



FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION WITH  
INDEPENDENT AUDITOR'S REPORTS

May 31, 2021

**INCORPORATED VILLAGE OF OCEAN BEACH**  
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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund and the fiduciary fund of the Incorporated Village of Ocean Beach (Village), as of and for the year ended May 31, 2021, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and fiduciary fund of the Incorporated Village of Ocean Beach, as of May 31, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Changes in Accounting Principles***

As described in Note 2 to the financial statements, "Changes in Accounting Principles", the Village has adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, as of May 31, 2021. Our opinion is not modified with respect to this matter.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, schedule of revenues, expenditures and changes in fund balance – budget and actual – general fund, schedule of revenues, expenditures and changes in fund balance – budget and actual – water fund, schedule of revenues, expenditures and changes in fund balance – budget and actual – sewer fund, schedule of the Village's proportionate share of the net pension liability, schedule of Village pension contributions, and schedule of changes in the Village's total OPEB liability and related ratios on pages 3 through 14 and 49 through 57, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2021 on our consideration of the Incorporated Village of Ocean Beach's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.

*Cullen & Danowski, LLP*

December 4, 2021

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

The Incorporated Village of Ocean Beach's discussion and analysis of the financial performance provides an overall review of the Village's financial activities for the fiscal year ended May 31, 2021 in comparison with the year ended May 31, 2020, 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.

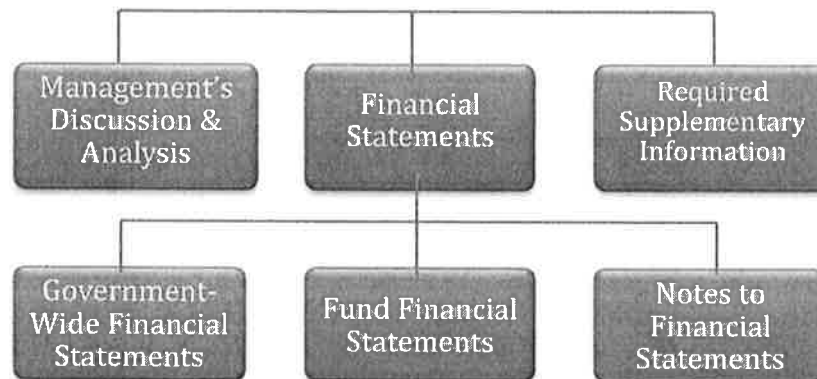
**1. FINANCIAL HIGHLIGHTS**

Key financial highlights for fiscal year 2021 are as follows:

- The Village's total net position at May 31, 2020 was restated and decreased by \$588,320, as a result of reflecting the service award program as a liability. The restatement has no impact on the governmental funds financial statements.
- The Village's total net position, as reflected in the government-wide financial statements, increased by \$1,042,417. 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 \$8,445,090. This amount was offset by program charges for services and capital grants totaling \$2,849,255. General revenues of \$6,638,252 amount to 70.0% 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 \$814,221. This was 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.
- On the balance sheet, the general fund's unassigned fund balance at year-end was \$5,133,987. This represents an increase of \$588,081 over the prior year.
- The Village's 2021 property tax levy of \$4,370,159 was a 0.67% increase over the 2020 tax levy. The Village's property tax cap was 2.89%.

**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)

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**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 Villages buildings and infrastructure.

The Statement of Activities

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

**B. Fund Financial Statements**

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

Governmental Funds

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

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental fund financial statements focus on shorter term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year for spending in future years. Consequently, the

**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 \$1,042,417 between fiscal year 2021 and 2020. The May 31, 2020 current and other assets and current and other liabilities were increased by \$63,036 resulting from the implementation of GASB statement No. 84, *Fiduciary Activities*, however, there was no change in total net position. The May 31, 2020 net position has been decreased by \$588,320 due to the restatement of reporting the long-term liability for the length of service award program. A summary of the Village's Statements of Net Position follows:

	<u>2021</u>	<u>As Restated 2020</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
<b>Assets</b>				
Current and Other Assets	\$ 11,721,430	\$ 10,426,076	\$ 1,295,354	12.42 %
Capital Assets, Net	<u>31,458,073</u>	<u>31,847,254</u>	<u>(389,181)</u>	(1.22)%
Total Assets	<u>43,179,503</u>	<u>42,273,330</u>	<u>906,173</u>	2.14 %
<b>Deferred Outflows of Resources</b>	<u>2,260,256</u>	<u>1,533,857</u>	<u>726,399</u>	47.36 %

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

	2021	As Restated 2020	Increase (Decrease)	Percentage Change
<b>Liabilities</b>				
Current and Other Liabilities	\$ 483,460	\$ 656,975	\$ (173,515)	(26.41)%
Long-Term Liabilities	6,186,048	6,605,728	(419,680)	(6.35)%
Net Pension Liability -				
Proportionate Share	250,653	1,985,390	(1,734,737)	(87.38)%
Total OPEB Liability	<u>4,554,863</u>	<u>3,861,869</u>	<u>692,994</u>	17.94 %
Total Liabilities	<u>11,475,024</u>	<u>13,109,962</u>	<u>(1,634,938)</u>	(12.47)%
Deferred Inflows of Resources	<u>2,481,060</u>	<u>255,967</u>	<u>2,225,093</u>	869.29 %
<b>Net Position</b>				
Net Investment in Capital Assets	26,431,445	26,319,014	112,431	0.43 %
Restricted	116,704	76,179	40,525	53.20 %
Unrestricted	<u>4,935,526</u>	<u>4,046,065</u>	<u>889,461</u>	21.98 %
Total Net Position	<u>\$ 31,483,675</u>	<u>\$ 30,441,258</u>	<u>\$ 1,042,417</u>	3.42 %

The increase in current and other assets was primarily the result of increases in cash, the amount due from state and federal governments (primarily an increase in NYSDOT receivable), the amount due from other governments and service award program assets, offset by decreases in accounts receivable and inventory of ferry tickets.

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

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

The decrease in current and other liabilities is mainly due to decreases in accounts payable (primarily in amounts due for capital projects) and accrued liabilities.

The decrease in long-term liabilities is primarily the result of the repayment of the current maturity of the bond indebtedness, net of the increase in compensated absences 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 accompanying Notes to Financial Statements, Note 12 "Pension Plans – New York State" provides additional information.

Total other postemployment benefits (OPEB) liability increased, based on the actuarial valuation of the plan. The accompanying Notes to Financial Statements, Note 14 "Postemployment Healthcare Benefits", provides additional information.



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

Deferred inflows of resources represents actuarial adjustments of the pension 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 in the sewer fund.

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

**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, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
<b>Revenues</b>				
Program Revenues				
Charges for Services	\$ 2,166,210	\$ 2,143,503	\$ 22,707	1.06 %
Capital Grants	683,045	2,013,649	(1,330,604)	(66.08)%
General Revenues				
Property Taxes	4,349,512	4,310,551	38,961	0.90 %
State Sources	172,649	83,042	89,607	107.91 %
Other	2,116,091	2,004,032	112,059	5.59 %
Total Revenues	<u>9,487,507</u>	<u>10,554,777</u>	<u>(1,067,270)</u>	<u>(10.11)%</u>
<b>Expenses</b>				
General government	2,487,650	2,453,607	34,043	1.39 %
Public safety	2,242,214	1,854,050	388,164	20.94 %
Health	3,744	3,757	(13)	(0.35)%
Transportation	266,705	312,206	(45,501)	(14.57)%
Culture and recreation	470,610	486,148	(15,538)	(3.20)%
Home and community	1,341,511	1,328,039	13,472	1.01 %
Debt Service - Interest	98,942	189,267	(90,325)	(47.72)%
Depreciation expense - unallocated	1,533,714	1,294,994	238,720	18.43 %
Total Expenses	<u>8,445,090</u>	<u>7,922,068</u>	<u>523,022</u>	<u>6.60 %</u>
Change in Net Position	<u>\$ 1,042,417</u>	<u>\$ 2,632,709</u>	<u>\$ (1,590,292)</u>	<u>(60.41)%</u>

The Village's net position increased by \$1,042,417, and \$2,632,709, exclusive of a prior period adjustment of \$588,320, for the years ended May 31, 2021 and 2020, respectively.

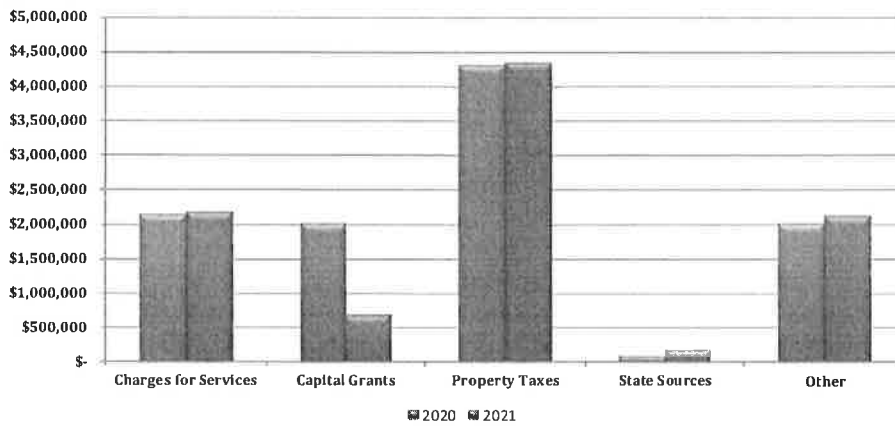
The Village's revenues decreased \$1,067,270 or 10.11%. The decrease is mainly attributable to a decrease in capital grants, which is the result of decreased FEMA aid due to the completion of various repair projects.

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

The Village's total expenses for the year increased by \$523,022 or 6.60%. The increase is due to a combination of increases and decreases in various areas. Depreciation expense increased due to a large number of assets being placed in service as capital projects were completed. General government support increased due to an increase in commercial insurance costs, offset by a decrease in allocated employee benefits within the function. Public safety increased due to an increase in police salaries and contractual expenditures for fire protection, offset by a decrease in employee benefits allocated within the function.

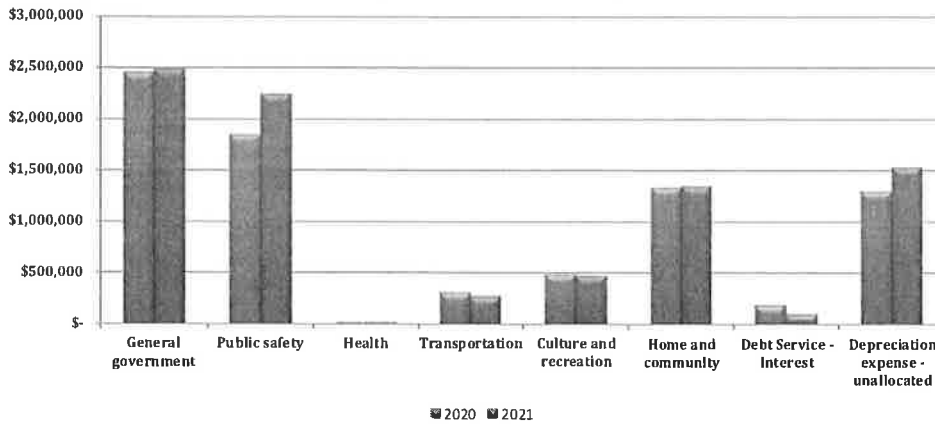
As indicated in the graphs that follow, property taxes are the largest component of revenues recognized (i.e. 45.8% and 40.8%) of the total for the years 2021 and 2020, respectively. General government support expenses is the largest category of expenses incurred (i.e. 29.5% and 31.0% of the total for the years 2021 and 2020, respectively).

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



	Charges for Services	Capital Grants	Property Taxes	State Sources	Other
<b>2020</b>	20.3%	19.1%	40.8%	0.8%	19.0%
<b>2021</b>	22.8%	7.2%	45.8%	1.8%	22.4%

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
<b>2020</b>	31.0%	23.5%	0.0%	3.9%	6.1%	16.8%	2.4%	16.3%
<b>2021</b>	29.5%	26.4%	0.0%	3.2%	5.6%	15.9%	1.2%	18.2%

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

**4. FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS**

At May 31, 2021, the Village's governmental funds reported a combined fund balance of \$10,725,976, which is an increase of \$988,917 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:

	2021	As Restated 2020	Increase (Decrease)	Percentage Change
<b>General Fund</b>				
Nonspendable:				
Inventory	\$	\$ 74,065	\$ (74,065)	(100.00)%
Prepays	972	1,574	(602)	(38.25)%
Restricted				
Retirement contribution	20,000	20,000	-	0.00 %
Debt service	56,179	56,179	-	0.00 %
Service award program	665,195	588,320	76,875	13.07 %
Assigned: Appropriated fund balance	240,922		240,922	N/A
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		16,990	(16,990)	(100.00)%
Unassigned: Fund balance	5,133,987	4,545,906	588,081	12.94 %
	<u>7,381,612</u>	<u>6,567,391</u>	<u>814,221</u>	<u>12.40 %</u>
<b>Water Fund</b>				
Nonspendable: Prepays	-	158	(158)	(100.00)%
Assigned: Appropriated fund balance	20,740	35,681	(14,941)	(41.87)%
Assigned: Unappropriated fund balance	931,415	821,375	110,040	13.40 %
	<u>952,155</u>	<u>857,214</u>	<u>94,941</u>	<u>11.08 %</u>
<b>Sewer Fund</b>				
Restricted: Debt Service	40,525		40,525	N/A
Assigned: Unappropriated fund balance	1,355,985	1,231,459	124,526	10.11 %
	<u>1,396,510</u>	<u>1,231,459</u>	<u>165,051</u>	<u>13.40 %</u>
<b>Capital Projects Fund</b>				
Restricted: Unspent bond proceeds	420,892	429,181	(8,289)	(1.93)%
Assigned: Unappropriated fund balance	574,807	651,814	(77,007)	(11.81)%
	<u>995,699</u>	<u>1,080,995</u>	<u>(85,296)</u>	<u>(7.89)%</u>
 Total Fund Balance	 <u>\$ 10,725,976</u>	 <u>\$ 9,737,059</u>	 <u>\$ 988,917</u>	 <u>10.16 %</u>

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

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**A. General Fund**

The net change in the general fund – fund balance is an increase of \$814,221, compared to an increase of \$42,047 in 2020. This resulted from revenues and other financing sources in excess of expenditures and other financing uses.

The Village's revenues increased by \$202,283 or 2.90%, as compared to the prior year. The increase is primarily attributable to increases in real property taxes, state sources, permits, and sale of property and compensation for loss, offset by a decrease in use of money and property. The increase in property taxes is due to an increase in the tax levy in accordance with the 2020-2021 budget. State sources increased due to reimbursements received from the Department of Homeland Security for approved repair projects. Building permits and rental permits increased compared to the prior year because of the state mandated-shutdown due to the COVID-19 pandemic. Sale of property and compensation for loss increased due to the receipt of insurance recoveries. Use of money and property decreased because of a decrease in additional rent payments received in accordance with the ferry terminal contract.

Expenditures and other financing uses decreased \$569,891 or 8.23% from the prior year. This was due to a decrease debt service principal and culture and recreation, offset by increases in general government and public safety. Debt service principal decreased because there was a bond anticipation note paid off in the prior year, and it was not renewed. Therefore, there was no pay down of principal in the current year. Culture and recreation decreased because in the prior year the dock sustained damage during a storm and required emergency repairs. General government support increased due to an increase in commercial insurance costs and the purchase of an emergency trailer. Public safety increased due to more police, fire, and, safety inspection salaries paid, and an increase in equipment and contractual expenditures for fire protection.

**B. Water Fund**

The net change in the water fund – fund balance is an increase of \$94,941, compared to an increase of \$103,069 in 2020. This resulted from revenues and other financing sources in excess of expenditures.

The Village's revenues decreased by \$8,391 or 1.00%, as compared to the prior year. The decrease is primarily attributable to the decrease in the annual water service charges and use of money and property offset by an interfund transfer.

Expenditures decreased \$263 or 0.04%, from the prior year

**C. Sewer Fund**

The net change in the sewer fund – fund balance is an increase of \$165,051, compared to an increase of \$56,688 in 2020. This resulted from revenues in excess of expenditures.

The Village's revenues decreased by \$11,236 or 1.29%, as compared to the prior year. This decrease is attributable to a decrease in use of money and property, which is the result of a decreased interest rate in the Village's NYCLASS bank account.

Expenditures decreased \$119,599 or 14.74% from the prior year. This decrease was primarily due to decreases in debt service principal and interest due to the final maturity of a bond in the prior year, and home and community services decreased due to non-recurring expenses in the prior year to clean and inspect pipes.

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

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**D. Capital Projects Fund**

The capital projects fund - fund balance decreased by \$85,296, compared to an increase of \$1,438,618 in 2020. This decrease was a result of expenditures and other financing uses in excess of revenues and other financing sources.

The Village's revenues and other financing sources decreased by \$2,243,788. This was due to a decrease in the amount of Federal aid received for ongoing capital projects and BANs redeemed from appropriations, offset by an increase in state sources.

Expenditures and other financing uses decreased by \$719,874. This was the result of larger projects nearing completion in the prior year, therefore requiring fewer expenditures in the current year.

**5. GENERAL FUND BUDGETARY HIGHLIGHTS**

**A. 2020-2021 Budget**

The Village's general fund adopted budget for the year ended May 31, 2021 was \$6,747,693. This amount was increased by encumbrances in the amount of \$16,990 for a final budget of \$6,764,683.

The final budget was funded by estimated revenues. The majority of this funding source was \$3,843,541 in estimated property taxes.

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

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

Opening, Unassigned Fund Balance	\$ 4,545,906
Revenues Over Budget	423,206
Expenditures Under Budget	408,005
Net Change in Nonspendable Fund Balance	74,667
Net Change to Service Award Program Fund Balance	(76,875)
Appropriated for the 2021-2022 Budget	<u>(240,922)</u>
Closing, Unassigned Fund Balance	<u>\$ 5,133,987</u>

**Opening, Unassigned Fund Balance**

The \$4,545,906 shown in the table is the portion of the Village's May 31, 2020 fund balance that was retained as unassigned.

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

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Revenues Over Budget

The 2020-2021 final budget for revenues was \$6,747,693. Actual revenues recognized for the year were \$7,170,899. The excess of actual revenues over estimated or budgeted revenues was \$423,206, which contributes directly to the change to the general fund unassigned fund balance from May 31, 2020 to May 31, 2021. The accompanying Required Supplementary Information, Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund, provides additional information.

Expenditures Under Budget

The 2020-2021 final budget for expenditures was \$6,764,693. Actual expenditures as of May 31, 2021 were \$6,356,678. The final variance was \$408,005, which contributes directly to the change to the general fund unassigned fund balance from May 31, 2020 to May 31, 2021. The accompanying Required Supplementary Information, Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund, provides additional information.

Net Change in Nonspendable Fund Balance

The Village had prepaid expenditures at May 31, 2021. The resulting balance sheet asset (prepaids) cannot be spent because it is not in spendable form, meaning it will not be converted to cash. Accordingly, an equal amount of fund balance is classified as Nonspendable. The decrease in Nonspendable fund balance increases unassigned fund balance.

Net Change to Service Award Program Fund Balance

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

Appropriated Fund Balance

The Village has chosen to use \$240,922 of the available May 31, 2021 unassigned fund balance to partially fund the 2021-2022 approved operating budget. As such, the May 31, 2021 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, 2021 was \$5,133,987. This amount equals 76% of the 2021-2022 budget.

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

**A. Capital Assets**

At May 31, 2021, 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 \$1,533,714 in excess of capital additions of \$1,144,533 for the year ended May 31, 2021. A summary of the Village's capital assets, net of accumulated depreciation at May 31, 2021 and 2020 is as follows:

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

	2021	2020	Increase (Decrease)
Land	\$ 225,326	\$ 225,326	\$ -
Construction in progress		574,971	(574,971)
Buildings	11,899,820	11,629,652	270,168
Equipment	827,482	956,690	(129,208)
Infrastructure	18,505,445	18,460,615	44,830
Capital assets, net	<u>\$ 31,458,073</u>	<u>\$ 31,847,254</u>	<u>\$ (389,181)</u>

**B. Debt Administration**

At May 31, 2021, the Village has total bonds payable of \$5,447,520. The decrease in outstanding bonds represents principal payments. The decrease in outstanding capital leases represents current year principal payments, which reached final maturity in 2020-2021. A summary of the outstanding debt at May 31, 2021 and 2020 is as follows:

Issue Date	Interest Rate	2021	2020	Increase (Decrease)
<b>Bonds Payable</b>				
12/13/2012	1.25 - 2.25%	\$ 605,000	\$ 695,000	\$ (90,000)
12/13/2012	1.25 - 2.25%	200,000	225,000	(25,000)
12/13/2012	1.25 - 2.00%	230,000	340,000	(110,000)
12/13/2012	1.25 - 2.00%	30,000	40,000	(10,000)
4/12/2018	2.00 - 3.00%	800,000	870,000	(70,000)
4/12/2018	2.00 - 3.00%	530,000	580,000	(50,000)
4/12/2018	2.00 - 3.00%	395,000	430,000	(35,000)
6/13/2019	0.00%	1,672,520	1,732,260	(59,740)
6/20/2019	1.31 - 3.81%	985,000	1,011,224	(26,224)
		<u>\$ 5,447,520</u>	<u>\$ 5,923,484</u>	<u>\$ (475,964)</u>
<b>Capital Lease Payable</b>				
2/1/2005	5.58%	<u>\$</u>	<u>\$ 33,937</u>	<u>\$ (33,937)</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, 2021 are 21.67% 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.

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

	2021	As Restated 2020	Increase (Decrease)
Compensated absences	\$ 73,333	\$ 59,987	\$ 13,346
Net pension liability - proportionate share	250,653	1,985,390	(1,734,737)
Service award program	665,195	588,320	76,875
Total OPEB liability	<u>4,554,863</u>	<u>3,861,869</u>	<u>692,994</u>
	<u>\$ 5,544,044</u>	<u>\$ 6,495,566</u>	<u>\$ (951,522)</u>

**7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

**A. Subsequent Year's Budget**

The Board of Trustees approved a \$7,119,852 general fund budget, \$811,110 water fund budget, and \$857,861 sewer fund budget for a total budget of \$8,788,823 for the year ending May 31, 2022. This is an increase of \$260,039 or 3.05% over the previous year's budget. The increase is principally the result of a combination of increases in general government support, public safety, and employee benefits offset by decreases in home and community services.

The Village budgeted non-property tax revenues at a \$236,248 increase over the prior year's estimate. A property tax increase of \$23,791 (0.54%), levy to levy, was needed to meet the funding shortfall. The tax cap for the year ending May 31, 2021 is 3.84%.

**B. Future Budgets**

The property tax cap and uncertainty in state aid, as well as the continuing effect of the COVID-19 pandemic, will 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 3.84%. The Village's 2021-2022 property tax increase of 0.54% was less than the tax cap and did not require an override vote.

**8. CONTACTING THE VILLAGE**

This financial report is designed to provide the reader with a general overview of the Village's finances and to demonstrate the Village's accountability for the funds it receives. Requests for additional information can be directed to:

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



**INCORPORATED VILLAGE OF OCEAN BEACH**  
**Statement of Net Position**  
May 31, 2021

<b>ASSETS</b>	
Cash	
Unrestricted	\$ 9,566,592
Restricted	537,596
Receivables	
Accounts receivable	17,824
Taxes receivable	110
Due from state and federal	615,050
Due from other governments	287,896
Inventory	30,195
Prepays	972
Service award program	665,195
Capital assets:	
Not being depreciated	225,326
Being depreciated, net of accumulated depreciation	<u>31,232,747</u>
 Total Assets	 <u>43,179,503</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pensions	1,550,220
Other postemployment benefits	<u>710,036</u>
 Total Deferred Outflows of Resources	 <u>2,260,256</u>
<b>LIABILITIES</b>	
Payables	
Accounts payable	88,654
Accrued liabilities	190,812
Due to NYSLRS	79,239
Other liabilities	54,755
Unearned credits - collections in advance	70,000
Long-term liabilities	
Due and payable within one year	
Bonds payable	479,740
Due and payable after one year	
Bonds payable	4,967,780
Compensated absences payable	73,333
Service award program	665,195
Net pension liability - proportionate share	250,653
Total other postemployment benefits liability	<u>4,554,863</u>
 Total Liabilities	 <u>11,475,024</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenue	468,614
Pensions	<u>2,012,446</u>
 Total Deferred Inflows of Resources	 <u>2,481,060</u>
<b>NET POSITION</b>	
Net investment in capital assets	<u>26,431,445</u>
Restricted:	
Retirement contribution	20,000
Debt service	<u>96,704</u>
	<u>116,704</u>
Unrestricted	<u>4,935,526</u>
 Total Net Position	 <u>\$ 31,483,675</u>

**INCORPORATED VILLAGE OF OCEAN BEACH**  
**Statement of Activities**  
For the Year Ended May 31, 2021

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Capital Grants	
<b>FUNCTIONS/PROGRAMS</b>				
General government	\$ 2,487,650	\$ 397	\$ 41,503	\$ (2,445,750)
Public safety	2,242,214	695,589		(1,546,625)
Health	3,744			(3,744)
Transportation	266,705		610,979	344,274
Culture and recreation	470,610	341,169		(129,441)
Home and community	1,341,511	1,129,055	30,563	(181,893)
Debt service - interest	98,942			(98,942)
Depreciation - unallocated	1,533,714			(1,533,714)
<b>Total Functions and Programs</b>	<b>\$ 8,445,090</b>	<b>\$ 2,166,210</b>	<b>\$ 683,045</b>	<b>(5,595,835)</b>
<b>GENERAL REVENUES</b>				
Real property taxes				4,349,512
Other tax items				502,188
Nonproperty taxes				16,723
Use of money and property				1,059,385
Licenses and permits				336,993
Fines and forfeitures				34,570
Sale of property and compensation for loss				90,674
Miscellaneous				75,558
State aid				172,649
<b>Total General Revenues</b>				<b>6,638,252</b>
Change in Net Position				1,042,417
Total Net Position - Beginning of Year, as Restated				30,441,258
Total Net Position - End of Year				<b>\$ 31,483,675</b>

**INCORPORATED VILLAGE OF OCEAN BEACH**  
**Balance Sheet - Governmental Funds**  
 May 31, 2021

	General	Water	Sewer	Capital Projects	Total Governmental Funds
<b>ASSETS</b>					
Cash					
Unrestricted	\$ 6,590,817	\$ 990,026	\$ 1,379,224	\$ 606,525	\$ 9,566,592
Restricted	76,179		40,525	420,892	537,596
Receivables					
Accounts receivable	17,824				17,824
Taxes receivable	110				110
Due from other funds	633,812				633,812
Due from state and federal				615,050	615,050
Due from other governments	287,896				287,896
Inventory	30,195				30,195
Prepays	972				972
Service award program	665,195				665,195
<b>Total Assets</b>	<b>\$ 8,303,000</b>	<b>\$ 990,026</b>	<b>\$ 1,419,749</b>	<b>\$ 1,642,467</b>	<b>\$ 12,355,242</b>
<b>LIABILITIES</b>					
Payables					
Accounts payable	\$ 41,459	\$ 8,658	\$ 3,466	\$ 35,071	\$ 88,654
Accrued liabilities	150,015	14,500			164,515
Due to other funds		9,407	12,708	611,697	633,812
Due to NYSLRS	66,868	5,306	7,065		79,239
Other liabilities	54,755				54,755
Unearned credits - collections in advance	70,000				70,000
<b>Total Liabilities</b>	<b>383,097</b>	<b>37,871</b>	<b>23,239</b>	<b>646,768</b>	<b>1,090,975</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue	538,291				538,291
<b>FUND BALANCES</b>					
Nonspendable: Prepays	972				972
Restricted:					
Retirement contribution	20,000				20,000
Debt service	56,179		40,525		96,704
Service award program	665,195				665,195
Unspent bond proceeds				420,892	420,892
Assigned:					
Appropriated fund balance	240,922	20,740			261,662
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		931,415	1,355,985	574,807	2,862,207
Unassigned: Fund balance	5,133,987				5,133,987
<b>Total Fund Balances</b>	<b>7,381,612</b>	<b>952,155</b>	<b>1,396,510</b>	<b>995,699</b>	<b>10,725,976</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 8,303,000</b>	<b>\$ 990,026</b>	<b>\$ 1,419,749</b>	<b>\$ 1,642,467</b>	<b>\$ 12,355,242</b>

**INCORPORATED VILLAGE OF OCEAN BEACH**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
May 31, 2021

Total Governmental Fund Balances \$ 10,725,976

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	\$ 45,205,361	
Less: Accumulated depreciation	<u>(13,747,288)</u>	31,458,073

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

Deferred outflows of resources	1,550,220	
Net pension liability - police and fire retirement system	(247,002)	
Net pension liability - employees' retirement system	(3,651)	
Deferred inflows of resources	<u>(2,012,446)</u>	(712,879)

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

Deferred outflows of resources	710,036	
Total other postemployment benefits obligation	<u>(4,554,863)</u>	(3,844,827)

Long-term liability s associated with the service award program are not current financial or obligations and are not reported in the funds.

Service award program		(665,195)
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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.

69,677

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	(26,297)	
Bonds payable	(5,447,520)	
Compensated absences payable	<u>(73,333)</u>	(5,547,150)

Total Net Position		<u>\$ 31,483,675</u>
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**INCORPORATED VILLAGE OF OCEAN BEACH**  
**Statement of Revenues, Expenditures**  
**and Changes in Fund Balances - Governmental Funds**  
For the Year Ended May 31, 2021

	General	Water	Sewer	Capital Projects	Total Governmental Funds
<b>REVENUES</b>					
Real property taxes	\$ 3,822,894	\$ 245,390	\$ 281,228	\$	\$ 4,349,512
Real property tax items	502,188				502,188
Non-property taxes	16,723				16,723
Departmental income	365,295	575,558	546,497		1,487,350
Intergovernmental income	678,860				678,860
Use of money and property	1,044,394	708	996		1,046,098
Licenses and permits	336,993				336,993
Fines and forfeited bail	34,570				34,570
Sale of property and compensation for loss	90,674				90,674
Miscellaneous	47,541		28,017		75,558
State aid	179,084			610,979	790,063
Federal aid	41,503			30,563	72,066
<b>Total Revenues</b>	<b>7,160,719</b>	<b>821,656</b>	<b>856,738</b>	<b>641,542</b>	<b>9,480,655</b>
<b>EXPENDITURES</b>					
General government support	2,014,377	66,700	101,000		2,182,077
Public safety	1,806,644				1,806,644
Health	3,744				3,744
Transportation	199,299			825,689	1,024,988
Culture and recreation	344,164				344,164
Home and community	519,959	286,123	379,066	33,715	1,218,863
Employee benefits	996,815	135,393	165,721		1,297,929
Debt service					
Principal	273,937	200,964	35,000		509,901
Interest	44,994	47,534	10,900		103,428
<b>Total Expenditures</b>	<b>6,203,933</b>	<b>736,714</b>	<b>691,687</b>	<b>859,404</b>	<b>8,491,738</b>
Excess (Deficiency) of Revenues Over Expenditures	956,786	84,942	165,051	(217,862)	988,917
<b>OTHER FINANCING SOURCES AND (USES)</b>					
Operating transfers in	10,180	9,999		152,745	172,924
Operating transfers (out)	(152,745)			(20,179)	(172,924)
<b>Total Other Financing Sources and (Uses)</b>	<b>(142,565)</b>	<b>9,999</b>	<b>-</b>	<b>132,566</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>814,221</b>	<b>94,941</b>	<b>165,051</b>	<b>(85,296)</b>	<b>988,917</b>
Fund Balances - Beginning of Year	6,567,391	857,214	1,231,459	1,080,995	9,737,059
End of Year	<b>\$ 7,381,612</b>	<b>\$ 952,155</b>	<b>\$ 1,396,510</b>	<b>\$ 995,699</b>	<b>\$ 10,725,976</b>

**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, 2021

Net Change in Fund Balances \$ 988,917

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). \$ 6,852

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	(13,346)	(6,494)
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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	1,144,533	
Depreciation expense	(1,533,714)	(389,181)

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	475,964	
Repayment of capital lease payable	33,937	

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, 2020 to May 31, 2021.

	4,486	514,387
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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	108,383	
Employees' retirement system	76,854	
Service award program	(76,874)	
Other postemployment benefits	(173,575)	(65,212)

Change in Net Position of Governmental Activities	\$ 1,042,417
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**INCORPORATED VILLAGE OF OCEAN BEACH**  
**Statement of Fiduciary Net Position - Fiduciary Fund**  
 May 31, 2021

	Custodial
<b>ASSETS</b>	
Cash and cash equivalents	\$ 350
<b>NET POSITION</b>	
Restricted	\$ 350

**Statement of Changes in Fiduciary Net Position - Fiduciary Fund**  
 For the Year Ended June 30, 2021

	Custodial
<b>ADDITIONS</b>	
Bail received	\$ 2,500
<b>DEDUCTIONS</b>	
Bail disbursed	2,555
Change in Net Position	(55)
Net Position - Beginning of Year	405
Net Position - End of Year	\$ 350

**INCORPORATED VILLAGE OF OCEAN BEACH**  
**NOTES TO FINANCIAL STATEMENTS**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Incorporated Village of Ocean Beach (the "Village"), which was established in 1921, is governed by its Charter, New York State Village Law and other general laws of the State of New York and various local laws. The Board of Trustees is the legislative body responsible for overall operations. The Mayor serves as the Chief Executive Officer and the Treasurer serves as the Chief Fiscal Officer.

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

**A. Financial Reporting Entity**

The financial reporting entity is based on criteria set forth by GASB. The financial reporting entity consists of the primary government, which is the Village, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

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

**B. Basis of Presentation**

**Government-Wide Financial Statements**

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

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



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

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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)

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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 15<sup>th</sup> and become a lien on June 1<sup>st</sup>. 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 1<sup>st</sup>, 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)

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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.

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.

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

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 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.

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, 2021.

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

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**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 31<sup>st</sup>.

**Q. Other Benefits**

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

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

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

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

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

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**R. Deferred Inflows of Resources**

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

**S. Equity Classifications**

Government-wide Statements

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

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

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

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

Fund Statements

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

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

*Restricted* – Consists of amounts that are subject to externally enforceable legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation. The Village has established the following restricted fund balances:

**INCORPORATED VILLAGE OF OCEAN BEACH**  
**NOTES TO FINANCIAL STATEMENTS**  
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*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 and sewer fund.

*Restricted for Debt Service*

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

*Restricted for Service Award Program*

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

*Restricted – Unspent Bond Proceeds*

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

*Assigned* – Consists of amounts that are subject to a purpose constraint that represents an intended use established by the Village's Board of Trustees. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. Assigned fund balance also includes an amount appropriated to partially fund the subsequent year's budget, as well as encumbrances not classified as restricted at the end of the fiscal year, 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.

**Fund Balance Classification**

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

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

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

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

**2. CHANGES IN ACCOUNTING PRINCIPLES**

For the fiscal year ended May 31, 2021, the Village implemented GASB Statement No. 84, *Fiduciary Activities*. This statement provides guidance for identifying fiduciary activities, primarily based on whether the assets associated with the activities are controlled by the government and the government does not have administrative involvement with the assets. As a result, agency activities previously reported within the fiduciary funds are now reported within the governmental funds.

**3. FUTURE ACCOUNTING STANDARDS**

The Governmental Accounting Standards Board (GASB) Statements are issued to set generally accepted accounting principles (GAAP) for state and local governments. The following is not an all-inclusive list of GASB standards issued, but 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.

<b>Effective for the Year Ending</b>	<b>Statement</b>
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.

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

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

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

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



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

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

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

Long-Term Revenue and Expense Differences

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

Capital Related Differences

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

Long-Term Debt Transaction Differences

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

Pension and Other Postemployment Benefits Differences

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

Other postemployment benefit differences occur as a result of recognizing OPEB costs using the current financial resources measurement focus and the modified accrual basis of accounting, whereby an expenditure is recognized for 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.

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

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**5. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgets**

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

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

Appropriations authorized for the current year can be funded by the planned use of specific reserves, and can be increased by budget amendments approved by the Board of Trustees as a result of selected new revenue sources not included in the original budget (when permitted by law) and appropriations of fund balance. These supplemental appropriations may occur subject to legal restrictions, if the Board approves them because of a need that exists which was not determined at the time the budget was adopted. 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.

**6. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS**

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

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

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

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

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

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

**Investment pool:**

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

Total investments of the cooperative at May 31, 2021 are \$3,851,064,828, which consisted of \$291,226,773 in repurchase agreements, \$2,455,094,706 in U.S. Treasury Securities and \$1,104,743,349 in collateralized bank deposits, with various interest rates and due dates.

The following amounts are included as cash:

Fund	Carrying Amount
General	\$ 4,111,093
Water	518,057
Sewer	721,965
	\$ 5,351,115

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](http://www.newyorkclass.org).

**7. DUE FROM STATE AND FEDERAL**

Due from state and federal at May 31, 2021 consisted of:

Capital Projects Fund	
New York State - Department of Transportation	\$ 610,979
New York State - Environmental Facilities Corporation	4,071
	\$ 615,050

Village management expects this amount to be fully collectible.

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

**8. DUE FROM OTHER GOVERNMENTS**

The Village is owed \$287,896 in fire protection charges in the General Fund. Village management expects this amount to be fully collectible.

**9. CAPITAL ASSETS**

Capital asset balances and activity for the year ended May 31, 2021 were as follows:

	Balance May 31, 2020	Additions	Reductions	Balance May 31, 2021
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 225,326	\$	\$	\$ 225,326
Construction in progress	574,971		(574,971)	-
Total capital assets not being depreciated	800,297	-	(574,971)	225,326
Capital assets being depreciated:				
Buildings	13,980,483	958,753		14,939,236
Equipment	3,350,212	152,065		3,502,277
Infrastructure	25,393,820	608,686		26,002,506
Capital leases	536,016			536,016
Total capital assets being depreciated	43,260,531	1,719,504	-	44,980,035
Less accumulated depreciation for:				
Buildings	2,350,831	688,585		3,039,416
Equipment	2,393,522	281,273		2,674,795
Infrastructure	6,933,205	563,856		7,497,061
Capital leases	536,016			536,016
Total accumulated depreciation	12,213,574	1,533,714	-	13,747,288
Total capital assets, being depreciated, net	31,046,957	185,790	-	31,232,747
Capital assets, net	\$ 31,847,254	\$ 185,790	\$ (574,971)	\$ 31,458,073

The total depreciation expense recorded in the government-wide statements is \$1,533,714.

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

**10. INTERFUND TRANSACTIONS**

Interfund balances and activities at May 31, 2021, are as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 633,812	\$	\$ 10,180	\$ 152,745
Water Fund		9,407	9,999	
Sewer Fund		12,708		
Capital Projects Fund		611,697	152,745	20,179
<b>Total Governmental Funds</b>	<b>\$ 633,812</b>	<b>\$ 633,812</b>	<b>\$ 172,924</b>	<b>\$ 172,924</b>

The transfer to the general fund was to return excess funds previously transferred to capital projects fund. The transfer to the water fund is excess funds from a project used to pay down debt. The transfer to the capital projects fund was to provide funding for ongoing capital projects.

**11. LONG-TERM LIABILITIES**

**A. Changes**

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

	As Restated			Balance May 31, 2021	Amounts Due Within One Year
	Balance May 31, 2020	Additions	Reductions		
Long-term debt:					
Bonds payable	\$ 5,923,484	\$	\$ (475,964)	\$ 5,447,520	\$ 479,740
Capital lease payable	33,937		(33,937)		
	5,957,421		(509,901)	5,447,520	479,740
Other long-term liabilities:					
Compensated absences	59,987	13,346		73,333	
Service award program	588,320	76,875		665,195	
	<b>\$ 6,605,728</b>	<b>\$ 90,221</b>	<b>\$ (509,901)</b>	<b>\$ 6,186,048</b>	<b>\$ 479,740</b>

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.

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

**B. Bonds Payable**

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at May 31, 2021
Serial Bond - sidewalks	12/13/2012	7/1/2027	1.25 - 2.25%	\$ 605,000
Serial Bond - water pipes	12/13/2012	7/1/2027	1.25 - 2.25%	200,000
Serial Bond - Village hall improvements	12/13/2012	7/1/2022	1.25 - 2.00%	230,000
Serial Bond - Bayberry	12/13/2012	7/1/2022	1.25 - 2.00%	30,000
Windswept Roads	4/12/2018	4/1/2031	2.00 - 3.00%	800,000
Sewer	4/12/2018	4/1/2031	2.00 - 3.00%	530,000
NYS - Drinking Water	6/13/2019	2/1/2049	0.00%	395,000
NYS - Safe House	6/20/2019	2/1/2049	1.31 - 3.81%	1,672,520
				<u>985,000</u>
				<u>\$ 5,447,520</u>

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

Year Ending May 31,	Principal	Interest	Total
2022	\$ 479,740	\$ 93,330	\$ 573,070
2023	489,540	84,982	574,522
2024	369,740	77,783	447,523
2025	374,740	71,725	446,465
2026	384,740	65,148	449,888
2027 - 2031	1,553,700	221,954	1,775,654
2032 - 2036	453,700	117,857	571,557
2037 - 2041	483,700	91,814	575,514
2042- 2046	523,700	55,676	579,376
2047 - 2049	334,220	12,008	346,228
Total	<u>\$ 5,447,520</u>	<u>\$ 892,277</u>	<u>\$ 6,339,797</u>

**C. Capital Lease Payable**

In a prior year, the Village leased two fire trucks and accounted for the leases as capital leases. The Village made the final lease payment during the current year for \$35,830. That amount consisted of \$33,937 of principal and \$1,893 of interest.

**INCORPORATED VILLAGE OF OCEAN BEACH**  
**NOTES TO FINANCIAL STATEMENTS**  
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**D. Interest Expense**

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

Interest paid	\$ 103,428
Less interest accrued in the prior year	(30,783)
Plus interest accrued in the current year	<u>26,297</u>
 Total interest expense on long-term debt	 <u>\$ 98,942</u>

**E. Unissued Debt**

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

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.

**12. PENSION PLANS – NEW YORK STATE**

**A. General Information**

The Village participates in the New York State and Local Employees' Retirement System (ERS) and the New York State and Local Police and Fire Retirement System (PFRS), and the Public Employees' Group Life Insurance Plan collectively known as NYSLRS. These are cost-sharing multiple employer, public employee retirement systems. The systems provide retirement, disability, withdrawal and death benefits to plan members and beneficiaries related to years of service and final average salary.

**B. Provisions and Administration**

Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). The net position of the NYSLRS is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the NYSLRS. As set forth in the NYSRSSL, 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

**INCORPORATED VILLAGE OF OCEAN BEACH**  
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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](http://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 31<sup>st</sup>, and employer contributions are either paid by December 15<sup>th</sup> less a 1% discount or by February 1<sup>st</sup>. The Village paid 100% of the required contributions as billed by the NYSLRS for the current year. The Village's average contribution rate was 13.12% of covered payroll for the ERS and 24.40% of covered payroll for the PFRS for the fiscal year ended March 31, 2021.

The Village's share of the required contributions, based on covered payroll for the Village's year ended May 31, 2021, was \$165,122 for PFRS at the contribution rate of 23.04% and \$186,747 for ERS at an average contribution rate of 11.80%.

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

At May 31, 2021, the Village reported the following liability for its proportionate share of the net pension liability for the NYSLRS. The net pension liability was measured as of March 31, 2021 for both the ERS and PFRS. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The Village's proportion of the net pension liability was based on a projection of the Village's long-term share of contributions to the systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the NYSLRS in reports provided to the Village.

	PFRS	ERS
Measurement date	March 31, 2021	March 31, 2021
Village's proportionate share of the net pension liability	\$ (247,002)	\$ (3,651)
Village's portion of the Plan's total net pension liability	0.0142260%	0.0036668%
Change in proportion since the prior measurement date	(0.0032758)	(0.0002981)

For the year ended May 31, 2021, the Village recognized pension expense of \$61,673 for PFRS and \$106,506 for ERS. At May 31, 2021, the Village reported deferred outflows and inflows of resources related to pensions from the following sources:



**INCORPORATED VILLAGE OF OCEAN BEACH**  
**NOTES TO FINANCIAL STATEMENTS**  
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	Deferred Outflows of Resources		Deferred Inflows of Resources	
	PFRS	ERS	PFRS	ERS
Differences between expected and actual experience	\$ 54,808	\$ 44,591	\$	\$
Changes of assumptions	606,858	671,334		12,662
Net difference between projected and actual earnings on pension plan investments			726,295	1,048,834
Changes in proportion and differences between the Village's contributions and proportionate share of contributions	32,025	61,365	186,038	38,617
Village contributions subsequent to the measurement date	39,363	39,876		
<b>Total</b>	<b>\$ 733,054</b>	<b>\$ 817,166</b>	<b>\$ 912,333</b>	<b>\$ 1,100,113</b>

Village contributions, subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending May 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending May 31,	PFRS	ERS
2022	\$ (81,838)	\$ (46,194)
2023	(41,322)	(22,001)
2024	(60,202)	(50,956)
2025	(147,404)	(203,672)
2026	112,124	
	<b>\$ (218,642)</b>	<b>\$ (322,823)</b>

**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, 2021	March 31, 2021
Actuarial valuation date	April 1, 2020	April 1, 2020
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%

**INCORPORATED VILLAGE OF OCEAN BEACH**  
**NOTES TO FINANCIAL STATEMENTS**  
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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 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, 2021
Asset type		
Domestic equity	32.0%	4.05%
International equity	15.0%	6.30%
Real estate	9.0%	4.95%
Private equities	10.0%	6.75%
Alternative investments	10.0%	3.63-5.95%
Bonds and mortgages	23.0%	0.00%
Cash	1.0%	0.50%
	100.0%	

Real rates of return are net of a long-term inflation assumption of 2.0%.

Discount Rate

The discount rate used to measure the total pension liability was 5.90% (the discount rate used by the NYSLRS at the prior year's measurement date of March 31, 2020, was 6.80%). 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:

**INCORPORATED VILLAGE OF OCEAN BEACH**  
**NOTES TO FINANCIAL STATEMENTS**  
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PFRS	1% Decrease 4.90%	Current Assumption 5.90%	1% Increase 6.90%
Village's proportionate share of the net pension asset (liability)	\$ (1,050,392)	\$ (247,002)	\$ 417,997
ERS	1% Decrease 4.90%	Current Assumption 5.90%	1% Increase 6.90%
Village's proportionate share of the net pension asset (liability)	\$ (1,013,426)	\$ (3,651)	\$ 927,598

**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, 2021	March 31, 2021
Employers' total pension liability	\$ (41,236,775)	\$ (220,680,157)
Plan fiduciary net position	39,500,500	220,580,583
Employers' net pension liability	\$ (1,736,275)	\$ (99,574)
Ratio of plan fiduciary net position to the employers' total pension liability	95.79%	99.95%

**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, 2021, represent the projected employer contribution for the period of April 1, 2021 through May 31, 2021 based on paid covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of May 31, 2021 amounted to \$39,876 of employer contributions for ERS and \$39,363 for PFRS. Employee contributions are remitted monthly.

**13. 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

**INCORPORATED VILLAGE OF OCEAN BEACH**  
**NOTES TO FINANCIAL STATEMENTS**  
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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 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.

**INCORPORATED VILLAGE OF OCEAN BEACH**  
**NOTES TO FINANCIAL STATEMENTS**  
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Fiduciary Investment and Control

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

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

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

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

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

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

**B. Program Financial Condition**

Assets and Liabilities

Assets Available for Benefits at May 31, 2021

	% of total		
Sponsor contributions receivable	5.14%	\$	34,206
Cash and cash equivalents	0.03%		213
Equity mutual funds	29.18%		194,094
Bond mutual funds	65.65%		436,682
 Total Net Assets Available for Benefits		 \$	 665,195

**INCORPORATED VILLAGE OF OCEAN BEACH**  
**NOTES TO FINANCIAL STATEMENTS**  
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Receipts and Disbursements

Balance at May 31, 2020	<u>\$</u>	588,320
Changes for the year		
+ Plan contributions		30,763
+ Investment income earned		19,491
+/- Changes in fair market value of investments		54,976
- Plan benefit withdrawals		(31,799)
+/- Change in sponsor contributions receivable		3,444
		<u>76,875</u>
 Balance at May 31, 2021	 <u>\$</u>	 <u>665,195</u>

Contributions

Amount of sponsor's contribution recommended by actuary:	<u>\$</u>	30,763
Amount of sponsor's actual contribution:	<u>\$</u>	30,763

Administration Fees

Fees paid to administrative/actuarial services provider	<u>\$</u>	4,560
Fees paid for investment management		<u>3,000</u>

**14. 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.

*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, 2021, the following employees were covered by the benefit terms:

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

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

**B. Total OPEB Liability**

The Village's total OPEB liability of \$4,554,863 was measured as of May 31, 2021, and was determined by an actuarial valuation as of May 31, 2020. 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	1.59%	
Healthcare cost trend rates	6.80%	for 2020, decreasing to an ultimate rate of 4.5% by 2035
Retirees' share of benefit-related costs	10.00%	for dependent retirees age 55 with more than 20 yrs. of service
	10.00%	for dependent retirees age 65 with more than 15 yrs. of service
	0.00%	for all retirees age 55 with more than 30 yrs. of service
	0.00%	for individual retirees age 55 with more than 20 yrs. of service
	0.00%	for individual retirees age 65 with more than 15 yrs. of service

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

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

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

**C. Changes in the Total OPEB Liability**

Balance at May 31, 2020	<u>\$ 3,861,869</u>
Changes for the year	
Service cost	141,638
Interest	99,370
Changes of benefit terms	-
Differences between expected and actual experience	619,042
Changes in assumptions or other inputs	-
Benefit payments	<u>(167,056)</u>
	<u>692,994</u>
Balance at May 31, 2021	<u>\$ 4,554,863</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.63% in 2020 to 1.59% in 2021.

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

*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 (0.59%) or 1 percentage point higher (2.59%) than the current discount rate:

OPEB	1% Decrease 0.59%	Discount Rate 1.59%	1% Increase 2.59%
Total OPEB liability	\$ (5,290,488)	\$ (4,554,863)	\$ (3,957,143)

*Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates* – The following presents the total OPEB liability of the Village, as well as what the Village’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (5.80%) or 1 percentage point higher (7.80%) than the current healthcare cost trend rate:

OPEB	1% Decrease 5.80% decreasing to 3.50%	Discount Rate 6.80% decreasing to 4.50%	1% Increase 7.80% decreasing to 5.50%
Total OPEB liability	\$ (3,853,697)	\$ (4,554,863)	\$ (5,469,002)

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

For the year ended May 31, 2021, the Village recognized OPEB expense of \$340,629. At May 31, 2021, the Village reported deferred outflows of resources related to OPEB from the following source:

	Deferred Outflows of Resources
Changes of assumptions	\$ 710,036

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

Year Ending June 30,	Amount
2022	\$ 99,622
2023	99,622
2024	99,622
2025	99,622
2026	99,622
Thereafter	211,926
	\$ 710,036



**INCORPORATED VILLAGE OF OCEAN BEACH**  
**NOTES TO FINANCIAL STATEMENTS**  
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**15. ASSIGNED: APPROPRIATED FUND BALANCE**

The amounts of \$240,922 and \$20,740 have been appropriated in the General Fund and Water Fund, respectively, to reduce taxes for the year ending May 31, 2021.

**16. RESTATEMENT OF NET POSITION**

For the fiscal year ended May 31, 2020 the Village's net position was restated to reflect the service award program as a liability.

Net position beginning of year, as previously stated	\$ 31,029,578
Inclusion of service award liability	<u>(588,320)</u>
Net position end of year, as previously stated	<u>\$ 30,441,258</u>

**17. 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.

**18. COMMITMENTS AND CONTINGENCIES**

**A. 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.

**B. 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, 2021, which could affect future operating budgets of the Village.

**C. 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.

**D. 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

**INCORPORATED VILLAGE OF OCEAN BEACH**  
**NOTES TO FINANCIAL STATEMENTS**  
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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.

**19. 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, 2021

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
<b>REVENUES</b>				
<b>Local Sources</b>				
Real Property Taxes	\$ 3,843,541	\$ 3,843,541	\$ 3,822,894	\$ (20,647)
<b>Other Tax Items</b>				
Refuse residential	301,488	301,488	306,488	5,000
Refuse commercial	180,989	180,989	180,989	-
Interest and penalties on real property taxes	25,000	25,000	14,711	(10,289)
Total Other Tax Items	507,477	507,477	502,188	(5,289)
<b>Non-Property Taxes</b>				
Utilities gross receipts tax	15,000	15,000	16,723	1,723
<b>Departmental Income</b>				
Clerk fees	2,000	2,000	397	(1,603)
C.O. applications	5,000	5,000	16,729	11,729
Tennis fees	7,500	7,500	16,740	9,240
Seasonal boat basin fee	165,000	165,000	195,349	30,349
Daily marina rentals	90,000	90,000	122,040	32,040
Jet ski fees	2,000	2,000	7,040	5,040
Zoning board fees	6,000	6,000	7,000	1,000
Total Departmental Income	277,500	277,500	365,295	87,795
<b>Intergovernmental Charges</b>				
Fire protection services, other governments	671,188	671,188	678,860	7,672
<b>Use of Money and Property</b>				
Interest & earnings	30,000	30,000	82,009	52,009
Rental of real property	964,899	964,899	962,385	(2,514)
Total Use of Money and Property	994,899	994,899	1,044,394	49,495
<b>Licenses and Permits</b>				
Permits	269,000	269,000	336,993	67,993
<b>Fines and Forfeited Bail</b>				
Fines & forfeited bail	40,000	40,000	34,570	(5,430)
<b>Sale of Property &amp; Compensation for Loss</b>				
Sale of real property	2,500	2,500	20,280	17,780
Insurance recoveries	5,000	5,000	70,394	65,394
Total Sale of Property & Compensation for Loss	7,500	7,500	90,674	83,174
<b>Miscellaneous</b>				
Refund of prior year expenditures	-	-	9,500	9,500
Gifts and donations	5,000	5,000	3,750	(1,250)
Unclassified revenues	2,000	2,000	11,203	9,203
Ferry tickets	15,000	15,000	23,088	8,088
Total Miscellaneous	22,000	22,000	47,541	25,541
<b>State Aid</b>				
Revenue sharing	-	-	4,449	4,449
Mortgage tax	40,000	40,000	73,074	33,074
Sales tax revenue sharing	9,588	9,588	9,588	-
Other state aid	-	-	91,973	91,973
Total State Aid	49,588	49,588	179,084	129,496
<b>Federal Aid</b>				
Federal aid (FEMA)	50,000	50,000	41,503	(8,497)
Total Revenues	6,747,693	6,747,693	7,160,719	413,026
<b>OTHER FINANCING SOURCES</b>				
Operating Transfers In	-	-	10,180	10,180
Total Revenues and Other Sources	6,747,693	6,747,693	7,170,899	\$ 423,206
<b>APPROPRIATED FUND BALANCE</b>				
Prior year's encumbrances	-	16,990	-	-
Total Revenues and Other Sources and Appropriated Fund Balance	\$ 6,747,693	\$ 6,764,683	-	-

**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, 2021

	Original Budget	Final Budget	Actual	Final Budget Variance
<b>EXPENDITURES</b>				
General Government Support				
Legislative board				
Personal services	\$ 60,740	\$ 60,740	\$ 59,952	\$ 788
Contractual services	9,800	11,085	10,080	1,005
Municipal court				
Personal services	50,480	54,080	50,169	3,911
Equipment	1,000	6,994	6,994	-
Contractual services	11,100	10,600	9,285	1,315
Mayor				
Personal services	63,000	64,503	64,503	-
Contractual services	1,250	1,250	704	546
Administration				
Personal services	206,300	206,300	206,300	-
Contractual services	4,440	2,352	1,409	943
Auditor				
Contractual services	71,350	71,350	58,390	12,960
Treasurer				
Personal services	380,333	367,508	359,529	7,979
Equipment	5,000	4,812	3,033	1,779
Contractual services	36,500	35,988	33,478	2,510
Assessment				
Personal services	11,000	11,043	11,042	1
Attorney				
Contractual services	135,000	120,957	98,348	22,609
Engineer				
Contractual services	60,000	74,000	59,059	14,941
Buildings				
Equipment	2,500	2,500	550	1,950
Contractual services	539,500	311,161	278,639	32,522
Shared services				
Contractual services	27,500	27,500	14,163	13,337
Central data processing				
Contractual services	61,000	61,000	57,607	3,393
Unallocated insurance				
Contractual services	648,374	648,374	620,151	28,223
Municipal association dues				
Contractual services	5,000	5,000	3,750	1,250
Judgments and claims				
Contractual services	30,000	30,000	1,499	28,501
Ferry				
Contractual services	5,000	5,000	-	5,000
Payment of MTA payroll tax				
Contractual services	7,000	7,000	5,743	1,257
Contingent account				
Contractual services	150,000	89	-	89
Total General Government Support	<u>2,583,167</u>	<u>2,201,186</u>	<u>2,014,377</u>	<u>186,809</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, 2021

	Original Budget	Final Budget	Actual	Final Budget Variance
<b>EXPENDITURES</b>				
Public Safety				
Police				
Personal services	\$ 909,011	\$ 1,056,311	\$ 1,055,446	\$ 865
Equipment	12,000	43,410	43,363	47
Contractual services	47,700	46,800	42,854	3,946
Fire protection				
Personal services	98,695	91,889	84,120	7,769
Equipment	193,000	196,926	166,131	30,795
Contractual services	268,700	301,002	291,783	9,219
Safety inspections				
Personal services	88,000	107,756	107,610	146
Contractual services	17,200	15,815	15,337	478
Total Public Safety	<u>1,634,306</u>	<u>1,859,909</u>	<u>1,806,644</u>	<u>53,265</u>
Health				
Contractual	<u>4,000</u>	<u>4,000</u>	<u>3,744</u>	<u>256</u>
Transportation				
Street maintenance				
Personal services	151,015	151,015	141,254	9,761
Equipment	10,000	13,282	9,560	3,722
Contractual services	55,900	58,240	41,866	16,374
Street lighting				
Equipment	2,000	2,000	1,772	228
Contractual services	5,948	5,948	4,847	1,101
Total Transportation	<u>224,863</u>	<u>230,485</u>	<u>199,299</u>	<u>31,186</u>
Culture and Recreation				
Parks				
Equipment	5,000	5,000	2,568	2,432
Contractual services	34,600	26,899	14,651	12,248
Beach				
Personal services	238,000	238,000	232,522	5,478
Equipment	5,000	5,000	4,491	509
Contractual services	32,800	40,501	37,611	2,890
Recreation				
Equipment	500	500	-	500
Contractual services	4,850	4,850	282	4,568
Celebrations				
Contractual services	15,000	15,000	4,474	10,526
Other culture and recreation (Marina & Docks)				
Personal services	34,000	34,000	32,455	1,545
Equipment	2,000	2,000	1,334	666
Contractual services	18,200	18,200	13,776	4,424
Total Culture & Recreation	<u>389,950</u>	<u>389,950</u>	<u>344,164</u>	<u>45,786</u>
Home and Community Services				
Zoning board of appeals				
Contractual services	2,400	2,400	1,762	638
Refuse				
Equipment	3,000	144	-	144
Contractual services	482,768	500,624	500,240	384
Flood/Erosion				
Contractual services	<u>20,000</u>	<u>20,000</u>	<u>17,957</u>	<u>2,043</u>
Total Home & Community	<u>508,168</u>	<u>523,168</u>	<u>519,959</u>	<u>3,209</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, 2021

	Original Budget	Final Budget	Actual	Final Budget Variance
<b>EXPENDITURES</b>				
Employee Benefits				
State retirement	\$ 111,997	\$ 124,038	\$ 124,038	\$ -
Police and fire retirement	171,200	171,200	165,122	6,078
Local pension fund (Fire service award)	40,000	40,000	35,323	4,677
Social security and Medicare	170,000	174,842	174,842	-
Worker's compensation	71,000	71,000	65,088	5,912
Unemployment insurance	2,000	2,000	-	2,000
Disability insurance	1,500	1,500	1,486	14
Longevity	2,300	2,300	2,100	200
Other	60,000	60,000	55,157	4,843
Hospital and medical insurance	454,311	437,428	373,659	63,769
Total Employee Benefits	<u>1,084,308</u>	<u>1,084,308</u>	<u>996,815</u>	<u>87,493</u>
Debt Service				
Principal	273,937	273,937	273,937	-
Interest	44,994	44,995	44,994	1
Total Debt Service	<u>318,931</u>	<u>318,932</u>	<u>318,931</u>	<u>1</u>
Total Expenditures	6,747,693	6,611,938	6,203,933	408,005
<b>OTHER USES</b>				
Operating Transfers Out	-	152,745	152,745	-
Total Expenditures and Other Uses	<u>\$ 6,747,693</u>	<u>\$ 6,764,683</u>	<u>6,356,678</u>	<u>\$ 408,005</u>
Net Change in Fund Balance			814,221	
Fund Balance - Beginning of Year			<u>6,567,391</u>	
Fund Balance - End of Year			<u>\$ 7,381,612</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, 2021

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
<b>REVENUES</b>				
Real Property Taxes	\$ 245,390	\$ 245,390	\$ 245,390	\$ -
Departmental Income	585,278	585,278	575,558	(9,720)
Use of Money and Property	5,000	5,000	708	(4,292)
Total Revenues	835,668	835,668	821,656	(14,012)
<b>OTHER FINANCING SOURCES</b>				
Operating Transfers In	-	-	9,999	9,999
Total Revenues and Other Sources	835,668	835,668	831,655	\$ (4,013)
<b>APPROPRIATED FUND BALANCE</b>				
Appropriation of Fund Balance	35,681	35,681		
Total Revenues, Other Financing Sources and Appropriated Fund Balance	\$ 871,349	\$ 871,349		
<b>EXPENDITURES</b>				
General government support	\$ 86,700	\$ 86,700	66,700	\$ 20,000
Home and community services	380,539	380,029	286,123	93,906
Employee benefits	155,612	156,121	135,393	20,728
Debt Service				
Principal	200,964	200,964	200,964	-
Interest	47,534	47,535	47,534	1
Total Expenditures	\$ 871,349	\$ 871,349	736,714	\$ 134,635
Net Change in Fund Balance			94,941	
Fund Balance - Beginning of Year			857,214	
Fund Balance - End of Year			\$ 952,155	

**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, 2021

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
<b>REVENUES</b>				
Real Property Taxes	\$ 281,228	\$ 281,228	\$ 281,228	\$ -
Departmental Income	546,497	546,497	546,497	-
Use of Money and Property	4,000	4,000	996	(3,004)
Miscellaneous	28,017	28,017	28,017	-
Federal sources	50,000	50,000	-	(50,000)
<b>Total Revenues</b>	<b>\$ 909,742</b>	<b>\$ 909,742</b>	<b>856,738</b>	<b>\$ (53,004)</b>
<b>EXPENDITURES</b>				
General government support	\$ 121,000	\$ 121,000	101,000	\$ 20,000
Home and community services	521,784	521,784	379,066	142,718
Employee benefits	180,533	180,533	165,721	14,812
Debt Service				
Principal	75,525	75,525	35,000	40,525
Interest	10,900	10,900	10,900	-
<b>Total Expenditures</b>	<b>\$ 909,742</b>	<b>\$ 909,742</b>	<b>691,687</b>	<b>\$ 218,055</b>
Net Change in Fund Balance			165,051	
Fund Balance - Beginning of Year			1,231,459	
Fund Balance - End of Year			<b>\$ 1,396,510</b>	

**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 Three Fiscal Years

***Police and Fire Retirement System***

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

***Employees' Retirement System***

	<u>2020</u>	<u>2020</u>	<u>2019</u>
Village's proportion of the net pension liability	0.0036668%	0.0039649%	0.0038075%
Village's proportionate share of the net pension liability	\$ 3,651	\$ 1,049,931	\$ 269,771
Village's covered payroll	\$ 1,495,912	\$ 1,350,075	\$ 1,463,679
Village's proportionate share of the net pension liability as a percentage of its covered payroll	0.24 %	77.77 %	18.43 %
Plan fiduciary net position as a percentage of the total pension liability	99.95%	86.39%	96.27%
Discount rate	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 Three Fiscal Years

***Police and Fire Retirement System***

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 165,122	\$ 142,192	\$ 106,162							
Contributions in relation to the contractually required contribution	165,122	142,192	106,162				~ Not Readily available ~			
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Village's covered payroll	\$ 716,624	\$ 665,574	\$ 650,819							
Contributions as a percentage of covered payroll	23%	21%	16%							

***Employees' Retirement System***

	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 186,747	\$ 181,662	\$ 125,081						
Contributions in relation to the contractually required contribution	186,747	181,662	125,081				~ Not Readily available ~		
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Village's covered payroll	\$ 1,582,402	\$ 1,364,566	\$ 1,456,316						
Contributions as a percentage of covered payroll	12%	13%	9%						

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

	<u>2021</u>	<u>2020</u>
Total OPEB liability		
Service cost	\$ 141,638	\$ 124,628
Interest	99,370	107,019
Changes in benefit terms	-	-
Differences between expected and actual experience	619,042	-
Changes of assumptions or other inputs	-	215,847
Benefit payments	<u>(167,056)</u>	<u>(188,885)</u>
Net change in total OPEB liability	692,994	258,609
Total OPEB liability, beginning	<u>3,861,869</u>	<u>3,603,260</u>
Total OPEB liability, ending	<u>\$ 4,554,863</u>	<u>\$ 3,861,869</u>
Covered employee payroll	\$ 1,680,703	\$ 1,680,703
Total OPEB liability as a percentage of covered employee payroll	271.01%	229.78%
Discount rate	1.59%	2.63%
Healthcare trend rate	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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(RET.)

**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, 2021, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated December 4, 2021.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

We noted certain matters that we have reported to the Board of Trustees and management of the Incorporated Village of Ocean Beach in a separate letter dated December 4, 2021.

## **Purpose of this Report**

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

*Cullen & Danowski, LLP*

December 4, 2021





**JUSTICE COURT FUNDS  
FINANCIAL STATEMENTS**

May 31, 2021

**INCORPORATED VILLAGE OF OCEAN BEACH**  
May 31, 2021

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*(1950 - 2013)*  
PETER F. RODRIGUEZ, CPA  
*(RET.)*

## INDEPENDENT AUDITOR'S REPORT

The Board of Trustees  
Incorporated Village of Ocean Beach  
Ocean Beach, New York

We have audited the accompanying combining statement of cash receipts, disbursements and cash balances of the Justice Court Funds of the Incorporated Village of Ocean Beach, as of and for the year ended May 31, 2021, and the related note to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in the note to the financial statement; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinion**

In our opinion, the aforementioned financial statements of the Justice Court Funds of the Incorporated Village of Ocean Beach presents fairly the cash balances at May 31, 2021 and the recorded cash receipts and disbursements and changes in cash balances for the year then ended in accordance with the cash basis of accounting described in the note to the financial statement.

## **Basis of Accounting**

We draw attention to the note to the financial statements, which describes the basis of accounting. These financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

*Cullen & Danowski, LLP*

December 4, 2021

**INCORPORATED VILLAGE OF OCEAN BEACH**  
**JUSTICE COURT FUNDS**  
**COMBINING STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CASH BALANCES**  
**For the Year Ended May 31, 2021**

	Village Justice			Total
	William Wexler	Bail Account	Acting Judge Esterman	
Cash Balance - June 1, 2020	\$ 100	\$ 405	\$ -	\$ 505
Receipts	37,320	2,500	250	40,070
	<u>37,420</u>	<u>2,905</u>	<u>250</u>	<u>40,575</u>
Disbursements	36,810	2,555	250	39,615
Cash Balance - May 31, 2021	<u>\$ 610</u>	<u>\$ 350</u>	<u>\$ -</u>	<u>\$ 960</u>

**INCORPORATED VILLAGE OF OCEAN BEACH**  
**JUSTICE COURT FUNDS**  
**NOTE TO FINANCIAL STATEMENTS**  
For the Year Ended May 31, 2021

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The books and records of the Justice Court Funds are maintained on the cash basis method of accounting. Under this method of accounting, revenues are recognized when cash is received and expenditures are recognized when cash is disbursed. The funds are controlled by the Village Justices to primarily record the receipt of traffic fines imposed and their subsequent disbursement to the New York State Bureau of Justice Court Funds through the Office of the State Comptroller.

For the year ended May 31, 2021, \$34,570 was returned and deposited into the General Fund of the Village to offset the costs of operating the Village Court, which costs amounted to \$66,448.

