

TENTATIVE DRAFT



FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION WITH
INDEPENDENT AUDITOR'S REPORTS

May 31, 2022

INCORPORATED VILLAGE OF OCEAN BEACH
TENTATIVE DRAFT
TABLE OF CONTENTS

| | <u>Page</u> |
|--|-------------|
| Independent Auditor's Report | 1 |
| Management's Discussion and Analysis (MD&A) | 4 |
| Basic Financial Statements: | |
| Statement of Net Position | 17 |
| Statement of Activities | 18 |
| Balance Sheet – Governmental Funds | 19 |
| Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position | 20 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds | 21 |
| Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities | 22 |
| Statement of Fiduciary Net Position – Fiduciary Fund | 23 |
| Statement of Changes in Fiduciary Net Position – Fiduciary Fund | 23 |
| Notes to Financial Statements | 24 |
| Required Supplementary Information Other than MD&A: | |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund | 50 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Water Fund | 54 |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Sewer Fund | 55 |
| Schedule of the Village's Proportionate Share of the Net Pension Asset/(Liability) | 56 |
| Schedule of Village Pension Contributions | 57 |
| Schedule of Changes in the Village's Total OPEB Liability and Related Ratios | 58 |
| 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 <i>Government Auditing Standards</i> | 59 |

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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 Audit of the Financial Statements

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the fiduciary fund of the Incorporated Village of Ocean Beach, as of May 31, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Village and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Management's Responsibility for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

TENTATIVE DRAFT

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required 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 asset/(liability), schedule of Village pension contributions, and schedule of changes in the Village's total OPEB liability and related ratios on pages 4 through 16 and 50 through 58, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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.

TENTATIVE DRAFT

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2023 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, grant agreements and other matters. The purpose of that report is solely 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.

April 14, 2023

TENTATIVE DRAFT

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, 2022 in comparison with the year ended May 31, 2021, 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 2022 are as follows:

- The Village’s total net position, as reflected in the government-wide financial statements, increased by \$816,299. 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 \$9,026,175. This amount was offset by program charges for services and capital grants totaling \$3,364,362. General revenues of \$6,478,112 amount to 65.8% of total revenues, and were adequate to cover the balance of program expenses.
- The general fund’s total fund balance, as reflected in the fund financial statements, increased by \$345,197. 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 \$5,484,315. This represents an increase of \$350,328 over the prior year.
- The Village’s 2022 property tax levy of \$4,393,950 was a 0.54% increase over the 2021 tax levy. The Village’s property tax cap was 3.84%.

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. To assess the overall health of the Village, one needs to consider additional nonfinancial factors such as changes in the Village's property tax base and the condition of the Village's buildings, infrastructure, and capital assets.

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 (OPEB), 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

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

governmental fund statements provide a detailed short-term view of the Village's operations and the services it provides.

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, water fund, sewer 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

The Village reports its fiduciary activities in the fiduciary fund – custodial fund. This fund reports bail collected from offenders, and utilizes 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 \$816,299 between fiscal year 2022 and 2021. A summary of the Village's Statements of Net Position follows:

| | <u>2022</u> | <u>2021</u> | <u>Increase (Decrease)</u> | <u>Percentage Change</u> |
|--|-------------------|-------------------|--------------------------------|------------------------------|
| Assets | | | | |
| Current and Other Assets | \$ 12,209,853 | \$ 11,721,430 | \$ 488,423 | 4.17 % |
| Capital Assets, Net | 30,947,349 | 31,458,073 | (510,724) | (1.62)% |
| Net Pension Asset - Proportionate Share | <u>444,203</u> | <u>-</u> | <u>444,203</u> | N/A |
| Total Assets | <u>43,601,405</u> | <u>43,179,503</u> | <u>421,902</u> | 0.98 % |
| Deferred Outflows of Resources | <u>3,277,555</u> | <u>2,260,256</u> | <u>1,017,299</u> | 45.01 % |

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

| | <u>2022</u> | <u>2021</u> | <u>Increase (Decrease)</u> | <u>Percentage Change</u> |
|--|--------------------------|--------------------------|--------------------------------|------------------------------|
| Liabilities | | | | |
| Current and Other Liabilities | \$ 617,086 | \$ 483,460 | \$ 133,626 | 27.64 % |
| Long-Term Liabilities | 5,621,152 | 6,186,048 | (564,896) | (9.13)% |
| Net Pension Liability - Proportionate Share | 125,510 | 250,653 | (125,143) | (49.93)% |
| Total OPEB Liability | <u>3,963,733</u> | <u>4,554,863</u> | <u>(591,130)</u> | <u>(12.98)%</u> |
| Total Liabilities | <u>10,327,481</u> | <u>11,475,024</u> | <u>(1,147,543)</u> | <u>(10.00)%</u> |
| Deferred Inflows of Resources | <u>4,251,505</u> | <u>2,481,060</u> | <u>1,770,445</u> | <u>71.36 %</u> |
| Net Position | | | | |
| Net Investment in Capital Assets | 26,400,461 | 26,431,445 | (30,984) | (0.12)% |
| Restricted | 669,899 | 116,704 | 553,195 | 474.02 % |
| Unrestricted | <u>5,229,614</u> | <u>4,935,526</u> | <u>294,088</u> | <u>5.96 %</u> |
| Total Net Position | <u>\$ 32,299,974</u> | <u>\$ 31,483,675</u> | <u>\$ 816,299</u> | <u>2.59 %</u> |

The increase in current and other assets was primarily the result of an increase in cash, offset by a decrease in service award program assets.

The decrease in capital assets, net is due to depreciation expense in excess of capital asset additions. The accompanying Notes to Financial Statements, Note 8 "Capital Assets" provides additional information.

Net pension asset – proportionate share represents the Village’s share of the New York State and Local Employees’ Retirement System’s collective net pension asset, at the measurement date of the respective year. In the current year, the Village’s proportionate share shifted from a liability to an asset. The accompanying Notes to Financial Statements, Note 11 "Pension Plans – New York State" 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 increase in current and other liabilities is mainly due to increases in accounts payable (primarily in amounts due for capital projects).

The decrease in long-term liabilities is the result of the repayment of the current maturity of the bond indebtedness and service award program liabilities.

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 decrease is due to the shift from net pension liability of the New York State and Local Employees’ Retirement System in the prior year, to net pension asset in the current year. The accompanying Notes to Financial Statements, Note 11 "Pension Plans – New York State" provides additional information.

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

Total OPEB liability decreased, based on the actuarial valuation of the plan. The accompanying Notes to Financial Statements, Note 13 "Postemployment Healthcare Benefits", provides additional information.

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

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 funding of a debt service reserve.

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.

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, 2022 and 2021 is as follows:

| | 2022 | 2021 | Increase (Decrease) | Percentage Change |
|------------------------------------|-------------------|---------------------|------------------------|----------------------|
| Revenues | | | | |
| Program Revenues | | | | |
| Charges for Services | \$ 2,173,557 | \$ 2,166,210 | \$ 7,347 | 0.34 % |
| Capital Grants | 1,190,805 | 683,045 | 507,760 | 74.34 % |
| General Revenues | | | | |
| Property Taxes | 4,367,092 | 4,349,512 | 17,580 | 0.40 % |
| State Sources | 234,457 | 172,649 | 61,808 | 35.80 % |
| Other | 1,876,563 | 2,116,091 | (239,528) | (11.32)% |
| Total Revenues | <u>9,842,474</u> | <u>9,487,507</u> | <u>354,967</u> | 3.74 % |
| Expenses | | | | |
| General government | 2,678,770 | 2,487,650 | 191,120 | 7.68 % |
| Public safety | 2,300,070 | 2,242,214 | 57,856 | 2.58 % |
| Health | 4,026 | 3,744 | 282 | 7.53 % |
| Transportation | 280,789 | 266,705 | 14,084 | 5.28 % |
| Culture and recreation | 498,814 | 470,610 | 28,204 | 5.99 % |
| Home and community | 1,347,975 | 1,341,511 | 6,464 | 0.48 % |
| Debt Service - Interest | 90,698 | 98,942 | (8,244) | (8.33)% |
| Depreciation expense - unallocated | 1,825,033 | 1,533,714 | 291,319 | 18.99 % |
| Total Expenses | <u>9,026,175</u> | <u>8,445,090</u> | <u>581,085</u> | 6.88 % |
| Change in Net Position | <u>\$ 816,299</u> | <u>\$ 1,042,417</u> | <u>\$ (226,118)</u> | (21.69)% |

The Village's net position increased by \$816,299 and \$1,042,417 for the years ended May 31, 2022 and 2021, respectively.

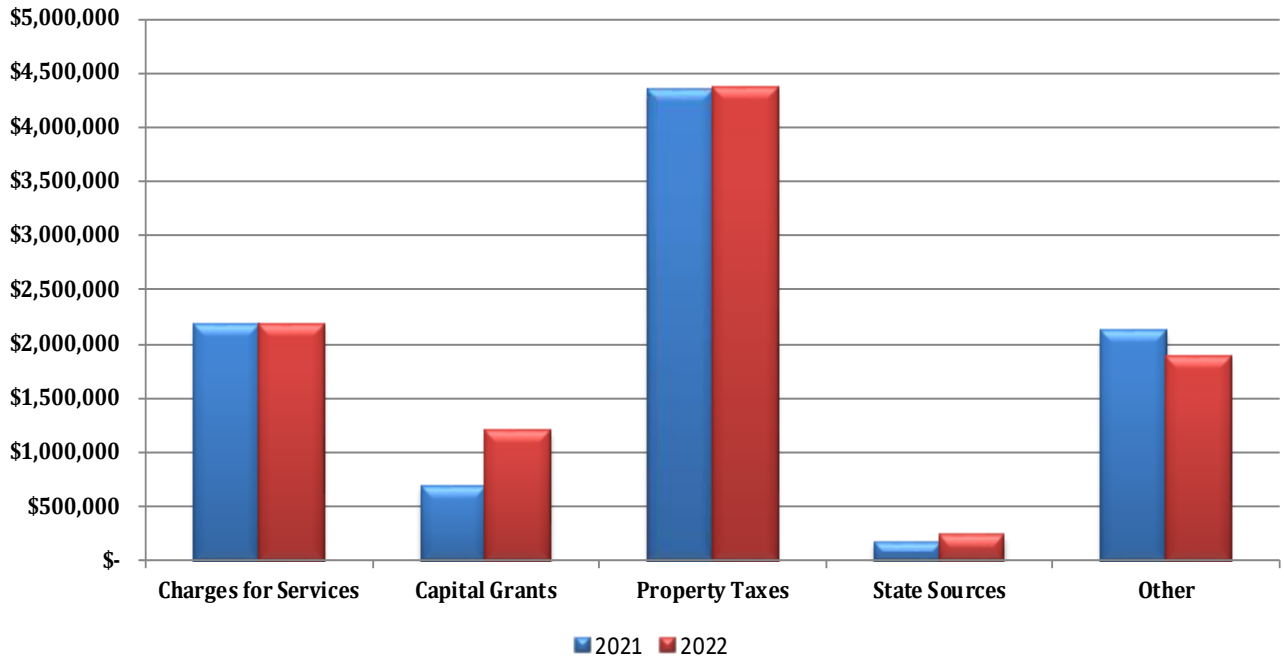
INCORPORATED VILLAGE OF OCEAN BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS
 (Continued)

The Village's revenues increased \$354,967 or 3.74%. The increase is mainly attributable to increases in capital grants and state sources, offset by a decrease in other revenues.

The Village's total expenses for the year increased by \$581,085 or 6.88%. Depreciation expense increased due to a large number of assets being placed in service as capital projects were completed. General government support increased due to an increase in judgments and claims paid. Public safety increased due to an increase in police salaries and contractual expenditures for fire protection.

As indicated in the graphs that follow, property taxes are the largest component of revenues recognized (i.e., 44.4% and 45.8%) of the total for the years 2022 and 2021, respectively. General government support expenses is the largest category of expenses incurred (i.e., 29.7% and 29.5% of the total for the years 2022 and 2021, respectively).

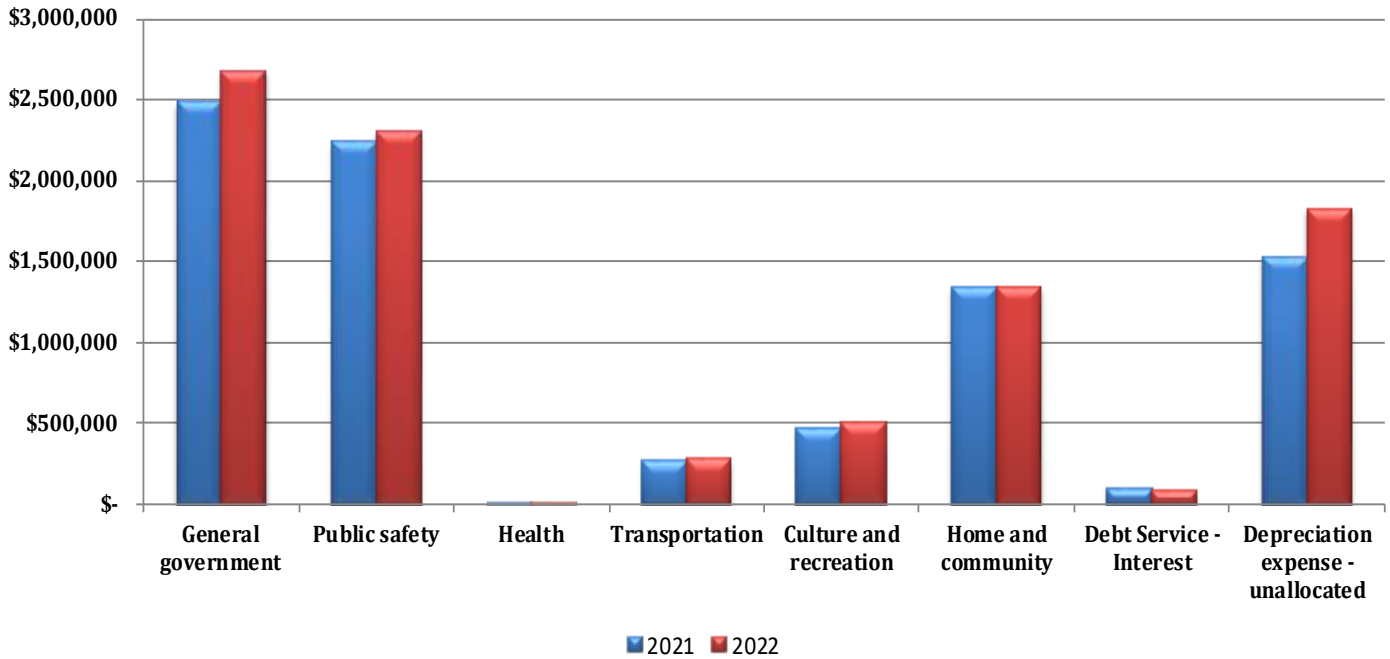
A graphic display of the distribution of revenues for the two years follows:



| | Charges for Services | Capital Grants | Property Taxes | State Sources | Other |
|-------------|----------------------|----------------|----------------|---------------|-------|
| 2021 | 22.8% | 7.2% | 45.8% | 1.8% | 22.4% |
| 2022 | 22.1% | 12.1% | 44.4% | 2.4% | 19.0% |

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

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 |
|------|--------------------|---------------|--------|----------------|------------------------|--------------------|-------------------------|------------------------------------|
| 2021 | 29.5% | 26.4% | 0.0% | 3.2% | 5.6% | 15.9% | 1.2% | 18.2% |
| 2022 | 29.7% | 25.6% | 0.0% | 3.1% | 5.5% | 14.9% | 1.0% | 20.2% |

4. FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

At May 31, 2022, the Village's governmental funds reported a combined fund balance of \$11,293,864, which is an increase of \$567,888 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:

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

| | 2022 | 2021 | Increase (Decrease) | Percentage Change |
|---------------------------------------|--------------------------|--------------------------|------------------------|----------------------|
| General Fund | | | | |
| Nonspendable: | | | | |
| Prepays | \$ - | \$ 972 | \$ (972) | (100.00)% |
| Restricted | | | | |
| Retirement contribution | 20,000 | 20,000 | - | 0.00 % |
| Debt service | 56,179 | 56,179 | - | 0.00 % |
| Service award program | 576,349 | 665,195 | (88,846) | (13.36)% |
| Assigned: Appropriated fund balance | 270,129 | 240,922 | 29,207 | 12.12 % |
| Assigned: Unappropriated fund balance | | | | |
| Fireworks fund | 717 | 717 | - | 0.00 % |
| Storm damage | 1,000,000 | 1,000,000 | - | 0.00 % |
| Tax certiorari settlements | 38,395 | 38,395 | - | 0.00 % |
| Beach, parks, recreation facilities | 158,017 | 158,017 | - | 0.00 % |
| Dune protection/flood erosion | 67,228 | 67,228 | - | 0.00 % |
| Encumbrances | 55,480 | - | 55,480 | N/A |
| Unassigned: Fund balance | 5,484,315 | 5,133,987 | 350,328 | 6.82 % |
| | <u>7,726,809</u> | <u>7,381,612</u> | <u>345,197</u> | 4.68 % |
| Water Fund | | | | |
| Restricted: Debt Service | 47,995 | - | 47,995 | N/A |
| Assigned: Appropriated fund balance | 582,827 | 20,740 | 562,087 | 2710.16 % |
| Assigned: Unappropriated fund balance | 380,412 | 931,415 | (551,003) | (59.16)% |
| | <u>1,011,234</u> | <u>952,155</u> | <u>59,079</u> | 6.20 % |
| Sewer Fund | | | | |
| Restricted: Debt Service | 101,522 | 40,525 | 60,997 | 150.52 % |
| Assigned: Appropriated fund balance | 843,882 | - | 843,882 | |
| Assigned: Unappropriated fund balance | 564,083 | 1,355,985 | (791,902) | (58.40)% |
| | <u>1,509,487</u> | <u>1,396,510</u> | <u>112,977</u> | 8.09 % |
| Capital Projects Fund | | | | |
| Restricted: Unspent bond proceeds | 420,892 | 420,892 | - | 0.00 % |
| Assigned: Unappropriated fund balance | 625,442 | 574,807 | 50,635 | 8.81 % |
| | <u>1,046,334</u> | <u>995,699</u> | <u>50,635</u> | 5.09 % |
| Total Fund Balance | <u>\$ 11,293,864</u> | <u>\$ 10,725,976</u> | <u>\$ 567,888</u> | 5.29 % |

A. General Fund

The net change in the general fund – fund balance is an increase of \$345,197, compared to an increase of \$814,221 in 2021. This resulted from revenues in excess of expenditures and other financing uses.

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

The Village's revenues decreased by \$187,341 or 2.61%, as compared to the prior year. The decrease is primarily attributable to decreases in use of money and property and sale of property and compensation for loss, offset by an increase state sources. The decrease in use of money and property is due to reduced rental income per contractual agreements. Sale of property and compensation for loss decreased as there was a decrease in insurance recoveries compared to the prior year. State sources increased due to an increase in mortgage tax received.

Expenditures and other financing uses increased \$281,683 or 4.43% over the prior year. This was due to increases in employee benefits, operating transfers out, and general government support, offset by decreases in public safety, debt service principal and interest, and home and community services. Employee benefits increased due to an increase in the contributions to the Length of Service Award Program and New York State Local Police and Fire Retirement System. Operating transfers out increased due to an increase to the transfer the Capital Projects Fund to finance ongoing projects. General government support increased due to an increase in judgments and claims. Public safety decreased due to a non-recurring purchase of a police vehicle in the prior year and a part-time position that was eliminated in 2022. Debt service principal and interest decreased because the final payment was made for a capital lease in the prior year. Home and community services expenditures decreased as a result of reduced refuse charges.

B. Water Fund

The net change in the water fund – fund balance is an increase of \$59,079, compared to an increase of \$94,941 in 2021. This resulted from revenues in excess of expenditures.

The Village's revenues decreased by \$14,251 or 1.71%, as compared to the prior year. The decrease is primarily attributable to the decrease in an interfund transfer received in the prior year and the annual water service charges.

Expenditures increased \$21,611 or 2.93%, over the prior year, primarily in employee benefits.

C. Sewer Fund

The net change in the sewer fund – fund balance is an increase of \$112,977, compared to an increase of \$165,051 in 2021. This resulted from revenues in excess of expenditures.

The Village's revenues decreased by \$1,052 or 0.12%, as compared to the prior year.

Expenditures increased \$53,126 or 7.68% over the prior year. This increase was primarily due to maintenance and repairs on vehicles and equipment, and an increase in employee benefits.

D. Capital Projects Fund

The capital projects fund - fund balance increased by \$50,635, compared to a decrease of \$85,296 in 2021. This increase was a result of revenues and other financing sources in excess of expenditures.

The Village's revenues and other financing sources increased by \$666,480. This was due to an increase in the amount of state and Federal aid received for ongoing capital projects and an operating transfer in from the general fund.

Expenditures and other financing uses increased by \$377,804. This was the result of increased expenditures for various projects.

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

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2021-2022 Budget

The Village's general fund adopted budget for the year ended May 31, 2022 was \$7,119,852.

The final budget was funded by estimated revenues. The majority of this funding source was \$3,867,548 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 | \$ 5,133,987 |
| Revenues Over Budget | 104,628 |
| Expenditures and Encumbrances Under Budget | 426,011 |
| Net Change in Nonspendable Fund Balance | 972 |
| Net Change to Service Award Program Fund Balance | 88,846 |
| Appropriated for the 2022-2023 Budget | <u>(270,129)</u> |
| Closing, Unassigned Fund Balance | <u>\$ 5,484,315</u> |

Opening, Unassigned Fund Balance

The \$5,133,987 shown in the table is the portion of the Village's May 31, 2021 fund balance that was retained as unassigned.

Revenues Over Budget

The 2021-2022 final budget for revenues was \$6,878,930. Actual revenues recognized for the year were \$6,983,558. The excess of actual revenues over estimated or budgeted revenues was \$104,628, which contributes directly to the change to the general fund unassigned fund balance from May 31, 2021 to May 31, 2022. The accompanying Required Supplementary Information, Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund, provides additional information.

Expenditures and Encumbrances Under Budget

The 2021-2022 final budget for expenditures and other financing uses was \$7,119,852. Actual expenditures and other financing uses as of May 31, 2022 were \$6,638,361 and outstanding encumbrances were \$55,480. Combined, the expenditures and other financing uses plus encumbrances for 2021-2022 were \$6,693,841. The final budget variance was \$426,011, which contributes directly to the change to the general fund unassigned fund balance from May 31, 2021 to May 31, 2022. 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)

Net Change in Nonspendable Fund Balance

The Village did not have prepaid expenditures at May 31, 2022. The decrease in Nonspendable fund balance increases unassigned fund balance.

Net Change to Service Award Program Fund Balance

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

Appropriated Fund Balance

The Village has chosen to use \$270,129 of the available May 31, 2022 unassigned fund balance to partially fund the 2022-2023 approved operating budget. As such, the May 31, 2022 unassigned fund balance must be reduced by this amount.

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the above table, the unassigned fund balance at May 31, 2022 was \$5,484,315. This amount equals 74.20% of the 2022-2023 budget.

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

A. Capital Assets

At May 31, 2022, the Village had invested in a broad range of capital assets, as indicated in the following table. The net decrease in capital assets is due to depreciation expense of \$1,825,033 in excess of capital additions of \$1,314,309 for the year ended May 31, 2022. A summary of the Village's capital assets, net of accumulated depreciation at May 31, 2022 and 2021 is as follows:

| | <u>2022</u> | <u>2021</u> | <u>Increase (Decrease)</u> |
|--------------------------|----------------------|----------------------|--------------------------------|
| Land | \$ 225,326 | \$ 225,326 | \$ - |
| Construction in progress | 1,257,387 | - | 1,257,387 |
| Buildings | 11,040,019 | 11,899,820 | (859,801) |
| Equipment | 604,080 | 827,482 | (223,402) |
| Infrastructure | <u>17,820,537</u> | <u>18,505,445</u> | <u>(684,908)</u> |
| Capital assets, net | <u>\$ 30,947,349</u> | <u>\$ 31,458,073</u> | <u>\$ (510,724)</u> |

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

B. Debt Administration

At May 31, 2022, the Village has total bonds payable of \$4,967,780. The decrease in outstanding bonds represents principal payments. A summary of the outstanding debt at May 31, 2022 and 2021 is as follows:

| Issue Date | Interest Rate | 2022 | 2021 | Increase (Decrease) |
|----------------------|------------------|---------------------|---------------------|------------------------|
| Bonds Payable | | | | |
| 12/13/2012 | 1.25 - 2.25% | \$ 515,000 | \$ 605,000 | \$ (90,000) |
| 12/13/2012 | 1.25 - 2.25% | 175,000 | 200,000 | (25,000) |
| 12/13/2012 | 1.25 - 2.00% | 120,000 | 230,000 | (110,000) |
| 12/13/2012 | 1.25 - 2.00% | 15,000 | 30,000 | (15,000) |
| 4/12/2018 | 2.00 - 3.00% | 730,000 | 800,000 | (70,000) |
| 4/12/2018 | 2.00 - 3.00% | 480,000 | 530,000 | (50,000) |
| 4/12/2018 | 2.00 - 3.00% | 360,000 | 395,000 | (35,000) |
| 6/13/2019 | 0.00% | 1,612,780 | 1,672,520 | (59,740) |
| 6/20/2019 | 1.31 - 3.81% | 960,000 | 985,000 | (25,000) |
| | | <u>\$ 4,967,780</u> | <u>\$ 5,447,520</u> | <u>\$ (479,740)</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, 2022 are 18.13% 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, service award program, and total other postemployment benefits liability. The compensated absences liability is based on the employee handbook. The net pension liability – proportionate share, service award program, and total other postemployment benefits liability are based on actuarial valuations.

| | 2022 | 2021 | Increase (Decrease) |
|---|---------------------|---------------------|------------------------|
| Compensated absences | \$ 77,023 | \$ 73,333 | \$ 3,690 |
| Net pension liability - proportionate share | 125,510 | 250,653 | (125,143) |
| Service award program | 576,349 | 665,195 | (88,846) |
| Total OPEB liability | <u>3,963,733</u> | <u>4,554,863</u> | <u>(591,130)</u> |
| | <u>\$ 4,742,615</u> | <u>\$ 5,544,044</u> | <u>\$ (801,429)</u> |

7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

A. Subsequent Year's Budget

The Board of Trustees approved a \$7,390,920 general fund budget, \$1,404,575 water fund budget, and \$1,709,664 sewer fund budget for a total budget of \$10,505,159 for the year ending May 31, 2023. This is an increase of \$1,716,336 or 19.53% over the previous year's budget.

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

The Village budgeted non-property tax revenues at a \$1,578,541 increase over the prior year's estimate. A property tax increase of \$119,395 (2.72%), levy to levy, was needed to meet the funding shortfall. The tax cap for the year ending May 31, 2023 is 4.00%.

B. Future Budgets

Dwindling support of initiatives established during the pandemic, the continued need for additional resources, fluctuating rates in this inflationary environment, and increases in fuel costs, charges of goods, and borrowing costs 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 4.00%. The Village's 2022-2023 property tax increase of 2.72% 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:

Linda Morrisey
Village Treasurer
Incorporated Village of Ocean Beach
P.O. Box 457
Ocean Beach, NY 11770

INCORPORATED VILLAGE OF OCEAN BEACH

TENTATIVE DRAFT
Statement of Net Position

May 31, 2022

ASSETS

| | |
|--|-----------------------|
| Cash | |
| Unrestricted | \$ 10,017,321 |
| Restricted | 646,588 |
| Receivables | |
| Accounts receivable | 6,063 |
| Taxes receivable | 213 |
| Due from state and federal | 620,652 |
| Due from other governments | 296,533 |
| Inventory | 46,134 |
| Service award program | 576,349 |
| Capital assets: | |
| Not being depreciated | 1,482,713 |
| Being depreciated, net of accumulated depreciation | 29,464,636 |
| Net pension asset - proportionate share | <u>444,203</u> |
| Total Assets | <u>43,601,405</u> |

DEFERRED OUTFLOWS OF RESOURCES

| | |
|--|----------------------|
| Pensions | 1,986,038 |
| Other postemployment benefits | <u>1,291,517</u> |
| Total Deferred Outflows of Resources | <u>3,277,555</u> |

LIABILITIES

| | |
|---|-----------------------|
| Payables | |
| Accounts payable | 239,978 |
| Accrued liabilities | 174,015 |
| Due to NYSLRS | 67,838 |
| Other liabilities | 65,255 |
| Unearned credits - collections in advance | 70,000 |
| Long-term liabilities | |
| Due and payable within one year | |
| Bonds payable | 489,540 |
| Due and payable after one year | |
| Bonds payable | 4,478,240 |
| Compensated absences payable | 77,023 |
| Service award program | 576,349 |
| Net pension liability - proportionate share | 125,510 |
| Total other postemployment benefits liability | <u>3,963,733</u> |
| Total Liabilities | <u>10,327,481</u> |

DEFERRED INFLOWS OF RESOURCES

| | |
|---|----------------------|
| Unavailable revenue | 109,561 |
| Pensions | 2,755,049 |
| Other postemployment benefits | <u>1,386,895</u> |
| Total Deferred Inflows of Resources | <u>4,251,505</u> |

NET POSITION

| | |
|----------------------------------|--------------------------|
| Net investment in capital assets | <u>26,400,461</u> |
| Restricted: | |
| Retirement contribution | 20,000 |
| Debt service | 205,696 |
| Net pension asset | <u>444,203</u> |
| | <u>669,899</u> |
| Unrestricted | <u>5,229,614</u> |
| Total Net Position | <u>\$ 32,299,974</u> |

INCORPORATED VILLAGE OF OCEAN BEACH
TENTATIVE DRAFT
Statement of Activities
For the Year Ended May 31, 2022

| | Expenses | Program Revenues | | Net (Expense) Revenue and Changes in Net Position |
|--|---------------------|-------------------------|---------------------|--|
| | | Charges for Services | Capital Grants | |
| FUNCTIONS/PROGRAMS | | | | |
| General government | \$ 2,678,770 | \$ 372 | \$ 59,676 | \$ (2,618,722) |
| Public safety | 2,300,070 | 709,989 | | (1,590,081) |
| Health | 4,026 | | | (4,026) |
| Transportation | 280,789 | | 951,384 | 670,595 |
| Culture and recreation | 498,814 | 336,173 | | (162,641) |
| Home and community | 1,347,975 | 1,127,023 | 179,745 | (41,207) |
| Debt service - interest | 90,698 | | | (90,698) |
| Depreciation - unallocated | 1,825,033 | | | (1,825,033) |
| Total Functions and Programs | \$ 9,026,175 | \$ 2,173,557 | \$ 1,190,805 | (5,661,813) |
| GENERAL REVENUES | | | | |
| Real property taxes | | | | 4,367,092 |
| Other tax items | | | | 486,668 |
| Nonproperty taxes | | | | 17,644 |
| Use of money and property | | | | 959,418 |
| Licenses and permits | | | | 317,913 |
| Fines and forfeitures | | | | 38,300 |
| Sale of property and compensation for loss | | | | 3,604 |
| Miscellaneous | | | | 53,016 |
| State aid | | | | 234,457 |
| Total General Revenues | | | | 6,478,112 |
| Change in Net Position | | | | 816,299 |
| Total Net Position - Beginning of Year | | | | 31,483,675 |
| Total Net Position - End of Year | | | | \$ 32,299,974 |

INCORPORATED VILLAGE OF OCEAN BEACH
Balance Sheet - Governmental Funds
 May 31, 2022

| | General | Water | Sewer | Capital Projects | Total Governmental Funds |
|--|---------------------|---------------------|---------------------|---------------------|--------------------------------|
| ASSETS | | | | | |
| Cash | | | | | |
| Unrestricted | \$ 6,896,410 | \$ 985,231 | \$ 1,417,890 | \$ 717,790 | \$ 10,017,321 |
| Restricted | 76,179 | 47,995 | 101,522 | 420,892 | 646,588 |
| Receivables | | | | | |
| Accounts receivable | 6,063 | | | | 6,063 |
| Taxes receivable | 213 | | | | 213 |
| Due from other funds | 483,928 | | | | 483,928 |
| Due from state and federal | | | | 620,652 | 620,652 |
| Due from other governments | 296,533 | | | | 296,533 |
| Inventory | 46,134 | | | | 46,134 |
| Service award program | 576,349 | | | | 576,349 |
| Total Assets | \$ 8,381,809 | \$ 1,033,226 | \$ 1,519,412 | \$ 1,759,334 | \$ 12,693,781 |
| LIABILITIES | | | | | |
| Payables | | | | | |
| Accounts payable | \$ 94,480 | \$ 3,709 | \$ 3,454 | \$ 138,335 | \$ 239,978 |
| Accrued liabilities | 136,850 | 13,500 | | | 150,350 |
| Due to other funds | | | | 483,928 | 483,928 |
| Due to NYSLRS | 56,584 | 4,783 | 6,471 | | 67,838 |
| Other liabilities | 65,255 | | | | 65,255 |
| Unearned credits - collections in advance | 70,000 | | | | 70,000 |
| Total Liabilities | 423,169 | 21,992 | 9,925 | 622,263 | 1,077,349 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable revenue | 231,831 | | | 90,737 | 322,568 |
| FUND BALANCES | | | | | |
| Restricted: | | | | | |
| Retirement contribution | 20,000 | | | | 20,000 |
| Debt service | 56,179 | 47,995 | 101,522 | | 205,696 |
| Service award program | 576,349 | | | | 576,349 |
| Unspent bond proceeds | | | | 420,892 | 420,892 |
| Assigned: | | | | | |
| Appropriated fund balance | 270,129 | 582,827 | 843,882 | | 1,696,838 |
| 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 | 55,480 | 380,412 | 564,083 | 625,442 | 1,625,417 |
| Unassigned: Fund balance | 5,484,315 | | | | 5,484,315 |
| Total Fund Balances | 7,726,809 | 1,011,234 | 1,509,487 | 1,046,334 | 11,293,864 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 8,381,809 | \$ 1,033,226 | \$ 1,519,412 | \$ 1,759,334 | \$ 12,693,781 |

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

May 31, 2022

Total Governmental Fund Balances \$ 11,293,864

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 | \$ 46,519,670 | |
| Less: Accumulated depreciation | <u>(15,572,321)</u> | 30,947,349 |

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.

| | | |
|---|--------------------|-----------|
| Net pension asset - employees' retirement system | 444,203 | |
| Deferred outflows of resources | 1,986,038 | |
| Net pension liability - police and fire retirement system | (125,510) | |
| Deferred inflows of resources | <u>(2,755,049)</u> | (450,318) |

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

| | | |
|---|--------------------|-------------|
| Deferred outflows of resources | 1,291,517 | |
| Total other postemployment benefits liability | (3,963,733) | |
| Deferred inflows of resources | <u>(1,386,895)</u> | (4,059,111) |

Long-term liabilities associated with the service award program are not current financial resources or obligations and are not reported in the funds. (576,349)

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. 213,007

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 | (23,665) | |
| Bonds payable | (4,967,780) | |
| Compensated absences payable | <u>(77,023)</u> | (5,068,468) |

Total Net Position \$ 32,299,974

INCORPORATED VILLAGE OF OCEAN BEACH
Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
For the Year Ended May 31, 2022

| | General | Water | Sewer | Capital Projects | Total Governmental Funds |
|--|---------------------|---------------------|---------------------|---------------------|--------------------------------|
| REVENUES | | | | | |
| Real property taxes | \$ 3,840,690 | \$ 245,278 | \$ 281,124 | \$ | \$ 4,367,092 |
| Real property tax items | 486,668 | | | | 486,668 |
| Non-property taxes | 17,644 | | | | 17,644 |
| Departmental income | 354,945 | 571,403 | 547,620 | | 1,473,968 |
| Intergovernmental income | 699,589 | | | | 699,589 |
| Use of money and property | 905,073 | 723 | 1,029 | | 906,825 |
| Licenses and permits | 317,913 | | | | 317,913 |
| Fines and forfeited bail | 38,300 | | | | 38,300 |
| Sale of property and compensation for loss | 3,604 | | | | 3,604 |
| Miscellaneous | 24,999 | | 28,017 | | 53,016 |
| State aid | 234,457 | | | 860,647 | 1,095,104 |
| Federal aid | 59,676 | | | 179,745 | 239,421 |
| Total Revenues | 6,983,558 | 817,404 | 857,790 | 1,040,392 | 9,699,144 |
| EXPENDITURES | | | | | |
| General government support | 2,089,283 | 68,701 | 104,030 | | 2,262,014 |
| Public safety | 1,771,367 | | | | 1,771,367 |
| Health | 4,026 | | | | 4,026 |
| Transportation | 208,529 | | | 1,077,642 | 1,286,171 |
| Culture and recreation | 371,163 | | | | 371,163 |
| Home and community | 484,630 | 291,644 | 405,555 | 179,745 | 1,361,574 |
| Employee benefits | 1,158,483 | 153,360 | 190,028 | | 1,501,871 |
| Debt service | | | | | |
| Principal | 245,000 | 199,740 | 35,000 | | 479,740 |
| Interest | 38,250 | 44,880 | 10,200 | | 93,330 |
| Total Expenditures | 6,370,731 | 758,325 | 744,813 | 1,257,387 | 9,131,256 |
| Excess (Deficiency) of Revenues Over Expenditures | 612,827 | 59,079 | 112,977 | (216,995) | 567,888 |
| OTHER FINANCING SOURCES AND (USES) | | | | | |
| Operating transfers in | | | | 267,630 | 267,630 |
| Operating transfers (out) | (267,630) | | | | (267,630) |
| Total Other Financing Sources and (Uses) | (267,630) | - | - | 267,630 | - |
| Net Change in Fund Balances | 345,197 | 59,079 | 112,977 | 50,635 | 567,888 |
| Fund Balances - Beginning of Year | 7,381,612 | 952,155 | 1,396,510 | 995,699 | 10,725,976 |
| End of Year | \$ 7,726,809 | \$ 1,011,234 | \$ 1,509,487 | \$ 1,046,334 | \$ 11,293,864 |

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, 2022

Net Change in Fund Balances \$ 567,888

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

Long-Term Revenue and Expense Differences

In the Statement of Activities, certain operating revenues are measured by the amounts earned during the year. In the governmental funds, however, revenue for these items are measured by the amount of financial resources provided (essentially, the amounts actually received). \$ 143,330

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 (3,690)
139,640

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, depreciation exceeded capital outlays and other additions in the period.

Capital outlays and other additions 1,314,309
Depreciation expense (1,825,033)
(510,724)

Long-Term Debt Transactions Differences

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 479,740

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 interest decreased from May 31, 2021 to May 31, 2022. 2,632

482,372

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 service award program and other postemployment benefits expenses 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 113,509
Employees' retirement system 149,052
Service award program 88,846
Other postemployment benefits (214,284)
137,123

Change in Net Position of Governmental Activities \$ 816,299

INCORPORATED VILLAGE OF OCEAN BEACH
 Statement of Fiduciary Net Position - Fiduciary Fund
 May 31, 2022

| | Custodial |
|---------------------------|-----------|
| ASSETS | |
| Cash and cash equivalents | \$ - |
| NET POSITION | |
| Restricted | \$ - |

Statement of Changes in Fiduciary Net Position - Fiduciary Fund
 For the Year Ended May 31, 2022

| | Custodial |
|----------------------------------|-----------|
| ADDITIONS | |
| Bail received | \$ 250 |
| DEDUCTIONS | |
| Bail disbursed | 600 |
| Change in Net Position | (350) |
| Net Position - Beginning of Year | 350 |
| Net Position - End of Year | \$ - |

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. 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 services (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 the financial resources used for 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 custodian 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:

Custodial Fund - is to account for bail collected from and disbursed to offenders.

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 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 funds 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, eliminations have been made for all interfund receivables and payables between the funds.

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 revenue availability, compensated absences, pension costs, other postemployment benefits, potential contingent liabilities 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.

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

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.

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 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 asset or 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 the change in the total other postemployment benefits liability 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.

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

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.

No short-term debt was issued during the year ended May 31, 2022.

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, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

INCORPORATED VILLAGE OF OCEAN BEACH
TENTATIVE DRAFT
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 three 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. The third item is related to OPEB reported in the government-wide Statement of Net Position and represents the change in total other postemployment benefits liability not included in OPEB expense.

S. Long-Term Debt

The Village borrows money in order to acquire land or equipment, construct buildings, or make improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities are full faith and credit debt of the local government. The repayment of principal and interest will be in the general fund, water fund, and sewer fund.

T. 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 prepaids, which are recorded in the general fund.

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

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:

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, water fund, and sewer 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, positive 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, if applicable.

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.

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

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.

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. 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 statements issued, but the statement that the Village feels may have a future impact on these financial statements. The Village will evaluate the impact of this pronouncement and implement it, as applicable, if material.

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

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.

3. 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 capital assets and deferred outflows of resources, and long-term assets and liabilities, and deferred inflows of resources

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.

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

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 health insurance 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.

4. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets

The Village’s 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.

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

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. No supplemental appropriations occurred during the year.

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.

5. 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.

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.

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

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, 2022 are \$4,223,478,681, which consisted of \$1,151,932,927 in repurchase agreements, \$2,228,081,678 in U.S. Treasury Securities and \$843,464,076 in collateralized bank deposits, with various interest rates and due dates.

The following amounts are included as cash:

| Fund | Carrying Amount |
|---------|--------------------|
| General | \$ 4,115,090 |
| Water | 518,561 |
| Sewer | 722,666 |
| | \$ 5,356,317 |

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.

6. DUE FROM STATE AND FEDERAL

Due from state and federal at May 31, 2022 consisted of:

| | |
|---|------------|
| Capital Projects Fund | |
| New York State - Department of Transportation | \$ 489,807 |
| New York State - Environmental Facilities Corporation | 130,845 |
| | \$ 620,652 |

Village management expects this amount to be fully collectible.

7. DUE FROM OTHER GOVERNMENTS

The Village is owed \$296,533 in fire protection charges in the General Fund. Village management expects this amount to be fully collectible.

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

8. CAPITAL ASSETS

Capital asset balances and activity for the year ended May 31, 2022 were as follows:

| | Balance May 31, 2021 | Additions | Reductions | Balance May 31, 2022 |
|--|-------------------------|--------------|------------|-------------------------|
| Governmental activities | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 225,326 | \$ | \$ | \$ 225,326 |
| Construction in progress | - | 1,257,387 | | 1,257,387 |
| Total capital assets not being depreciated | 225,326 | 1,257,387 | - | 1,482,713 |
| Capital assets being depreciated: | | | | |
| Buildings | 14,939,236 | | | 14,939,236 |
| Equipment | 3,502,277 | 56,922 | | 3,559,199 |
| Infrastructure | 26,002,506 | | | 26,002,506 |
| Capital leases | 536,016 | | | 536,016 |
| Total capital assets being depreciated | 44,980,035 | 56,922 | - | 45,036,957 |
| Less accumulated depreciation for: | | | | |
| Buildings | 3,039,416 | 859,801 | | 3,899,217 |
| Equipment | 2,674,795 | 280,324 | | 2,955,119 |
| Infrastructure | 7,497,061 | 684,908 | | 8,181,969 |
| Capital leases | 536,016 | | | 536,016 |
| Total accumulated depreciation | 13,747,288 | 1,825,033 | - | 15,572,321 |
| Total capital assets, being depreciated, net | 31,232,747 | (1,768,111) | - | 29,464,636 |
| Capital assets, net | \$ 31,458,073 | \$ (510,724) | \$ - | \$ 30,947,349 |

The total depreciation expense recorded in the government-wide statements is \$1,825,033.

9. INTERFUND TRANSACTIONS

Interfund balances and activities at May 31, 2022, are as follows:

| | Interfund | | | |
|--------------------------|------------|------------|--------------|---------------|
| | Receivable | Payable | Transfers In | Transfers Out |
| General Fund | \$ 483,928 | \$ | \$ | \$ 267,630 |
| Capital Projects Fund | | 483,928 | 267,630 | |
| Total Governmental Funds | \$ 483,928 | \$ 483,928 | \$ 267,630 | \$ 267,630 |

The transfer to the capital projects fund was to provide funding for ongoing capital projects.

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

10. LONG-TERM LIABILITIES

A. Changes

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

| | Balance May 31, 2021 | Additions | Reductions | Balance May 31, 2022 | Amounts Due Within One Year |
|------------------------------|-------------------------|-----------------|---------------------|-------------------------|-----------------------------------|
| Long-term debt: | | | | | |
| Bonds payable | \$ 5,447,520 | \$ | \$ (479,740) | \$ 4,967,780 | \$ 489,540 |
| Other long-term liabilities: | | | | | |
| Compensated absences | 73,333 | 3,690 | | 77,023 | |
| Service award program | 665,195 | | (88,846) | 576,349 | |
| | <u>\$ 6,186,048</u> | <u>\$ 3,690</u> | <u>\$ (568,586)</u> | <u>\$ 5,621,152</u> | <u>\$ 489,540</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, 2022 |
|--|---------------|-------------------|------------------|--------------------------------|
| Serial Bond - sidewalks | 12/13/2012 | 7/1/2027 | 1.25 - 2.25% | \$ 515,000 |
| Serial Bond - water pipes | 12/13/2012 | 7/1/2027 | 1.25 - 2.25% | 175,000 |
| Serial Bond - Village hall improvements | 12/13/2012 | 7/1/2022 | 1.25 - 2.00% | 120,000 |
| Serial Bond - Bayberry | 12/13/2012 | 7/1/2022 | 1.25 - 2.00% | 15,000 |
| Windswept | 4/12/2018 | 4/1/2031 | 2.00 - 3.00% | 730,000 |
| Roads | 4/12/2018 | 4/1/2031 | 2.00 - 3.00% | 480,000 |
| Sewer | 4/12/2018 | 4/1/2031 | 2.00 - 3.00% | 360,000 |
| NYS - Drinking Water | 6/13/2019 | 2/1/2049 | 0.00% | 1,612,780 |
| NYS - Safe House | 6/20/2019 | 2/1/2049 | 1.31 - 3.81% | 960,000 |
| | | | | <u>\$ 4,967,780</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 |
|---------------------|---------------------|-------------------|---------------------|
| 2023 | \$ 489,540 | \$ 84,982 | \$ 574,522 |
| 2024 | 369,740 | 77,783 | 447,523 |
| 2025 | 374,740 | 71,725 | 446,465 |
| 2026 | 384,740 | 65,148 | 449,888 |
| 2027 | 384,740 | 58,250 | 442,990 |
| 2028 - 2032 | 1,258,700 | 188,916 | 1,447,616 |
| 2033 - 2037 | 458,700 | 113,384 | 572,084 |
| 2038 - 2042 | 488,700 | 85,384 | 574,084 |
| 2043 - 2047 | 533,700 | 47,276 | 580,976 |
| 2048 - 2049 | 224,480 | 6,099 | 230,579 |
| Total | <u>\$ 4,967,780</u> | <u>\$ 798,947</u> | <u>\$ 5,766,727</u> |

C. Interest Expense

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

| | |
|---|------------------|
| Interest paid | \$ 93,330 |
| Less interest accrued in the prior year | (26,297) |
| Plus interest accrued in the current year | <u>23,665</u> |
| Total interest expense on long-term debt | <u>\$ 90,698</u> |

D. 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.

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.

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

11. 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, defined benefit, 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 for the current year. The Village's average contribution rate was 14.39% of covered payroll for the ERS and 29.21% of covered payroll for the PFRS for the fiscal year ended March 31, 2022.

The Village's share of the required contributions, based on covered payroll for the Village's year ended May 31, 2022, was \$208,251 for PFRS at the contribution rate of 25.61% and \$212,116 for ERS at an average contribution rate of 15.22%.

D. Pension Asset/(Liability), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At May 31, 2022, the Village reported the following asset/(liability) for its proportionate share of the net pension liability for the NYSLRS. The net pension asset/(liability) was measured as of March 31, 2022 for both the ERS and PFRS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. The Village's proportion of the net pension asset/(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.

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

| | <u>PFRS</u> | <u>ERS</u> |
|--|----------------|----------------|
| Measurement date | March 31, 2022 | March 31, 2022 |
| Village's proportionate share of the net pension asset/(liability) | \$ (125,510) | \$ 444,203 |
| Village's portion of the Plan's total net pension liability | 0.0220951% | 0.0054339% |
| Change in proportion since the prior measurement date | 0.0078691 | 0.0017671 |

For the year ended May 31, 2022, the Village recognized pension expense of \$91,431 for PFRS and \$66,452 for ERS. At May 31, 2022, 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 | \$ 67,663 | \$ 33,640 | \$ | \$ 43,633 |
| Changes of assumptions | 751,203 | 741,324 | | 12,509 |
| Net difference between projected and actual earnings on pension plan investments | | | 1,054,610 | 1,454,577 |
| Changes in proportion and differences between the Village's contributions and proportionate share of contributions | 164,221 | 166,954 | 148,637 | 41,083 |
| Village contributions subsequent to the measurement date | <u>32,898</u> | <u>28,135</u> | | |
| Total | <u>\$ 1,015,985</u> | <u>\$ 970,053</u> | <u>\$ 1,203,247</u> | <u>\$ 1,551,802</u> |

Village contributions, subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending May 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ending May 31,</u> | <u>PFRS</u> | <u>ERS</u> |
|----------------------------|---------------------|---------------------|
| 2023 | \$ (65,623) | \$ (82,235) |
| 2024 | (96,408) | (127,971) |
| 2025 | (241,279) | (350,450) |
| 2026 | 156,490 | (49,228) |
| 2027 | <u>26,660</u> | |
| | <u>\$ (220,160)</u> | <u>\$ (609,884)</u> |

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

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, 2022 | March 31, 2022 |
| Actuarial valuation date | April 1, 2021 | April 1, 2021 |
| Inflation | 2.70% | 2.70% |
| Salary increases | 6.20% | 4.40% |
| Investment rate of return (net of investment expense, including inflation) | 5.90% | 5.90% |
| Cost of living adjustments | 1.40% | 1.40% |

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

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

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

The target allocation and best estimates of 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, 2022 |
| Asset type | | |
| Domestic equity | 32.0% | 3.30% |
| International equity | 15.0% | 5.85% |
| Real estate equity | 9.0% | 5.00% |
| Private equity | 10.0% | 6.50% |
| Alternative investments | 10.0% | 3.78-5.58% |
| Fixed income | 23.0% | 0.00% |
| Cash | 1.0% | (1.00)% |
| | 100.0% | |

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

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

Discount Rate

The discount rate used to measure the total pension liability was 5.90%. 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 5.90%, 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 (4.90%) or 1 percentage point higher (6.90%) than the current rate:

| PFRS | 1% Decrease 4.90% | Current Assumption 5.90% | 1% Increase 6.90% |
|---|----------------------|--------------------------------|----------------------|
| Village's proportionate share of the net pension asset (liability) | \$ (1,396,103) | \$ (125,510) | \$ 926,204 |

| ERS | 1% Decrease 4.90% | Current Assumption 5.90% | 1% Increase 6.90% |
|---|----------------------|--------------------------------|----------------------|
| Village's proportionate share of the net pension asset (liability) | \$ (1,143,373) | \$ 444,203 | \$ 1,772,133 |

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, 2022 | March 31, 2022 |
| Employers' total pension liability | \$ (42,237,292) | \$ (223,874,888) |
| Plan fiduciary net position | 41,669,250 | 232,049,473 |
| Employers' net pension asset/(liability) | \$ (568,042) | \$ 8,174,585 |
| Ratio of plan fiduciary net position to the employers' total pension liability | 98.66% | 103.65% |

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

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, 2022, represent the projected employer contribution for the period of April 1, 2021 through May 31, 2022 based on paid covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of May 31, 2022 amounted to \$34,940 of employer contributions for ERS and \$32,898 for PFRS. Employee contributions are remitted monthly.

12. 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 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

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

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 Actuarial Service, LLC to assist in the administration of the program. The services provided by Penflex are described in an agreement between Penflex 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.

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.

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

B. Program Financial Condition

Assets and Liabilities

| Assets Available for Benefits at May 31, 2022 | % of total | |
|---|------------|------------|
| Sponsor contributions receivable | 4.71% | \$ 27,141 |
| Cash and cash equivalents | 2.53% | 14,590 |
| Equity mutual funds | 30.66% | 176,717 |
| Bond mutual funds | 62.10% | 357,901 |
| Total Net Assets Available for Benefits | | \$ 576,349 |

Receipts and Disbursements

| | |
|---|------------|
| Balance at May 31, 2021 | \$ 665,195 |
| Changes for the year | |
| + Plan contributions | 34,206 |
| + Investment income earned | 45,464 |
| +/- Changes in fair market value of investments | (109,445) |
| - Plan benefit withdrawals | (52,006) |
| +/- Change in sponsor contributions receivable | (7,065) |
| | (88,846) |
| Balance at May 31, 2022 | \$ 576,349 |

Contributions

| | |
|--|-----------|
| Amount of sponsor's contribution recommended by actuary: | \$ 34,206 |
| Amount of sponsor's actual contribution: | \$ 34,206 |

Administration Fees

| | |
|---|----------|
| Fees paid to administrative/actuarial services provider | \$ 4,783 |
| Fees paid for investment management | 4,100 |

13. 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 and various contracts 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.

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

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 and contracts are on file at the Village offices and are available upon request.

Employees Covered by Benefit Terms – At May 31, 2022, 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 | 20 |
| | 28 |

B. Total OPEB Liability

The Village’s total OPEB liability of \$3,963,733 was measured as of May 31, 2022, and was determined by an actuarial valuation as of June 1, 2021. Update procedures were used to roll forward the total OPEB liability to the measurement 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 | 3.70% | |
| Healthcare cost trend rates | 6.50% | for 2022, decreasing to an ultimate rate of 4.5% by 2037 |
| 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 |

The discount rate was based on the S&P Municipal Bond 20-Year High Grade Rate Index as of May 31, 2022.

Mortality rates were based on the PubG.H-2010 General Mortality with mortality improvements based on Society of Actuaries’ Scale MP-2020.

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.

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

C. Changes in the Total OPEB Liability

| | |
|--|----------------------------|
| Balance at May 31, 2021 | <u>\$ 4,554,863</u> |
| Changes for the year | |
| Service cost | 292,050 |
| Interest on total OPEB liability | 71,247 |
| Changes of benefit terms | |
| Differences between expected and actual experience | 270,305 |
| Changes in assumptions or other inputs | \$ (1,076,837) |
| Benefit payments | <u>(147,895)</u> |
| | <u>(591,130)</u> |
| Balance at May 31, 2022 | <u><u>\$ 3,963,733</u></u> |

Changes of assumptions and other inputs reflect a change in the discount rate from 1.59% in 2021 to 3.70% in 2022.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the Village, as well as what the Village’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.70%) or 1 percentage point higher (4.70%) than the current discount rate:

| OPEB | 1% Decrease 2.70% | Discount Rate 3.70% | 1% Increase 4.70% |
|----------------------|-----------------------|---------------------------|-----------------------|
| Total OPEB liability | <u>\$ (4,269,536)</u> | <u>\$ (3,963,733)</u> | <u>\$ (3,431,701)</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 (5.50%) or 1 percentage point higher (7.50%) than the current healthcare cost trend rate:

| OPEB | 1% Decrease 5.50% decreasing to 3.50% | Discount Rate 6.50% decreasing to 4.50% | 1% Increase 7.50% decreasing to 5.50% |
|----------------------|--|--|--|
| Total OPEB liability | <u>\$ (3,365,249)</u> | <u>\$ (3,963,733)</u> | <u>\$ (4,738,902)</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, 2022, the Village recognized OPEB expense of \$362,178. At May 31, 2022, the Village reported deferred outflows and inflows of resources related to OPEB from the following source:

| | Deferred | |
|--|--------------------------|-------------------------|
| | Outflows of Resources | Inflows of Resources |
| Differences between expected and actual experience | \$ 236,542 | \$ |
| Changes of assumptions | 1,054,975 | 1,386,895 |
| Total | \$ 1,291,517 | \$ 1,386,895 |

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

| Year Ending May 31, | Amount |
|---------------------|--------------------|
| 2023 | \$ (1,118) |
| 2024 | (1,118) |
| 2025 | (1,118) |
| 2026 | (1,118) |
| 2027 | (1,118) |
| Thereafter | (89,788) |
| | \$ (95,378) |

14. DEFERRED INFLOWS OF RESOURCES

In the governmental fund financial statements, deferred inflows of resources, at May 31, 2022, consists of amounts due from customers for the rental of village owned property of \$122,270 and real property taxes levied for the subsequent fiscal year of \$109,561, which are unavailable. Unavailable revenues, in the general fund at May 31, 2022, total \$231,831.

Also included in the governmental fund financial statements as deferred inflows of resources, at May 31, 2022, is the amount due from New York State Department of Transportation for improvements to the ferry terminal. Unavailable revenues, in the capital projects fund at May 31, 2022, total \$90,737.

15. ASSIGNED: APPROPRIATED FUND BALANCE

The amounts of \$270,129, \$582,827, and \$843,882 have been appropriated in the General Fund, Water Fund, and Sewer Fund, respectively, to reduce taxes for the year ending May 31, 2022.

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

16. 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.

17. COMMITMENTS AND CONTINGENCIES

A. Encumbrances

At May 31, 2022, the Village encumbered the following amounts:

| | |
|--|------------------|
| Assigned: Unappropriated Fund Balance: | |
| General Fund | |
| Public Safety | <u>\$ 55,480</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, 2022, 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.

18. 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.

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, 2022

| | Original Budget | Final Budget | Actual | Final Budget Variance with Actual |
|--|--------------------|-----------------|--------------|---|
| REVENUES | | | | |
| Local Sources | | | | |
| Real Property Taxes | \$ 3,867,548 | \$ 3,867,548 | \$ 3,840,690 | \$ (26,858) |
| Other Tax Items | | | | |
| Refuse residential | 294,000 | 294,000 | 299,000 | 5,000 |
| Refuse commercial | 179,000 | 179,000 | 179,000 | - |
| Interest and penalties on real property taxes | 20,000 | 20,000 | 8,668 | (11,332) |
| Total Other Tax Items | 493,000 | 493,000 | 486,668 | (6,332) |
| Non-Property Taxes | | | | |
| Utilities gross receipts tax | 15,000 | 15,000 | 17,644 | 2,644 |
| Departmental Income | | | | |
| Clerk fees | 2,000 | 2,000 | 372 | (1,628) |
| C.O. applications | 10,000 | 10,000 | 10,400 | 400 |
| Tennis fees | 10,000 | 10,000 | 15,075 | 5,075 |
| Seasonal boat basin fee | 190,000 | 190,000 | 183,417 | (6,583) |
| Daily marina rentals | 115,000 | 115,000 | 131,521 | 16,521 |
| Jet ski fees | 2,000 | 2,000 | 6,160 | 4,160 |
| Zoning board fees | 4,000 | 4,000 | 8,000 | 4,000 |
| Total Departmental Income | 333,000 | 333,000 | 354,945 | 21,945 |
| Intergovernmental Charges | | | | |
| Fire protection services, other governments | 672,796 | 672,796 | 699,589 | 26,793 |
| Use of Money and Property | | | | |
| Interest & earnings | 6,200 | 6,200 | 5,113 | (1,087) |
| Rental of real property | 963,798 | 963,798 | 899,960 | (63,838) |
| Total Use of Money and Property | 969,998 | 969,998 | 905,073 | (64,925) |
| Licenses and Permits | | | | |
| Permits | 297,000 | 297,000 | 317,913 | 20,913 |
| Fines and Forfeited Bail | | | | |
| Fines & forfeited bail | 34,000 | 34,000 | 38,300 | 4,300 |
| Sale of Property & Compensation for Loss | | | | |
| Sale of real property | 3,500 | 3,500 | - | (3,500) |
| Insurance recoveries | 15,000 | 15,000 | 3,604 | (11,396) |
| Total Sale of Property & Compensation for Loss | 18,500 | 18,500 | 3,604 | (14,896) |
| Miscellaneous | | | | |
| Gifts and donations | 3,500 | 3,500 | 4,250 | 750 |
| Unclassified revenues | 2,000 | 2,000 | 499 | (1,501) |
| Ferry tickets | 18,000 | 18,000 | 20,250 | 2,250 |
| Total Miscellaneous | 23,500 | 23,500 | 24,999 | 1,499 |
| State Aid | | | | |
| Revenue sharing | - | - | 4,449 | 4,449 |
| Mortgage tax | 70,000 | 70,000 | 93,628 | 23,628 |
| Sales tax revenue sharing | 9,588 | 9,588 | 9,588 | - |
| Other state aid | - | - | 126,792 | 126,792 |
| Total State Aid | 79,588 | 79,588 | 234,457 | 154,869 |
| Federal Aid | | | | |
| Federal sources | 75,000 | 75,000 | 59,676 | (15,324) |
| Total Revenues | 6,878,930 | 6,878,930 | 6,983,558 | 104,628 |
| APPROPRIATED FUND BALANCE | | | | |
| Prior years' surplus | 240,922 | 240,922 | | |
| Total Revenues and Other Sources, and Appropriated Fund Balance | \$ 7,119,852 | \$ 7,119,852 | | |

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, 2022

| | Original Budget | Final Budget | Actual | Encumbrances | Final Budget Variance |
|---|--------------------|------------------|------------------|--------------|--------------------------|
| EXPENDITURES | | | | | |
| General Government Support | | | | | |
| Legislative board | | | | | |
| Personal services | \$ 60,740 | \$ 61,136 | \$ 61,136 | \$ | \$ - |
| Contractual services | 9,800 | 10,055 | 9,964 | | 91 |
| Municipal court | | | | | |
| Personal services | 51,130 | 50,734 | 39,273 | | 11,461 |
| Equipment | 1,000 | 896 | 240 | | 656 |
| Contractual services | 11,900 | 12,004 | 9,022 | | 2,982 |
| Mayor | | | | | |
| Personal services | 66,000 | 69,245 | 69,244 | | 1 |
| Contractual services | 1,250 | 1,300 | 1,279 | | 21 |
| Administration | | | | | |
| Personal services | 212,489 | 212,489 | 212,489 | | - |
| Contractual services | 4,440 | 4,740 | 3,816 | | 924 |
| Auditor | | | | | |
| Contractual services | 71,000 | 71,000 | 69,279 | | 1,721 |
| Treasurer | | | | | |
| Personal services | 485,244 | 481,956 | 304,601 | | 177,355 |
| Equipment | 5,000 | 3,821 | 2,302 | | 1,519 |
| Contractual services | 35,000 | 36,780 | 35,246 | | 1,534 |
| Assessment | | | | | |
| Personal services | 11,000 | 11,043 | 11,042 | | 1 |
| Attorney | | | | | |
| Contractual services | 135,000 | 140,800 | 136,943 | | 3,857 |
| Engineer | | | | | |
| Contractual services | 40,000 | 11,000 | 7,400 | | 3,600 |
| Election | | | | | |
| Contractual services | - | 110 | 110 | | - |
| Buildings | | | | | |
| Equipment | 2,500 | 2,500 | - | | 2,500 |
| Contractual services | 604,500 | 251,243 | 233,865 | | 17,378 |
| Shared services | | | | | |
| Contractual services | 28,000 | 27,335 | 22,944 | | 4,391 |
| Central data processing | | | | | |
| Contractual services | 64,000 | 65,700 | 60,802 | | 4,898 |
| Unallocated insurance | | | | | |
| Contractual services | 777,934 | 643,088 | 602,726 | | 40,362 |
| Municipal association dues | | | | | |
| Contractual services | 5,000 | 5,000 | 4,500 | | 500 |
| Judgments and claims | | | | | |
| Contractual services | 40,000 | 185,000 | 185,000 | | - |
| Ferry | | | | | |
| Contractual services | 5,000 | 3,300 | - | | 3,300 |
| Payment of MTA payroll tax | | | | | |
| Contractual services | 7,000 | 7,000 | 6,060 | | 940 |
| Contingent account | | | | | |
| Contractual services | 121,590 | 39 | - | | 39 |
| Total General Government Support | 2,856,517 | 2,369,314 | 2,089,283 | - | 280,031 |

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, 2022

| | Original Budget | Final Budget | Actual | Encumbrances | Final Budget Variance |
|---|--------------------|------------------|------------------|---------------|--------------------------|
| EXPENDITURES | | | | | |
| Public Safety | | | | | |
| Police | | | | | |
| Personal services | \$ 953,775 | \$ 1,095,966 | \$ 1,095,188 | \$ | \$ 778 |
| Equipment | 12,000 | 12,000 | 9,390 | | 2,610 |
| Contractual services | 43,700 | 61,614 | 50,243 | | 11,371 |
| Fire protection | | | | | |
| Personal services | 98,695 | 98,695 | 75,190 | | 23,505 |
| Equipment | 253,580 | 222,976 | 156,111 | 55,480 | 11,385 |
| Contractual services | 262,500 | 303,634 | 295,456 | | 8,178 |
| Safety inspections | | | | | |
| Personal services | 82,000 | 82,000 | 68,620 | | 13,380 |
| Contractual services | 14,500 | 22,000 | 21,169 | | 831 |
| Total Public Safety | <u>1,720,750</u> | <u>1,898,885</u> | <u>1,771,367</u> | <u>55,480</u> | <u>72,038</u> |
| Health | | | | | |
| Contractual | <u>4,000</u> | <u>4,053</u> | <u>4,026</u> | | <u>27</u> |
| Transportation | | | | | |
| Street maintenance | | | | | |
| Personal services | 156,245 | 156,245 | 150,937 | | 5,308 |
| Equipment | 10,000 | 7,318 | 6,055 | | 1,263 |
| Contractual services | 40,600 | 53,229 | 46,429 | | 6,800 |
| Street lighting | | | | | |
| Contractual services | <u>6,500</u> | <u>6,500</u> | <u>5,108</u> | | <u>1,392</u> |
| Total Transportation | <u>213,345</u> | <u>223,292</u> | <u>208,529</u> | <u>-</u> | <u>14,763</u> |
| Culture and Recreation | | | | | |
| Parks | | | | | |
| Equipment | 5,000 | 17,000 | 3,654 | | 13,346 |
| Contractual services | 25,711 | 16,711 | 9,322 | | 7,389 |
| Beach | | | | | |
| Personal services | 242,760 | 242,760 | 233,745 | | 9,015 |
| Equipment | 5,000 | 4,428 | 4,427 | | 1 |
| Contractual services | 34,800 | 40,038 | 39,807 | | 231 |
| Recreation | | | | | |
| Equipment | 500 | 500 | - | | 500 |
| Contractual services | 6,300 | 6,300 | 3,746 | | 2,554 |
| Celebrations | | | | | |
| Contractual services | 15,000 | 15,000 | 12,299 | | 2,701 |
| Other culture and recreation (Marina & Docks) | | | | | |
| Personal services | 34,000 | 34,000 | 32,889 | | 1,111 |
| Equipment | 2,000 | 7,000 | 6,611 | | 389 |
| Contractual services | <u>23,700</u> | <u>25,626</u> | <u>24,663</u> | | <u>963</u> |
| Total Culture & Recreation | <u>394,771</u> | <u>409,363</u> | <u>371,163</u> | <u>-</u> | <u>38,200</u> |
| Home and Community Services | | | | | |
| Zoning board of appeals | | | | | |
| Contractual services | 3,250 | 3,250 | 2,142 | | 1,108 |
| Refuse | | | | | |
| Equipment | 3,000 | 75 | - | | 75 |
| Contractual services | 471,618 | 474,543 | 474,540 | | 3 |
| Flood/Erosion | | | | | |
| Contractual services | <u>25,000</u> | <u>25,000</u> | <u>7,948</u> | | <u>17,052</u> |
| Total Home & Community | <u>502,868</u> | <u>502,868</u> | <u>484,630</u> | <u>-</u> | <u>18,238</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, 2022

| | Original Budget | Final Budget | Actual | Encumbrances | Final Budget Variance |
|--|---------------------|---------------------|---------------------|---------------|--------------------------|
| EXPENDITURES | | | | | |
| Employee Benefits | | | | | |
| State retirement | \$ 138,338 | \$ 139,613 | \$ 139,613 | \$ | \$ - |
| Police and fire retirement | 168,499 | 208,252 | 208,251 | | 1 |
| Local pension fund (Fire service award) | 40,000 | 128,846 | 127,835 | | 1,011 |
| Social security and Medicare | 175,000 | 179,450 | 179,449 | | 1 |
| Worker's compensation | 71,000 | 66,800 | 65,885 | | 915 |
| Unemployment insurance | 4,000 | 8,000 | 7,570 | | 430 |
| Disability insurance | 1,500 | 1,700 | 1,544 | | 156 |
| Longevity | 2,300 | 2,300 | 2,100 | | 200 |
| Other | 58,000 | 94,410 | 94,410 | | - |
| Hospital and medical insurance | 485,714 | 331,826 | 331,826 | | - |
| Total Employee Benefits | 1,144,351 | 1,161,197 | 1,158,483 | - | 2,714 |
| Debt Service | | | | | |
| Principal | 245,000 | 245,000 | 245,000 | | - |
| Interest | 38,250 | 38,250 | 38,250 | | - |
| Total Debt Service | 283,250 | 283,250 | 283,250 | - | - |
| Total Expenditures | 7,119,852 | 6,852,222 | 6,370,731 | 55,480 | 426,011 |
| OTHER USES | | | | | |
| Operating Transfers Out | - | 267,630 | 267,630 | | - |
| Total Expenditures and Other Uses | \$ 7,119,852 | \$ 7,119,852 | 6,638,361 | 55,480 | \$ 426,011 |
| Net Change in Fund Balance | | | 345,197 | | |
| Fund Balance - Beginning of Year | | | 7,381,612 | | |
| Fund Balance - End of Year | | | <u>\$ 7,726,809</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, 2022

| | Original Budget | Final Budget | Actual | Final Budget Variance with Actual |
|----------------------------------|--------------------|-------------------|---------------------|---|
| REVENUES | | | | |
| Real Property Taxes | \$ 245,278 | \$ 245,278 | \$ 245,278 | \$ - |
| Departmental Income | 565,032 | 565,032 | 571,403 | 6,371 |
| Use of Money and Property | 800 | 800 | 723 | (77) |
| Total Revenues | 811,110 | 811,110 | 817,404 | \$ 6,294 |
| EXPENDITURES | | | | |
| General government support | \$ 88,701 | \$ 68,701 | 68,701 | \$ - |
| Home and community services | 285,697 | 329,455 | 291,644 | 37,811 |
| Employee benefits | 142,596 | 155,758 | 153,360 | 2,398 |
| Debt Service | | | | |
| Principal | 247,735 | 210,815 | 199,740 | 11,075 |
| Interest | 46,381 | 46,381 | 44,880 | 1,501 |
| Total Expenditures | \$ 811,110 | \$ 811,110 | 758,325 | \$ 52,785 |
| Net Change in Fund Balance | | | 59,079 | |
| Fund Balance - Beginning of Year | | | 952,155 | |
| Fund Balance - End of Year | | | \$ 1,011,234 | |

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, 2022

| | Original Budget | Final Budget | Actual | Final Budget Variance with Actual |
|----------------------------------|--------------------|-------------------|---------------------|---|
| REVENUES | | | | |
| Real Property Taxes | \$ 281,124 | \$ 281,124 | \$ 281,124 | \$ - |
| Departmental Income | 547,620 | 547,620 | 547,620 | - |
| Use of Money and Property | 1,100 | 1,100 | 1,029 | (71) |
| Miscellaneous | 28,017 | 28,017 | 28,017 | - |
| Total Revenues | \$ 857,861 | \$ 857,861 | 857,790 | \$ (71) |
| EXPENDITURES | | | | |
| General government support | \$ 114,030 | \$ 104,030 | 104,030 | \$ - |
| Home and community services | 460,331 | 470,331 | 405,555 | 64,776 |
| Employee benefits | 177,303 | 190,937 | 190,028 | 909 |
| Debt Service | | | | |
| Principal | 95,997 | 82,363 | 35,000 | 47,363 |
| Interest | 10,200 | 10,200 | 10,200 | - |
| Total Expenditures | \$ 857,861 | \$ 857,861 | 744,813 | \$ 113,048 |
| Net Change in Fund Balance | | | 112,977 | |
| Fund Balance - Beginning of Year | | | <u>1,396,510</u> | |
| Fund Balance - End of Year | | | <u>\$ 1,509,487</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 Four Fiscal Years

TENTATIVE DRAFT

Police and Fire Retirement System

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|---|-------------|-------------|-------------|-------------|
| Village's proportion of the net pension liability | 0.0220951% | 0.0142260% | 0.0175018% | 0.0215398% |
| Village's proportionate share of the net pension liability | \$ 125,510 | \$ 247,002 | \$ 935,459 | \$ 361,236 |
| Village's covered payroll | \$ 812,622 | \$ 718,066 | \$ 645,741 | \$ 688,917 |
| Village's proportionate share of the net pension liability as a percentage of its covered payroll | 15.45 % | 34.40 % | 144.87 % | 52.44 % |
| Plan fiduciary net position as a percentage of the total pension liability | 98.66% | 95.79% | 84.86% | 95.09% |
| Discount rate | 5.90% | 5.90% | 6.80% | 7.00% |

Employees' Retirement System

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|---|--------------|--------------|--------------|--------------|
| Village's proportion of the net pension asset/(liability) | 0.0054339% | 0.0036668% | 0.0039649% | 0.0038075% |
| Village's proportionate share of the net pension asset/(liability) | \$ (444,203) | \$ 3,651 | \$ 1,049,931 | \$ 269,771 |
| Village's covered payroll | \$ 1,431,298 | \$ 1,495,912 | \$ 1,350,075 | \$ 1,463,679 |
| Village's proportionate share of the net pension asset/(liability) as a percentage of its covered payroll | 31.03 % | 0.24 % | 77.77 % | 18.43 % |
| Plan fiduciary net position as a percentage of the total pension asset/(liability) | 103.65% | 99.95% | 86.39% | 96.27% |
| Discount rate | 5.90% | 5.90% | 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 Four Fiscal Years

Police and Fire Retirement System

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|-------------|-------------|-------------|-------------|-------------|-------------|---------------------------|-------------|-------------|-------------|
| Contractually required contribution | \$ 208,251 | \$ 165,122 | \$ 142,192 | \$ 106,162 | | | ~ Not Readily available ~ | | | |
| Contributions in relation to the contractually required contribution | 208,251 | 165,122 | 142,192 | 106,162 | | - | - | - | - | - |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Village's covered payroll | \$ 813,181 | \$ 716,624 | \$ 665,574 | \$ 650,819 | | | ~ Not Readily available ~ | | | |
| Contributions as a percentage of covered payroll | 26% | 23% | 21% | 16% | | | | | | |

Employees' Retirement System

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|--------------|--------------|--------------|--------------|-------------|-------------|---------------------------|-------------|-------------|-------------|
| Contractually required contribution | \$ 212,116 | \$ 186,747 | \$ 181,662 | \$ 125,081 | | | ~ Not Readily available ~ | | | |
| Contributions in relation to the contractually required contribution | 212,116 | 186,747 | 181,662 | 125,081 | | - | - | - | - | - |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Village's covered payroll | \$ 1,395,512 | \$ 1,582,402 | \$ 1,364,566 | \$ 1,456,316 | | | ~ Not Readily available ~ | | | |
| Contributions as a percentage of covered payroll | 15% | 12% | 13% | 9% | | | | | | |

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

| | 2022 | 2021 | 2020 |
|--|---------------------------|---------------------------|---------------------------|
| Total OPEB liability | | | |
| Service cost | \$ 292,050 | \$ 141,638 | \$ 124,628 |
| Interest | 71,247 | 99,370 | 107,019 |
| Changes in benefit terms | - | - | - |
| Differences between expected and actual experience | 270,305 | 619,042 | - |
| Changes of assumptions or other inputs | (1,076,837) | - | 215,847 |
| Benefit payments | (147,895) | (167,056) | (188,885) |
| Net change in total OPEB liability | (591,130) | 692,994 | 258,609 |
| Total OPEB liability, beginning | 4,554,863 | 3,861,869 | 3,603,260 |
| Total OPEB liability, ending | <u>\$ 3,963,733</u> | <u>\$ 4,554,863</u> | <u>\$ 3,861,869</u> |
| Covered employee payroll | \$ 1,746,170 | \$ 1,680,703 | \$ 1,680,703 |
| Total OPEB liability as a percentage of covered employee payroll | 227.00% | 271.01% | 229.78% |
| Discount rate | 3.70% | 1.59% | 2.63% |
| Healthcare trend rate | 6.50% to 4.50% by 2037 | 6.80% to 4.50% by 2035 | 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.

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**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, 2022, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated April 14, 2023.

Report on 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 or significant deficiencies may exist that have not been identified.

TENTATIVE DRAFT

Report on 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 financial statement. 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 April 14, 2023.

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.

April 14, 2023

TENTATIVE DRAFT