Serial Bond - Village hall improvements	12/13/2012	7/1/2022	1.25 - 2.00%	340,000
Serial Bond - Bayberry	12/13/2012	7/1/2022	1.25 - 2.00%	40,000
Windswept	4/12/2018	4/1/2031	2.00 - 3.00%	870,000
Roads	4/12/2018	4/1/2031	2.00 - 3.00%	580,000
Sewer	4/12/2018	4/1/2031	2.00 - 3.00%	430,000
NYS - Drinking Water	6/13/2019	2/1/2049	0.00%	1,732,260
NYS - Safe House	6/20/2019	2/1/2049	1.31 - 3.81%	1,011,224
				<u>\$ 5,923,484</u>

INCORPORATED VILLAGE OF OCEAN BEACH
NOTES TO FINANCIAL STATEMENTS
(Continued)

The following is a summary of debt service requirements for bonds payable:

Year Ending May 31,	Principal	Interest	Total
2021	\$ 475,964	\$ 101,535	\$ 577,499
2022	479,740	93,330	573,070
2023	489,540	84,982	574,522
2024	369,740	77,783	447,523
2025	374,740	71,725	446,465
2026 - 2030	1,658,700	255,498	1,914,198
2031 - 2035	638,700	127,623	766,323
2036 - 2040	478,700	97,871	576,571
2041 - 2045	513,700	63,641	577,341
2046 - 2049	443,960	19,822	463,782
Total	<u>\$ 5,923,484</u>	<u>\$ 993,810</u>	<u>\$ 6,917,294</u>

C. Capital Lease Payable

The Village has leases for two fire trucks and accounts for the leases as capital leases. The following is a schedule, by year, of future minimum lease payments under capital leases with the present value of net minimum lease payments:

Total minimum lease payments	\$ 35,830
Less: Amount representing interest	<u>(1,893)</u>
Present value of minimum lease payments	<u>\$ 33,937</u>

Scheduled maturities of future minimum lease payments at May 31, 2020, are as follows:

2021	<u>\$ 33,937</u>
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Interest on capital leases for the year was \$3,686.

D. Interest Expense

Interest on long-term debt for the year was composed of:

Interest paid	\$ 103,270
Less interest accrued in the prior year	(28,453)
Plus interest accrued in the current year	<u>30,783</u>
Total interest expense on long-term debt	<u>\$ 105,600</u>

E. Unissued Debt

On August 13, 2011, the Board adopted a \$3,000,000 bond resolution (\$2,000,000 for the reconstruction of walkways and roadways in the Village and \$1,000,000 for the replacement of water lines in the Village). The Village has issued \$2,000,000 in bonds for walkways and roadways and \$375,000 in bonds for the replacement of water lines; therefore, \$625,000 remains authorized and unissued.

INCORPORATED VILLAGE OF OCEAN BEACH
NOTES TO FINANCIAL STATEMENTS
(Continued)

On August 15, 2015, the Board adopted a \$2,000,000 bond resolution for improvements to Windswept and a \$6,000,000 bond resolution for sewer treatment plant improvements. The Village has issued \$1,000,000 in bonds for Windswept and \$500,000 in bonds for the sewer plant improvements; therefore, \$6,500,000 remains authorized and unissued. Work has commenced and is accounted for in the capital projects fund.

On March 5, 2016, the Board adopted a \$12,500,000 bond resolution for improvements to the sewer collection system. No bonds have been issued; therefore, \$12,500,000 remains authorized and unissued.

On September 14, 2019, the Board adopted a \$2,500,000 bond resolution (\$913,920 for the reconstruction and elevation of the north dock, \$725,235 for the bulkhead and boardwalk replacement, \$501,180 for the installation of porous pavers, \$188,680 for the installation of pedestrian canopies, \$135,610 for improvements to Wagon Park, and \$35,375 for deck improvements north of the ferry terminal). No bonds have been issued; therefore, \$2,500,000 remains authorized and unissued.

13. PENSION PLANS – NEW YORK STATE

A. General Information

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), and the Public Employees' Group Life Insurance Plan collectively known as NYSLRS. These are cost-sharing multiple employer, public employee retirement systems. The systems provide retirement, disability, withdrawal and death benefits to plan members and beneficiaries related to years of service and final average salary.

B. Provisions and Administration

Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). The net position of the NYSLRS is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the NYSLRS. As set forth in the NYRSSL, the Comptroller of the State of New York (Comptroller) serves as the trustee of the fund and is the administrative head of the NYSLRS. Once a public employer elects to participate in the NYSLRS, 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. The NYSLRS is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided may be found on the NYS Comptroller's website at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Employees' Retirement System, 110 State Street, Albany, NY 12244.

C. Funding Policies

The NYSLRS are noncontributory except for employees who joined after July 27, 1976 with less than ten years of credited service, who contribute 3% of their salary, or joined on or after January 1, 2010 (ERS) or January 9, 2010 (PFRS) and before April 1, 2012, who contribute 3% of their salary throughout active membership. For those joining on or after April 1, 2012, employee contribution rates are dependent upon salaries and range from 3% to 6% of salary throughout active membership. The Comptroller annually certifies the actuarially determined rates expressly used in computing the employees' contributions for the fiscal year ended March 31st, and employer contributions are either paid by December 15th less a 1% discount or by February 1st. The Village paid 100% of the required contributions as billed by the NYSLRS

INCORPORATED VILLAGE OF OCEAN BEACH
NOTES TO FINANCIAL STATEMENTS
(Continued)

for the current year. The Village's average contribution rate was 12.73% of covered payroll for the ERS and 22.03% of covered payroll for the PFRS for the fiscal year ended March 31, 2020.

The Village's share of the required contributions, based on covered payroll for the Village's year ended May 31, 2020, was \$142,192 for PFRS at the contribution rate of 21.36% and \$181,662 for ERS at an average contribution rate of 12.73%.

D. Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At May 31, 2020, the Village reported the following liability for its proportionate share of the net pension liability for the NYSLRS. The net pension liability was measured as of March 31, 2020 for both the ERS and PFRS. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The Village's proportion of the net pension liability was based on a projection of the Village's long-term share of contributions to the systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the NYSLRS in reports provided to the Village.

	<u>PFRS</u>	<u>ERS</u>
Measurement date	March 31, 2020	March 31, 2020
Village's proportionate share of the net pension liability	\$ (935,459)	\$ (1,049,931)
Village's portion of the Plan's total net pension liability	0.0175018%	0.0039649%
Change in proportion since the prior measurement date	(0.0040380)	0.0001574

For the year ended May 31, 2020, the Village recognized pension expense of \$255,982 for PFRS and \$384,401 for ERS. At May 31, 2020, the Village reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>PFRS</u>	<u>ERS</u>	<u>PFRS</u>	<u>ERS</u>
Differences between expected and actual experience	\$ 62,292	\$ 61,793	\$ 15,669	\$
Changes of assumptions	79,959	21,141		18,255
Net difference between projected and actual earnings on pension plan investments	421,267	538,246		
Changes in proportion and differences between the Village's contributions and proportionate share of contributions	27,982	72,572	200,215	21,828
Village contributions subsequent to the measurement date	25,179	32,810		
Total	\$ 616,679	\$ 726,562	\$ 215,884	\$ 40,083

INCORPORATED VILLAGE OF OCEAN BEACH
NOTES TO FINANCIAL STATEMENTS
(Continued)

Village contributions, subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending May 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending May 31,	PFRS	ERS
2021	\$ 53,351	\$ 124,075
2022	85,298	168,840
2023	131,949	196,270
2024	108,113	164,484
2025	(3,095)	
	\$ 375,616	\$ 653,669

Actuarial Assumptions

The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

	PFRS	ERS
Measurement date	March 31, 2020	March 31, 2020
Actuarial valuation date	April 1, 2019	April 1, 2019
Inflation	2.50%	2.50%
Salary increases	5.00%	4.20%
Investment rate of return (net of investment expense, including inflation)	6.80%	6.80%
Cost of living adjustments	1.30%	1.30%

Annuitant mortality rates are based on April 1, 2010 – March 31, 2015 system experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2018.

The actuarial assumptions were based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

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

INCORPORATED VILLAGE OF OCEAN BEACH
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

	NYSLRS	
	Target Allocation	Long-term Expected Rate of Return
Measurement date		March 31, 2020
Asset type		
Domestic equity	36.0%	4.05%
International equity	14.0%	6.15%
Real estate	10.0%	4.95%
Private equities	10.0%	6.75%
Alternative investments	8.0%	3.25-5.95%
Bonds and mortgages	17.0%	0.75%
Cash	1.0%	0.00%
Inflation indexed bonds	4.0%	0.50%
	100.0%	

Real rates of return are net of a long-term inflation assumption of 2.5%.

Discount Rate

The discount rate used to measure the total pension liability was 6.80% (the discount rate used by the NYSLRS at the prior year's measurement date of March 31, 2019, was 7.00%). 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 the assumptions, the systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Asset/(Liability) to the Discount Rate Assumption

The following presents the Village's proportionate share of the net pension asset/(liability) calculated using the discount rate of 6.80%, as well as what the Village's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1 percentage point lower 5.80% or 1 percentage point higher 7.80% than the current rate:

PFRS	1% Decrease 5.80 %	Current Assumption 6.80 %	1% Increase 7.80 %
Village's proportionate share of the net pension asset (liability)	<u>\$ (1,672,620)</u>	<u>\$ (935,459)</u>	<u>\$ (275,315)</u>
		Current	
ERS	1% Decrease 5.80 %	Assumption 6.80 %	1% Increase 7.80 %
Village's proportionate share of the net pension asset (liability)	<u>\$ (1,926,919)</u>	<u>\$ (1,049,931)</u>	<u>\$ (242,221)</u>

INCORPORATED VILLAGE OF OCEAN BEACH
NOTES TO FINANCIAL STATEMENTS
(Continued)

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of the respective measurement dates, were as follows:

	PFRS	ERS
	<i>(Dollars in Thousands)</i>	
Measurement date	March 31, 2020	March 31, 2020
Employers' total pension liability	\$ (35,309,017)	\$ (194,596,261)
Plan fiduciary net position	29,964,080	168,115,682
Employers' net pension liability	\$ (5,344,937)	\$ (26,480,579)
Ratio of plan fiduciary net position to the employers' total pension liability	84.86%	86.39%

Payables to the Pension Plan

Employer contributions are paid annually based on the system's fiscal year, which ends on March 31st. Accrued retirement contributions as of May 31, 2020, represent the projected employer contribution for the period of April 1, 2019 through May 31, 2020 based on paid covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of May 31, 2020 amounted to \$32,810 of employer contributions for ERS and \$25,179 for PFRS. Employee contributions are remitted monthly.

14. LENGTH OF SERVICE AWARDS PROGRAM - DEFINED CONTRIBUTION

A. General Information

The Incorporated Village of Ocean Beach established a defined contribution Service Award Program (referred to as a "LOSAP" – length of service award program under Section 457(e)(11) of the Internal Revenue Code) effective January 1, 1999 for active volunteer firefighter members of the Ocean Beach Volunteer Fire Department. The program was established pursuant to Article 11-A of New York State General Municipal Law. The program provides municipally-funded deferred compensation to volunteer firefighters to facilitate the recruitment and retention of active volunteer firefighters. The Incorporated Village of Ocean Beach is the sponsor of the program and the program administrator.

Program Description

Participation, Vesting and Service Credit

In a defined contribution LOSAP, each Participant has an individual Program account. An eligible Program Participant is defined by the Program Sponsor to be an active volunteer firefighter who is at least 18 years of age and has earned one (1) year of Service Award Program Service Credit. Each Participant's individual Program account is credited with a service award contribution as of the end of each year during which the volunteer met the requirements to earn a year Service Award Program Service Credit. The Participant is paid his or her account balance upon attainment of the Entitlement Age. The Program's Entitlement Age is age 65. The amount paid will vary depending upon the number of years of Service Credit earned by the

INCORPORATED VILLAGE OF OCEAN BEACH
NOTES TO FINANCIAL STATEMENTS
(Continued)

Participant and the investment income (less administrative and/or investment expenses not paid by the Program Sponsor) earned by the Program assets and allocated to the Participant's Program account.

Participants acquire a non-forfeitable right to be paid their Program account balance after earning credit for five (5) years of service, attaining the Program's Entitlement Age while an active volunteer, becoming totally and permanently disabled or dying while an active volunteer firefighter. An active volunteer firefighter earns a year of Service Award Program Service Credit for each calendar year after the establishment of the Program in which he or she accumulates 50 or more points. Points are granted for the performance of certain firefighter 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 Service Award Program credit for five (5) years of active volunteer firefighting service rendered prior to the establishment of the Program as an active volunteer firefighter member of the Ocean Beach Volunteer Fire Department.

Benefits

A Participant's benefit under the Program is his or her Program account balance paid upon attainment of the Entitlement Age in a lump sum to the Participant. A participant may instead elect to be paid in annual installments over 2, 3, 4, or 5 years. Currently, there are no other forms of payment of a Participant's account balance under the Program. The annual contribution paid by the Village and credited to the account of a Participant who earned 50 points during a calendar year is currently \$700. The maximum number of years of service credit a Participant may earn under the Program is 40 years. Except in the case of Pre-Entitlement Age death or total and permanent disablement, a Participant's account balance will not be paid until a Participant attains the Entitlement Age. Volunteers who are active volunteer firefighter members after attaining the Entitlement Age continue to have the opportunity to earn Program credit and to thereby be paid additional service awards. The Pre-Entitlement Age death and disability benefit is equal to the Participant's Program account balance as of the May 31 preceding the date of death or disablement. The Program does not provide extra line-of-duty death or disability benefits. All death and disability benefits are self-insured and are paid from the Program trust fund.

For a complete explanation of the program, see the Program Document a copy of which is available from the Village Clerk.

Fiduciary Investment and Control

After the end of each calendar year, the fire department prepares and certifies a list of names of all persons who were active volunteer members of the fire department during the year indicating which volunteers earned fifty points. The certified list is delivered to the Board of Trustees for the Board's review and approval. The fire department must maintain the point system records to verify each volunteer's points on forms provided and/or approved by the Board of Trustees.

The Village Board of Trustees has retained Penflex, Inc. to assist in the administration of the program. The services provided by Penflex, Inc. are described in an agreement between Penflex, Inc. and the Village.

Based on the certified calendar year volunteer firefighter listings Penflex determines and certifies in writing to the Board of Trustees the amount of the service award to be paid to a participant or to a participant's designated beneficiary. The person(s) authorized by the Board of Trustees then authorizes, in writing, the custodian of the Incorporated Village of Ocean Beach's LOSAP trust funds to pay the service award. No service award benefit payment is made without the written certification from Penflex and the written directive from the authorized representative of the Board of Trustees.

INCORPORATED VILLAGE OF OCEAN BEACH
NOTES TO FINANCIAL STATEMENTS
(Continued)

Penflex bills the Incorporated Village of Ocean Beach for the services it provides. Penflex's invoices are authorized for payment by the Board of Trustees in the same manner as any other invoice presented to the Village for payment. The Village pays Penflex invoices from its general fund.

Program assets are required to be held in trust by Article 11-A, for the exclusive purpose of providing benefits to participants and their beneficiaries or for the purpose of defraying the reasonable expenses of the operation and administration of the program. The Board of Trustees created a Service Award Program Trust Fund through the adoption of a Trust Document, a copy of which is available from the Village Clerk. The Board of Trustees is the program trustee.

Authority to invest the program assets is vested in the program trustee. Program assets are invested in accordance with a statutory prudent person rule. The Board of Trustees has retained Smith, Miller & Associates to provide investment management services. Oppenheimer is the custodian of the majority of the Trust; however, the Village also has a checking account with JP Morgan Chase Bank, where a portion of the Trust is on deposit. This account is used to pay the Service Awards to the participants as they are due.

B. Program Financial Condition

Assets and Liabilities

Assets Available for Benefits at May 31, 2020

	% of total	
Sponsor contributions receivable	5.23%	\$ 30,763
Capital appreciation fund	8.61%	50,645
Rochester fund	12.19%	71,708
Main Street fund	2.47%	14,556
Senior floating rate fund	4.80%	28,268
International bond fund	7.11%	41,845
Cash reserves	0.21%	1,249
International Equity A	1.96%	11,556
Dividend Income fund A	11.04%	64,933
Quality Income fund A	46.37%	272,797
 Total Net Assets Available for Benefits		 \$ 588,320

Receipts and Disbursements

Balance at May 31, 2019	\$ 577,529
Changes for the year	
+ Plan contributions	35,000
+ Investment income earned	30,468
+/- Changes in fair market value of investments	(13,197)
- Plan benefit withdrawals	(37,243)
- Change in sponsor contributions receivable	(4,237)
	10,791
Balance at May 31, 2020	\$ 588,320

INCORPORATED VILLAGE OF OCEAN BEACH
NOTES TO FINANCIAL STATEMENTS
(Continued)

Contributions

Amount of sponsor's contribution recommended by actuary:	\$ 35,000
Amount of sponsor's actual contribution:	\$ 35,000

Administration Fees

Fees paid to administrative/actuarial services provider	<u>\$ 4,596</u>
Fees paid for investment management	<u>1,850</u>

15. POSTEMPLOYMENT HEALTHCARE BENEFITS

A. General Information about the OPEB Plan

Plan Description –The Village provides OPEB for eligible retired employees of the Village. The benefits provided to employees upon retirement are based on provisions in the employee handbook that the Village has in place with different classifications of employees. The plan is a single-employer defined benefit OPEB plan administered through the New York State Health Insurance Program – Empire Plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits Provided – The Village provides healthcare benefits and Medicare Part B coverage for eligible retirees. The benefit terms are dependent on years of service and retirement age. The employee handbook is on file at the Village offices and are available upon request.

Employees Covered by Benefit Terms – At May 31, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	8
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>20</u>
	<u>28</u>

B. Total OPEB Liability

The Village's total OPEB liability of \$3,861,869 was measured as of May 31, 2020, and was determined by an actuarial valuation as of that date as of that date.

Actuarial Assumptions and Other Inputs – The total OPEB liability, as of the measurement date, was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00%	
Salary increases	4.00%	average, including inflation
Discount rate	2.63%	
Healthcare cost trend rates	6.80%	for 2020, decreasing to an ultimate rate of 4.5% by 2035
Retirees' share of benefit-related costs	10.00%	for dependent retirees age 55 with more than 20 yrs. of service
	10.00%	for dependent retirees age 65 with more than 15 yrs. of service
	0.00%	for all retirees age 55 with more than 30 yrs. of service
	0.00%	for individual retirees age 55 with more than 20 yrs. of service
	0.00%	for individual retirees age 65 with more than 15 yrs. of service

INCORPORATED VILLAGE OF OCEAN BEACH
NOTES TO FINANCIAL STATEMENTS
(Continued)

The discount rate was based on the S&P Municipal Bond 20-Year High Grade Rate Index.

Mortality rates were based on the PubG.H-2010 General Mortality Table, as appropriate, with adjustments for mortality improvements based on Society of Actuaries' Scale MP-2014.

The actuarial assumptions used in the valuation were based on the standard tables modified for certain plan features such as eligibility for full and early retirement where applicable and input from the plan sponsor. The plan does not have credible data on which to perform an experience study. As a result, a full actuarial experience study is not applicable.

C. Changes in the Total OPEB Liability

Balance at May 31, 2019	<u>\$ 3,603,260</u>
Changes for the year	
Service cost	124,628
Interest	107,019
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	215,847
Benefit payments	<u>(188,885)</u>
	<u>258,609</u>
Balance at May 31, 2020	<u>\$ 3,861,869</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.05% in 2019 to 2.63% in 2020.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the Village, as well as what the Village's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.63%) or 1 percentage point higher (3.63%) than the current discount rate:

OPEB	1% Decrease 1.63%	Discount Rate 2.63%	1% Increase 3.63%
Total OPEB liability	<u>\$ (4,455,002)</u>	<u>\$ (3,861,869)</u>	<u>\$ (3,379,774)</u>

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 healthcare cost trend rates that are 1 percentage point lower (5.80%) or 1 percentage point higher (7.80%) than the current healthcare cost trend rate:

OPEB	1% Decrease 5.80% decreasing to 3.50%	Discount Rate 6.80% decreasing to 4.50%	1% Increase 7.80% decreasing to 5.50%
Total OPEB liability	<u>\$ (3,313,046)</u>	<u>\$ (3,861,869)</u>	<u>\$ (4,568,372)</u>

INCORPORATED VILLAGE OF OCEAN BEACH
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended May 31, 2020, the Village recognized OPEB expense of \$256,878. At May 31, 2020, the Village reported deferred outflows of resources related to OPEB from the following source:

	Deferred Outflows of Resources
Changes of assumptions	<u>\$ 190,616</u>

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

Year Ending June 30,	Amount
2021	\$ 25,231
2022	25,231
2023	25,231
2024	25,231
2025	25,231
Thereafter	64,461
	<u>\$ 190,616</u>

16. ASSIGNED: APPROPRIATED FUND BALANCE

The amount of \$35,681 has been appropriated in the Water Fund, to reduce taxes for the year ending May 31, 2021.

17. RESTATEMENT OF NET POSITION

For the fiscal year ended May 31, 2020 the Village implemented GASB Statement No. 75. The implementation of Statement No. 75 resulted in the reporting of a change in the liability for other postemployment benefits obligation. The Village's net position has been restated as follows:

Net position beginning of year, as previously stated	\$ 32,000,129
GASB Statement No. 75 implementation	
Beginning total other postemployment benefits obligation	<u>(3,603,260)</u>
Net position beginning of year, as restated	<u>\$ 28,396,869</u>

INCORPORATED VILLAGE OF OCEAN BEACH
NOTES TO FINANCIAL STATEMENTS
(Continued)

18. RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. There have been no significant reductions in insurance coverage as compared to the prior year, and settled claims from these risks have not exceeded available reserves and commercial insurance coverage for the past three years.

19. COMMITMENTS AND CONTINGENCIES

A. Encumbrances

All encumbrances are classified as either restricted or assigned fund balance. At May 31, 2020, the Village encumbered the following amounts:

Assigned: Unappropriated Fund Balance:

General Fund	
Public Safety	\$ 8,822
Transportation	<u>8,168</u>
	<u>\$ 16,990</u>

B. Grants

The Village has received grants, which are subject to audit by agencies of the state and federal governments. Such audits may result in disallowances and a request for a return of funds. Based on prior audits, the Village's administration believes disallowances, if any, would be immaterial.

C. Certiorari Proceedings

From time to time, the Village is involved in certiorari proceedings under which taxpayers seek 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, 2020, which could affect future operating budgets of the Village.

D. Litigation

The Village is involved in lawsuits arising from the normal conduct of its affairs. The Village believes that the outcome of any matters will not have a material effect on these financial statements.

E. Contingency

During the year ended May 31, 2017, the Village was informed by the Federal Emergency Management Agency (FEMA) of a potential clawback of \$1,000,000 in Federal Superstorm Sandy Funds. It is not known when, or if, the clawback will occur, or if the clawback will be applied to future expected funding. As a result, no liability for the contingency has been reflected in the accompanying financial statements.

INCORPORATED VILLAGE OF OCEAN BEACH
NOTES TO FINANCIAL STATEMENTS
(Continued)

20. SUBSEQUENT EVENTS

The Village has evaluated subsequent events through the date of the auditor's report, which is the date the financial statements were available to be issued. No significant events were identified that would require adjustment of or disclosure in the financial statements, except for the following:

On March 11, 2020, coronavirus disease (COVID-19) was declared a pandemic. COVID 19 is an international, national and New York State public health emergency. As such, the COVID-19 outbreak is disrupting business activity across a range of industries. At this point, the extent of the impact of COVID-19 on the Village's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and the effect on the Village's residents, employees and vendors, as well as the State, all of which are uncertain and cannot be predicted.

INCORPORATED VILLAGE OF OCEAN BEACH
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
For the Year Ended May 31, 2020

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
REVENUES				
Local Sources				
Real Property Taxes	\$ 3,814,441	\$ 3,814,441	\$ 3,783,935	\$ (30,506)
Other Tax Items				
Refuse residential	307,033	307,033	307,670	637
Refuse commercial	173,275	173,275	173,338	63
Interest and penalties on real property taxes	25,000	25,000	23,466	(1,534)
Total Other Tax Items	505,308	505,308	504,474	(834)
Non-Property Taxes				
Utilities gross receipts tax	15,000	15,000	14,422	(578)
Departmental Income				
Clerk fees	2,000	2,000	568	(1,432)
C.O. applications	5,000	5,000	10,450	5,450
Tennis fees	7,500	7,500	11,070	3,570
Seasonal boat basin fee	182,000	182,000	180,351	(1,649)
Daily marina rentals	125,000	125,000	130,912	5,912
Jet ski fees	2,000	2,000	6,160	4,160
Zoning board fees	6,000	6,000	3,500	(2,500)
Total Departmental Income	329,500	329,500	343,011	13,511
Intergovernmental Charges				
Fire protection services, other governments	675,366	675,366	668,101	(7,265)
Use of Money and Property				
Interest & earnings	42,000	42,000	84,413	42,413
Rental of real property	900,678	900,678	1,014,781	114,103
Total Use of Money and Property	942,678	942,678	1,099,194	156,516
Licenses and Permits				
Permits	304,500	304,500	278,094	(26,406)
Fines and Forfeited Bail				
Fines & forfeited bail	45,000	45,000	46,884	1,884
Sale of Property & Compensation for Loss				
Sale of real property	2,500	2,500	50	(2,450)
Insurance recoveries	5,000	5,000	-	(5,000)
Total Sale of Property & Compensation for Loss	7,500	7,500	50	(7,450)
Miscellaneous				
Gifts and donations	5,000	5,000	7,847	2,847
Unclassified revenues	2,000	2,000	2,656	656
Ferry tickets	15,000	15,000	18,268	3,268
Total Miscellaneous	22,000	22,000	28,771	6,771
State Aid				
Revenue sharing	-	-	4,449	4,449
Mortgage tax	40,000	40,000	54,204	14,204
Sales tax revenue sharing	9,588	9,588	9,588	-
Other state aid	-	-	8,365	8,365
Total State Aid	49,588	49,588	76,606	27,018
Federal Aid				
Federal aid (FEMA)	100,000	100,000	125,074	25,074
Total Revenues	6,810,881	6,810,881	6,968,616	\$ 157,735
APPROPRIATED FUND BALANCE				
Prior Years' Surplus	-	629,000		
Total Revenues and Appropriated Fund Balance	\$ 6,810,881	\$ 7,439,881		

Note to Required Supplementary Information

Budget Basis of Accounting

Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

INCORPORATED VILLAGE OF OCEAN BEACH
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund (Continued)
For the Year Ended May 31, 2020

	Original Budget	Final Budget	Actual	Encumbrances	Final Budget Variance with Actual & Encumbrances
EXPENDITURES					
General Government Support					
Legislative board					
Personal services	\$ 61,048	\$ 61,048	\$ 60,636	\$	\$ 412
Contractual services	5,600	5,600	4,449		1,151
Municipal court					
Personal services	48,240	48,240	44,977		3,263
Equipment	1,000	1,600	1,582		18
Contractual services	10,100	10,100	8,709		1,391
Mayor					
Personal services	51,000	51,000	48,269		2,731
Contractual services	1,500	1,500	1,156		344
Administration					
Personal services	199,500	199,755	199,754		1
Contractual services	5,400	5,145	3,722		1,423
Auditor					
Contractual services	65,000	71,350	66,326		5,024
Treasurer					
Personal services	335,000	346,106	346,105		1
Equipment	7,000	14,450	14,003		447
Contractual services	41,000	40,139	35,998		4,141
Assessment					
Personal services	11,000	11,043	11,042		1
Attorney					
Contractual services	185,700	159,850	111,265		48,585
Engineer					
Contractual services	60,000	127,553	46,915		80,638
Elections					
Personal services	1,600	1,629	1,629		-
Contractual services	4,250	5,125	5,110		15
Buildings					
Equipment	5,000	1,000	-		1,000
Contractual services	496,012	289,055	200,347		88,708
Shared services					
Contractual services	23,000	24,900	23,578		1,322
Central data processing					
Contractual services	67,000	73,461	69,561		3,900
Unallocated insurance					
Contractual services	573,649	480,549	477,866		2,683
Municipal association dues					
Contractual services	5,000	5,000	4,477		523
Judgments and claims					
Contractual services	30,000	2,399	1,405		994
Ferry					
Contractual services	5,000	1,000	-		1,000
Payment of MTA payroll tax					
Contractual services	7,000	7,000	5,266		1,734
Contingent account					
Contractual services	150,000	-	-		-
Total General Government Support	2,455,599	2,045,597	1,794,147	-	251,450

INCORPORATED VILLAGE OF OCEAN BEACH
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund (Continued)
For the Year Ended May 31, 2020

	Original Budget	Final Budget	Actual	Encumbrances	Final Budget Variance with Actual & Encumbrances
EXPENDITURES					
Public Safety					
Police					
Personal services	\$ 822,249	\$ 934,256	\$ 934,254	\$	\$ 2
Equipment	9,000	5,574	5,573		1
Contractual services	51,200	47,626	44,218		3,408
Fire protection					
Personal services	71,000	71,000	70,472		528
Equipment	224,000	157,670	98,359	8,822	50,489
Contractual services	273,500	279,734	203,321		76,413
Safety inspections					
Personal services	70,000	70,000	67,176		2,824
Contractual services	24,000	24,000	15,541		8,459
Total Public Safety	<u>1,544,949</u>	<u>1,589,860</u>	<u>1,438,914</u>	<u>8,822</u>	<u>142,124</u>
Health					
Contractual	<u>5,500</u>	<u>4,000</u>	<u>3,757</u>		<u>243</u>
Transportation					
Street maintenance					
Personal services	152,000	153,154	153,152		2
Equipment	25,000	24,000	4,850	3,282	15,868
Contractual services	68,500	64,346	49,420	4,886	10,040
Street lighting					
Equipment	5,000	1,500	718		782
Contractual services	7,500	6,000	4,541		1,459
Total Transportation	<u>258,000</u>	<u>249,000</u>	<u>212,681</u>	<u>8,168</u>	<u>28,151</u>
Culture and Recreation					
Parks					
Equipment	10,000	10,000	9,450		550
Contractual services	46,000	31,000	18,787		12,213
Beach					
Personal services	215,000	215,800	215,799		1
Equipment	6,000	3,000	2,899		101
Contractual services	34,800	31,000	27,767		3,233
Recreation					
Equipment	500	500	-		500
Contractual services	4,850	2,850	1,034		1,816
Celebrations					
Contractual services	2,500	2,500	1,465		1,035
Other culture and recreation (Marina & Docks)					
Personal services	34,000	34,000	33,250		750
Equipment	2,500	450	373		77
Contractual services	90,058	241,202	239,057		2,145
Total Culture & Recreation	<u>446,208</u>	<u>572,302</u>	<u>549,881</u>	<u>-</u>	<u>22,421</u>
Home and Community Services					
Zoning board of appeals					
Contractual services	5,400	5,250	2,605		2,645
Refuse					
Equipment	3,000	3,000	-		3,000
Contractual services	475,409	475,409	474,029		1,380
Flood/Erosion					
Contractual services	<u>20,000</u>	<u>2,900</u>	<u>504</u>		<u>2,396</u>
Total Home & Community	<u>503,809</u>	<u>486,559</u>	<u>477,138</u>	<u>-</u>	<u>9,421</u>

INCORPORATED VILLAGE OF OCEAN BEACH
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund (Continued)
For the Year Ended May 31, 2020

	Original Budget	Final Budget	Actual	Encumbrances	Final Budget Variance with Actual & Encumbrances
EXPENDITURES					
Employee Benefits					
State retirement	\$ 129,749	\$ 129,749	\$ 128,124	\$	\$ 1,625
Police and fire retirement	139,105	142,205	142,192		13
Local pension fund (Fire service award)	38,000	39,596	39,596		-
Social security and Medicare	170,000	170,000	165,251		4,749
Worker's compensation	73,049	71,429	68,286		3,143
Unemployment insurance	5,000	6,620	4,970		1,650
Disability insurance	1,600	1,600	1,568		32
Longevity	1,500	2,300	2,300		-
Other	65,000	68,055	68,054		1
Hospital and medical insurance	424,897	421,842	390,545		31,297
Total Employee Benefits	<u>1,047,900</u>	<u>1,053,396</u>	<u>1,010,886</u>	-	<u>42,510</u>
Debt Service					
Principal	458,937	1,317,144	1,317,144		-
Interest	89,979	92,523	92,521		2
Total Debt Service	<u>548,916</u>	<u>1,409,667</u>	<u>1,409,665</u>	-	<u>2</u>
Total Expenditures	<u>6,810,881</u>	<u>7,410,381</u>	<u>6,897,069</u>	16,990	<u>496,322</u>
OTHER USES					
Operating Transfers Out	-	29,500	29,500		-
Total Expenditures and Other Uses	<u>\$ 6,810,881</u>	<u>\$ 7,439,881</u>	<u>6,926,569</u>	<u>\$ 16,990</u>	<u>\$ 496,322</u>
Net Change in Fund Balance			42,047		
Fund Balance - Beginning of Year			<u>6,525,344</u>		
Fund Balance - End of Year			<u>\$ 6,567,391</u>		

Note to Required Supplementary Information

Budget Basis of Accounting

Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

INCORPORATED VILLAGE OF OCEAN BEACH
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Water Fund
For the Year Ended May 31, 2020

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
REVENUES				
Real Property Taxes	\$ 245,380	\$ 245,380	\$ 245,390	\$ 10
Departmental Income	585,659	585,659	585,894	235
Use of Money and Property	8,000	8,000	8,762	762
Total Revenues	839,039	839,039	840,046	\$ 1,007
APPROPRIATED FUND BALANCE				
Appropriation of Fund Balance	31,479	31,479		
Total Revenues and Appropriated Fund Balance	\$ 870,518	\$ 870,518		
EXPENDITURES				
General government support	\$ 79,000	\$ 76,600	59,434	\$ 17,166
Home and community services	379,902	378,310	291,839	86,471
Employee benefits	143,335	147,327	140,679	6,648
Debt Service				
Principal	212,709	212,709	204,740	7,969
Interest	55,572	55,572	40,285	15,287
Total Expenditures	\$ 870,518	\$ 870,518	736,977	\$ 133,541
Net Change in Fund Balance			103,069	
Fund Balance - Beginning of Year			754,145	
Fund Balance - End of Year			\$ 857,214	

Note to Required Supplementary Information

Budget Basis of Accounting

Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

INCORPORATED VILLAGE OF OCEAN BEACH
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Sewer Fund
For the Year Ended May 31, 2020

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
REVENUES				
Real Property Taxes	\$ 281,228	\$ 281,228	\$ 281,226	\$ (2)
Departmental Income	546,497	546,497	546,497	-
Use of Money and Property	8,000	8,000	12,234	4,234
Miscellaneous	28,017	28,017	28,017	-
Federal sources	50,000	50,000	-	(50,000)
Total Revenues	913,742	913,742	867,974	\$ (45,768)
APPROPRIATED FUND BALANCE				
Prior Years' Surplus	2,940	2,940		
Total Revenues and Appropriated Fund Balance	\$ 916,682	\$ 916,682		
EXPENDITURES				
General government support	\$ 111,500	\$ 92,067	92,065	\$ 2
Home and community services	500,632	493,239	396,730	96,509
Employee benefits	160,382	168,612	159,727	8,885
Debt Service				
Principal	95,000	95,000	95,000	-
Interest	49,168	67,764	67,764	-
Total Expenditures	\$ 916,682	\$ 916,682	811,286	\$ 105,396
Net Change in Fund Balance			56,688	
Fund Balance - Beginning of Year			1,174,771	
Fund Balance - End of Year			<u>\$ 1,231,459</u>	

Note to Required Supplementary Information

Budget Basis of Accounting

Budgets are adopted on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

INCORPORATED VILLAGE OF OCEAN BEACH
Schedule of the Village's Proportionate Share of the Net Pension Liability
 Last Two Fiscal Years

Police and Fire Retirement System

	2020	2019
Village's proportion of the net pension liability	0.0175018%	0.0215398%
Village's proportionate share of the net pension liability	\$ 935,459	\$ 361,236
Village's covered payroll	\$ 645,741	\$ 688,917
Village's proportionate share of the net pension liability as a percentage of its covered payroll	144.87 %	52.44 %
Plan fiduciary net position as a percentage of the total pension liability	84.86%	95.09%
Discount rate	6.80%	7.00%

Employees' Retirement System

	2020	2019
Village's proportion of the net pension liability	0.0039649%	0.0038075%
Village's proportionate share of the net pension liability	\$ 1,049,931	\$ 269,771
Village's covered payroll	\$ 1,350,075	\$ 1,463,679
Village's proportionate share of the net pension liability as a percentage of its covered payroll	77.77 %	18.43 %
Plan fiduciary net position as a percentage of the total pension liability	86.39%	96.27%
Discount rate	6.80%	7.00%

An additional year of historical information will be added each year subsequent to the year of implementation until 10 years of historical data is available.

INCORPORATED VILLAGE OF OCEAN BEACH
Schedule of Village Pension Contributions
 Last Two Fiscal Years

Police and Fire Retirement System

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 142,192	\$ 106,162				~ Not Readily available ~				
Contributions in relation to the contractually required contribution	142,192	106,162	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Village's covered payroll	\$ 665,574	\$ 650,819				~ Not Readily available ~				
Contributions as a percentage of covered payroll	21%	16%								

Employees' Retirement System

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 181,662	\$ 125,081				~ Not Readily available ~				
Contributions in relation to the contractually required contribution	181,662	125,081	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Village's covered payroll	\$ 1,364,566	\$ 1,456,316				~ Not Readily available ~				
Contributions as a percentage of covered payroll	13%	9%								

INCORPORATED VILLAGE OF OCEAN BEACH
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Last Fiscal Year

	2020
Total OPEB liability	
Service cost	\$ 124,628
Interest	107,019
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions or other inputs	215,847
Benefit payments	(188,885)
Net change in total OPEB liability	258,609
Total OPEB liability, beginning	3,603,260
Total OPEB liability, ending	\$ 3,861,869
Covered employee payroll	\$ 1,680,703
Total OPEB liability as a percentage of covered employee payroll	229.78%
Discount rate	2.63%
Healthcare trend rate	6.80% to 4.50% by 2035

Note to Required Supplementary Information

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Trustees
Incorporated Village of Ocean Beach
Ocean Beach, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the fiduciary fund of the Incorporated Village of Ocean Beach (Village), as of and for the year ended May 31, 2020, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated October 30, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Incorporated Village of Ocean Beach's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Incorporated Village of Ocean Beach's internal control. Accordingly, we do not express an opinion on the effectiveness of the Incorporated Village of Ocean Beach's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Incorporated Village of Ocean Beach's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to the Board of Trustees and management of the Incorporated Village of Ocean Beach in a separate letter dated October 30, 2020.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cullen & Danowski, LLP

October 30, 2020

