



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

May 31, 2019

INCORPORATED VILLAGE OF OCEAN BEACH
TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis (MD&A)	3
Basic Financial Statements:	
Statement of Net Position	14
Statement of Activities	15
Balance Sheet – Governmental Funds	16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	17
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	18
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	19
Statement of Fiduciary Net Position – Fiduciary Fund	20
Notes to Financial Statements	21
Required Supplementary Information other than MD&A:	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	44
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Water Fund	48
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Sewer Fund	49
Schedule of the Village's Proportionate Share of the Net Pension Liability	50
Schedule of Village Pension Contributions	51
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	52

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, 2019, 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.

Basis for Adverse Opinion on Governmental Activities

The Village did not obtain an actuarial valuation to comply with the requirements of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Accounting principles generally accepted in the United States of America require that state and local governments recognize liabilities, deferred outflows of resources, deferred inflows of resources, and expenditures for other postemployment benefits (OPEB). The amount by which this departure would affect the liabilities, deferred outflows of resources, deferred inflows of resources, net position, and expenses of the governmental activities has not been determined.

Adverse Opinion

In our opinion, because of the significance of the matter described in the “Basis for Adverse Opinion on Governmental Activities” paragraph, the financial statements referred to above, do not present fairly, the financial position of the governmental activities, of the Incorporated Village of Ocean Beach, as of May 31, 2019, or the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the fiduciary fund of the Incorporated Village of Ocean Beach, as of May 31, 2019, 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. 73, *Accounting and Financial Reporting for Pension 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*, as of May 31, 2019. Also described in Note 2, the Village has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis for State and Local Governments*, as of May 31, 2019.

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, and schedule of Village pension contributions on pages 3 through 13 and 44 through 51, 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.

Management has omitted the schedule of changes in the Village’s total OPEB liability and related ratios that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Cullen & Danowski, LLP

October 24, 2019

**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, 2019 in comparison with the year ended May 31, 2018, with emphasis on the current year. This should be read in conjunction with the financial statements, which immediately follow this section.

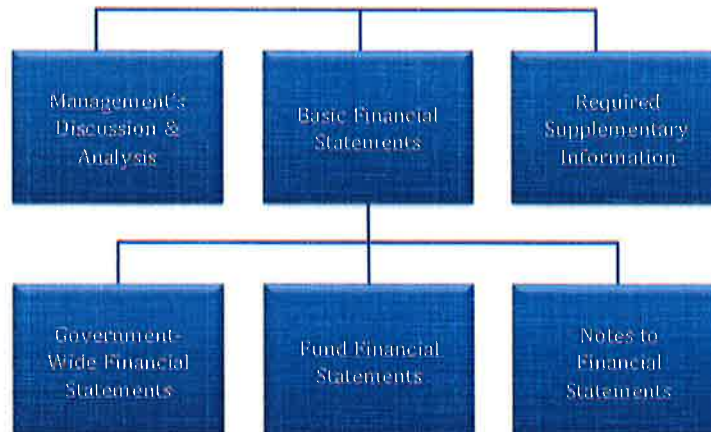
1. FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2019 are as follows:

- The Village's total net position at May 31, 2018 was restated and decreased by \$13,843,475, as a result of the required implementation of GASB standards during the year. The general fund – fund balance was also restated and increased by \$598,066, as a result of the implementation of the GASB standards.
- The Village's total net position, as reflected in the government-wide financial statements, increased by \$6,745,580. This was due to an excess of revenues over expenses based on the economic resources measurement focus and the accrual basis of accounting.
- The Village's expenses for the year, as reflected in the government-wide financial statements, totaled \$7,786,870. This amount was offset by program charges for services and capital grants totaling \$8,255,660. General revenues of \$6,276,790 amount to 43.2% of total revenues.
- The general fund's total fund balance, as reflected in the fund financial statements, decreased by \$169,475. This was due to an excess of expenditures over revenues based on the current financial resources measurement focus and the modified accrual basis of accounting.
- On the balance sheet, the general fund's unassigned fund balance at year end was \$4,590,685. This represents a decrease of \$135,121 from the prior year.
- The Village redeemed \$505,807 in BANs from appropriations in the current year.

2. OVERVIEW OF THE FINANCIAL STATEMENTS

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



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

A. Government-wide Financial Statements

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

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

The Statement of Net Position

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

The Statement of Activities

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

B. Fund Financial Statements

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

Governmental Funds

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

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

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

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

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

Fiduciary Funds

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

3. FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

A. Net Position

The Village's total net position increased by \$6,745,580 between fiscal year 2019 and 2018. The May 31, 2018 net position has been decreased by \$13,843,475, resulting from the implementation of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and 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*. A summary of the Village's Statements of Net Position follows:

	2019	As Restated 2018	Increase (Decrease)	Percentage Change
Assets				
Current and Other Assets	\$ 13,813,296	\$ 17,808,615	\$ (3,995,319)	(22.43)%
Capital Assets, Net	<u>30,958,980</u>	<u>24,399,542</u>	<u>6,559,438</u>	26.88 %
Total Assets	<u>44,772,276</u>	<u>42,208,157</u>	<u>2,564,119</u>	6.07 %
Deferred Outflows of Resources	<u>504,458</u>	<u>1,014,690</u>	<u>(510,232)</u>	(50.28)%
Liabilities				
Current and Other Liabilities	4,928,116	12,451,432	(7,523,316)	(60.42)%
Long-Term Liabilities	6,499,073	4,059,937	2,439,136	60.08 %
Net Pension Liability - Proportionate Share	<u>631,007</u>	<u>371,583</u>	<u>259,424</u>	69.82 %
Total Liabilities	<u>12,058,196</u>	<u>16,882,952</u>	<u>(4,824,756)</u>	(28.58)%
Deferred Inflows of Resources	<u>1,218,409</u>	<u>1,085,346</u>	<u>133,063</u>	12.26 %
Net Position				
Net Investment in Capital Assets	21,130,888	21,940,178	(809,290)	(3.69)%
Restricted	653,708	674,245	(20,537)	(3.05)%
Unrestricted	<u>10,215,533</u>	<u>2,640,126</u>	<u>7,575,407</u>	286.93 %
Total Net Position	<u>\$ 32,000,129</u>	<u>\$ 25,254,549</u>	<u>\$ 6,745,580</u>	26.71 %

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

Current and other assets decreased by \$3,995,319, as compared to the prior year. This was primarily the result of a decrease in cash of \$3,460,476 and a decrease in the amount due from state and federal governments of \$528,764.

Capital assets, net increased by \$6,559,438, as compared to the prior year. This increase is primarily due to capital asset additions in excess of depreciation expense. The accompanying Notes to Financial Statements, Note 9 "Capital Assets" provides additional information.

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

Current and other liabilities decreased by \$7,523,316, as compared to the prior year. The balance of bond anticipation notes decreased from the prior year by \$4,185,000 (\$3,548,000 and \$7,733,000 in 2019 and 2018, respectively). Additionally, accrued liabilities decreased \$959,131 and due to other governments decreased \$2,975,000, these were offset by an increase in accounts payable of \$591,044.

Long-term liabilities increased by \$2,439,136, as compared to the prior year, primarily due to the Village issuing bonds in the amount of \$2,833,224. The increase was offset by bond and capital lease principal payments in the amount of \$397,446.

Net pension liability – proportionate share increased by \$259,424 in the current year. This liability 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.

Deferred inflows of resources represents actuarial adjustments of the pension plans that will be amortized in future years, and property taxes collected for which the Village has not yet levied as of May 31, 2019.

The net investment in capital assets is the investment in capital assets at cost such as land; construction in progress; buildings; infrastructure; capital leases; and, equipment, net of depreciation and related outstanding debt. This number decreased \$809,290 from the prior year.

The restricted amount of \$653,708 relates to the Village's reserves and restricted fund balance. This number decreased from the prior year by \$20,537 principally due to the net decrease in the Village-sponsored LOSAP for volunteers of the Village fire department.

The unrestricted amount of \$10,215,533 relates to the balance of the Village's net position. This balance does not include the Village's reserves, which are classified as restricted. This balance increased over the prior year by \$7,575,407.

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

B. Changes in Net Position

The results of operations as a whole are reported in the Statement of Activities in a programmatic format. A summary of this statement for the years ended May 31, 2019 and 2018 is as follows:

	2019	2018	Increase (Decrease)	Percentage Change
Revenues				
Program Revenues				
Charges for Services	\$ 2,087,764	\$ 2,042,638	\$ 45,126	2.21 %
Capital Grants	6,167,896	3,866,740	2,301,156	59.51 %
General Revenues				
Property Taxes	4,201,178	3,986,114	215,064	5.40 %
State Sources	65,827	66,671	(844)	(1.27)%
Other	2,009,785	2,359,640	(349,855)	(14.83)%
Total Revenues	<u>14,532,450</u>	<u>12,321,803</u>	<u>2,210,647</u>	17.94 %
Expenses				
General government	2,530,459	2,223,292	307,167	13.82 %
Public safety	1,773,876	1,866,146	(92,270)	(4.94)%
Health	3,768	4,660	(892)	(19.14)%
Transportation	269,135	278,471	(9,336)	(3.35)%
Culture and recreation	450,116	517,908	(67,792)	(13.09)%
Home and community	1,458,214	1,237,092	221,122	17.87 %
Debt Service - Interest	312,036	308,713	3,323	1.08 %
Depreciation expense - unallocated	989,266	421,271	567,995	
Total Expenses	<u>7,786,870</u>	<u>6,857,553</u>	<u>929,317</u>	13.55 %
Change in Net Position	<u>\$ 6,745,580</u>	<u>\$ 5,464,250</u>	<u>\$ 1,281,330</u>	23.45 %

The Village's net position increased by \$6,745,580 and \$5,464,250 for the years ended May 31, 2019 and 2018, respectively.

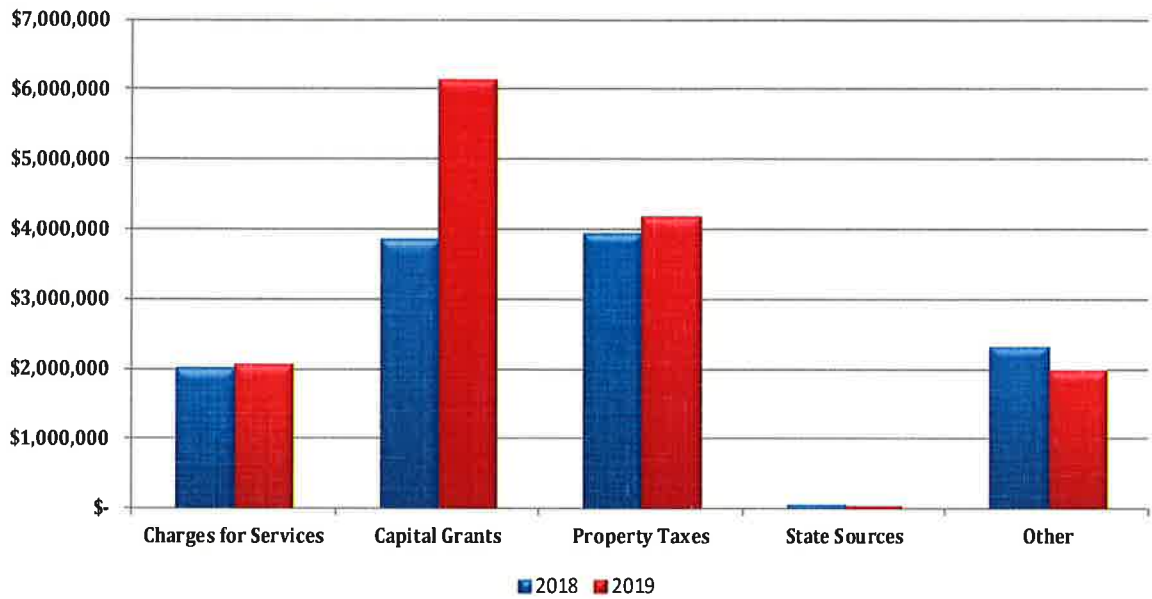
The Village's revenues increased \$2,210,647 over the prior year. The increase is mainly attributable to an increase in capital grants of \$2,301,156 and property taxes of \$215,064. The increase in capital grants is the result of increased FEMA aid for various repair projects.

Expenses increased \$929,317 over the prior year. The largest increase was in depreciation expense (\$567,996 over the prior year) due to a large number of assets being placed in service as capital projects are completed. General government support increased by \$307,167 due to approximate increases in unallocated insurance of \$144,000, salaries of \$128,000, and employee benefits of \$79,000, offset by building expenses of approximately \$18,000 and legal fees of approximately \$25,000. Home and Community expenses increased by \$221,122 due to the installation of water meters.

As indicated in the graphs that follow, capital grants (42.4%) and property taxes (32.4%) are the largest component of revenues recognized of the total for the years 2019 and 2018, respectively. General government support expenses is the largest category of expenses incurred (i.e. 32.5% and 32.4% of the total for the years 2019 and 2018, respectively).

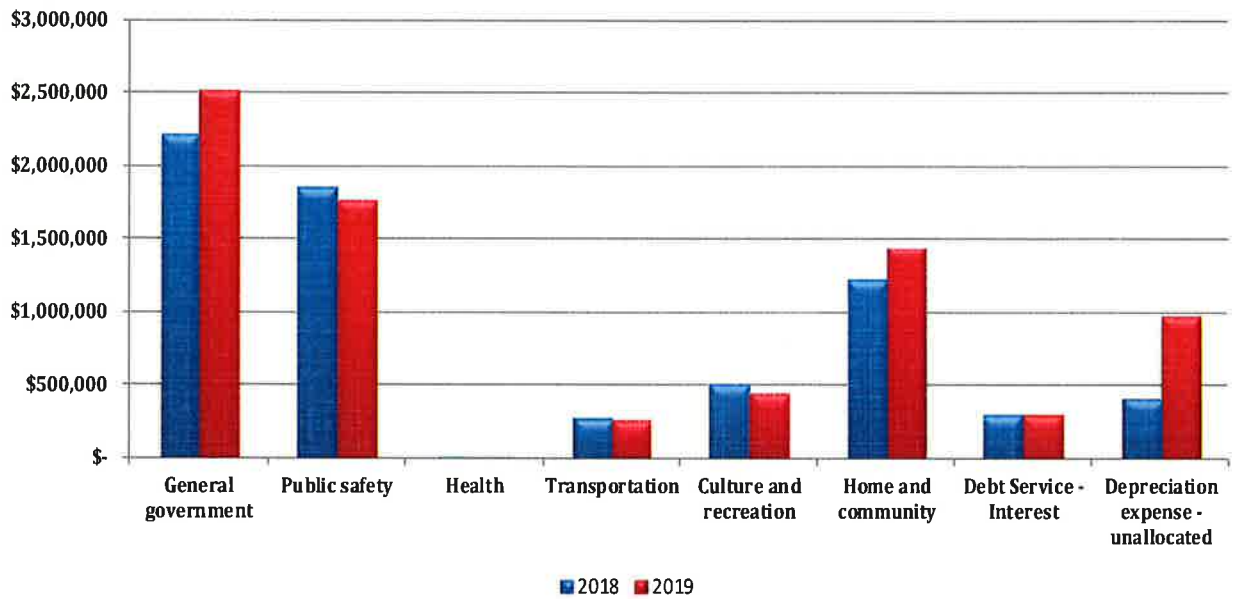
**INCORPORATED VILLAGE OF OCEAN BEACH
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)**

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



	Charges for Services	Capital Grants	Property Taxes	State Sources	Other
2018	16.6%	31.4%	32.4%	0.5%	19.1%
2019	14.4%	42.4%	28.9%	0.5%	13.8%

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
2018	32.4%	27.2%	0.1%	4.1%	7.6%	18.0%	4.5%	6.1%
2019	32.5%	22.8%	0.0%	3.5%	5.8%	18.7%	4.0%	12.7%

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

4. FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

At May 31, 2019, the Village's governmental funds reported a combined fund balance of \$8,096,637, which is an increase of \$2,729,403 over the prior year. This increase is due to an excess of revenues over expenditures based upon the current financial resources measurement focus and the modified accrual basis of accounting. A summary of the change in fund balance by fund is as follows:

	<u>2019</u>	<u>As Restated 2018</u>	<u>Increase (Decrease)</u>
General Fund			
Nonspendable: Inventory	\$ 16,594	\$ 30,411	\$ (13,817)
Restricted			
Retirement contribution	20,000	20,000	-
Debt service	56,179	56,179	-
Service award program	577,529	598,066	(20,537)
Assigned: Unappropriated fund balance			
Fireworks fund	717	717	-
Storm damage	1,000,000	1,000,000	-
Tax certiorari settlements	38,395	38,395	-
Beach, parks, recreation facilities	158,017	158,017	-
Dune protection/flood erosion	67,228	67,228	-
Unassigned: Fund balance	<u>4,590,685</u>	<u>4,725,806</u>	<u>(135,121)</u>
	<u>6,525,344</u>	<u>6,694,819</u>	<u>(169,475)</u>
Water Fund			
Assigned: Appropriated fund balance	31,479	37,703	(6,224)
Assigned: Unappropriated fund balance	<u>722,666</u>	<u>811,206</u>	<u>(88,540)</u>
	<u>754,145</u>	<u>848,909</u>	<u>(94,764)</u>
Sewer Fund			
Assigned: Unappropriated fund balance	<u>1,174,771</u>	<u>1,059,457</u>	<u>115,314</u>
Capital Projects Fund			
Restricted: Unspent bond proceeds	174,212	1,559,162	(1,384,950)
Unassigned: Fund balance (deficit)	<u>(531,835)</u>	<u>(4,795,113)</u>	<u>4,263,278</u>
	<u>(357,623)</u>	<u>(3,235,951)</u>	<u>2,878,328</u>
 Total Fund Balance	 <u>\$ 8,096,637</u>	 <u>\$ 5,367,234</u>	 <u>\$ 2,729,403</u>

A. General Fund

The net change in the general fund – fund balance is a decrease of \$169,475. This resulted from expenditures and other financing uses in excess of revenues and other financing sources.

B. Water Fund

The net change in the water fund – fund balance is a decrease of \$94,764, which was a result of expenditures in excess of revenues.

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

C. Sewer Fund

The net change in the sewer fund – fund balance is an increase of \$115,314, which was a result of revenues in excess of expenditures.

D. Capital Projects Fund

The capital projects fund - fund deficit decreased by \$2,878,328 as compared to the prior year, which was a result of revenues and other financing sources in excess of expenditures and other financing uses.

5. GENERAL FUND BUDGETARY HIGHLIGHTS

A. 2018-2019 Budget

The Village's general fund adopted budget for the year ended May 31, 2019 was \$7,002,136.

The budget was funded by estimated revenues. The majority of this funding source was 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	\$ 4,725,806
Revenues Under Budget	(249,421)
Expenditures Under Budget	79,946
Net Change in Nonspendable Fund Balance	13,817
Net Change to Service Award Program Fund Balance	<u>20,537</u>
Closing, Unassigned Fund Balance	<u>\$ 4,590,685</u>

Opening, Unassigned Fund Balance

The \$4,725,806 shown in the table is the portion of the Village's May 31, 2018 fund balance that was retained as unassigned. This was 67% of the Village's 2018-2019 approved operating budget of \$7,002,136.

Revenues Under Budget

The 2018-2019 budget for revenues was \$7,002,136. Actual revenues recognized for the year were \$6,752,715. The actual revenue under estimated or budgeted revenue was \$249,421, which contributes directly to the change to the general fund unassigned fund balance from May 31, 2018 to May 31, 2019.

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

Expenditures and Encumbrances Under Budget

The 2018-2019 budget for expenditures was \$7,002,136. Actual expenditures as of May 31, 2019 were \$6,922,109. The final budget was under expended by \$79,946. This under expenditure contributes directly to the change to the general fund unassigned fund balance from May 31, 2018 to May 31, 2019.

Net Change in Nonspendable Fund Balance

The Village had purchased ferry tickets available for resale at May 31, 2019. The resulting balance sheet asset (inventory) 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 increase in Nonspendable fund balance reduces unassigned fund balance.

Net Change to Service Award Program Fund Balance

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

Closing, Unassigned Fund Balance

Based upon the summary changes shown in the above table, the unassigned fund balance at May 31, 2019 was \$4,590,685. This amount equals 67% of the 2019-2020 budget.

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

A. Capital Assets

At May 31, 2019, the Village had invested in a broad range of capital assets, as indicated in the table below. The net increase in capital assets is due to capital additions of \$7,548,704 in excess of depreciation of \$989,266 recorded for the year ended May 31, 2019. A summary of the Village's capital assets, net of depreciation at May 31, 2019 and 2018 is as follows:

	<u>2019</u>	<u>As Restated 2018</u>	<u>Increase (Decrease)</u>
Land	\$ 225,326	\$ 225,326	\$ -
Construction in progress	6,229,254	5,738,129	491,125
Buildings	12,317,013	10,259,827	2,057,186
Equipment	821,913	489,304	332,609
Infrastructure	11,365,474	7,686,956	3,678,518
Capital assets, net	<u>\$ 30,958,980</u>	<u>\$ 24,399,542</u>	<u>\$ 6,559,438</u>

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

B. Debt Administration

At May 31, 2019, the Village has total bonds payable of \$6,388,224. The increase in outstanding bonds represents current year issuances of \$2,833,224 in excess of principal payments of \$367,000. The Village also has total capital leases payables of \$66,081. The decrease in outstanding capital leases represents current year principal payments of \$30,446. A summary of the outstanding debt at May 31, 2019 and 2018 is as follows:

Issue Date	Interest Rate	2019	2018	Increase (Decrease)
Bonds Payable				
12/13/2012	1.25 - 2.25%	\$ 785,000	\$ 875,000	\$ (90,000)
12/13/2012	1.25 - 2.25%	250,000	275,000	(25,000)
12/13/2012	1.25 - 2.00%	440,000	535,000	(95,000)
12/13/2012	1.25 - 2.00%	50,000	60,000	(10,000)
4/12/2018	2.00 - 3.00%	935,000	1,000,000	(65,000)
4/12/2018	2.00 - 3.00%	630,000	677,000	(47,000)
4/12/2018	2.00 - 3.00%	465,000	500,000	(35,000)
6/13/2019	N/A	1,792,000		1,792,000
6/20/2019	1.31 - 3.81%	1,041,224		1,041,224
		<u>\$ 6,388,224</u>	<u>\$ 3,922,000</u>	<u>\$ 2,466,224</u>
Capital Lease Payable				
		<u>\$ 66,081</u>	<u>\$ 96,527</u>	<u>\$ (30,446)</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, 2019 are 42.76% 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 and net pension liability - proportionate share. The compensated absences liability is based on employment contracts. The net pension liability - proportionate share is based on actuarial valuations.

	2019	2018	Increase (Decrease)
Compensated absences	\$ 44,768	\$ 41,410	\$ 3,358
Net pension liability - proportionate share	631,007	371,583	259,424
	<u>\$ 675,775</u>	<u>\$ 412,993</u>	<u>\$ 262,782</u>

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

7. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

A. Subsequent Year's Budget

The Board of Trustees approved a \$6,810,881 general fund budget, \$870,518 water fund budget, and \$913,742 sewer fund budget for a total budget of \$8,595,141 for the year ending May 31, 2020. This is a decrease of \$229,360 or 2.60% from the previous year's budget. The decrease is principally in debt service payments.

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, 2019

ASSETS

Cash	
Unrestricted	\$ 11,616,449
Restricted	250,391
Receivables	
Accounts receivable	308,588
Taxes receivable	31,845
Due from fiduciary funds	41
Due from state and federal	992,801
Due from other governments	19,058
Inventory	16,594
Service award program	577,529
Capital assets:	
Not being depreciated	6,454,580
Being depreciated, net of accumulated depreciation	<u>24,504,400</u>
 Total Assets	 <u>44,772,276</u>

DEFERRED OUTFLOWS OF RESOURCES

Pensions	<u>504,458</u>
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LIABILITIES

Payables	
Accounts payable	667,923
Accrued liabilities	248,514
Due to NYSLRS	54,588
Unearned credits - collections in advance	409,091
Notes payable - bond anticipation	3,548,000
Long-term liabilities	
Due and payable within one year	
Bonds payable	464,740
Capital lease payable	32,144
Due and payable after one year	
Bonds payable	5,923,484
Capital lease payable	33,937
Compensated absences payable	44,768
Net pension liability - proportionate share	<u>631,007</u>
 Total Liabilities	 <u>12,058,196</u>

DEFERRED INFLOWS OF RESOURCES

Deferred revenue	757,370
Pensions	<u>461,039</u>
 Total Deferred Inflows of Resources	 <u>1,218,409</u>

NET POSITION

Net investment in capital assets	<u>21,130,888</u>
Restricted:	
Retirement contribution	20,000
Debt service	56,179
Service award program	<u>577,529</u>
	<u>653,708</u>
Unrestricted	<u>10,215,533</u>
 Total Net Position	 <u>\$ 32,000,129</u>

INCORPORATED VILLAGE OF OCEAN BEACH

Statement of Activities

For the Year Ended May 31, 2019

	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Capital Grants	Revenue and Changes in Net Position
FUNCTIONS/PROGRAMS				
General government	\$ 2,530,459	\$ 7,009	\$ 329,914	\$ (2,193,536)
Public safety	1,773,876	654,674		(1,119,202)
Health	3,768	302,386		298,618
Transportation	269,135		2,735,187	2,466,052
Culture and recreation	450,116			(450,116)
Home and community	1,458,214	1,123,695	3,102,795	2,768,276
Debt service - interest	312,036			(312,036)
Depreciation - unallocated	989,266			(989,266)
	<u>\$ 7,786,870</u>	<u>\$ 2,087,764</u>	<u>\$ 6,167,896</u>	<u>468,790</u>
GENERAL REVENUES				
Real property taxes				4,201,178
Other tax items				500,009
Nonproperty taxes				14,141
Use of money and property				1,077,072
Licenses and permits				320,973
Fines and forfeitures				44,514
Sale of property and compensation for loss				2,683
Miscellaneous				50,393
State aid				65,827
				<u>6,276,790</u>
Total General Revenues				6,276,790
Change in Net Position				6,745,580
Total Net Position - Beginning of Year, as Restated				<u>25,254,549</u>
Total Net Position - End of Year				<u>\$ 32,000,129</u>

INCORPORATED VILLAGE OF OCEAN BEACH
Balance Sheet - Governmental Funds
 May 31, 2019

	General	Water	Sewer	Capital Projects	Total Governmental Funds
ASSETS					
Cash					
Unrestricted	\$ 6,979,337	\$ 796,579	\$ 1,049,134	\$ 2,791,399	\$ 11,616,449
Restricted	76,179			174,212	250,391
Receivables					
Accounts receivable	307,088	1,500			308,588
Taxes receivable	31,845				31,845
Due from other funds	29,403		146,182		175,585
Due from state and federal				992,801	992,801
Due from other governments	19,058				19,058
Inventory	16,594				16,594
Service award program	577,529				577,529
	<u>\$ 8,037,033</u>	<u>\$ 798,079</u>	<u>\$ 1,195,316</u>	<u>\$ 3,958,412</u>	<u>\$ 13,988,840</u>
LIABILITIES					
Payables					
Accounts payable	\$ 44,422	\$ 10,893	\$ 5,557	\$ 607,051	\$ 667,923
Accrued liabilities	182,388	22,155	1,885		206,428
Due to other funds		6,845	7,715	160,984	175,544
Due to NYSLRS	45,159	4,041	5,388		54,588
Unearned credits - collections in advance	409,091				409,091
Notes payable - bond anticipation				3,548,000	3,548,000
	<u>681,060</u>	<u>43,934</u>	<u>20,545</u>	<u>4,316,035</u>	<u>5,061,574</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred taxes	757,370				757,370
Unavailable revenue	73,259				73,259
	<u>830,629</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>830,629</u>
FUND BALANCES (DEFICIT)					
Nonspendable: Inventory	16,594				16,594
Restricted:					
Retirement contribution	20,000				20,000
Debt service	56,179				56,179
Service award program	577,529				577,529
Unspent bond proceeds				174,212	174,212
Assigned:					
Appropriated fund balance		31,479			31,479
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		722,666	1,174,771		1,897,437
Unassigned: Fund balance (deficit)	4,590,685			(531,835)	4,058,850
	<u>6,525,344</u>	<u>754,145</u>	<u>1,174,771</u>	<u>(357,623)</u>	<u>8,096,637</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances					
	<u>\$ 8,037,033</u>	<u>\$ 798,079</u>	<u>\$ 1,195,316</u>	<u>\$ 3,958,412</u>	<u>\$ 13,988,840</u>

INCORPORATED VILLAGE OF OCEAN BEACH
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
May 31, 2019

Total Governmental Fund Balances \$ 8,096,637

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	\$ 41,877,560	
Accumulated depreciation	<u>(10,918,580)</u>	30,958,980

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	504,458	
Net pension liability - police and fire retirement system	(361,236)	
Net pension liability - employees' retirement system	(269,771)	
Deferred inflows of resources	<u>(461,039)</u>	(587,588)

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. 73,259

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	(42,086)	
Bonds payable	(6,388,224)	
Capital lease payable	(66,081)	
Compensated absences payable	<u>(44,768)</u>	(6,541,159)

Total Net Position \$ 32,000,129

INCORPORATED VILLAGE OF OCEAN BEACH
Statement of Revenues, Expenditures
and Changes in Fund Balances - Governmental Funds
For the Year Ended May 31, 2019

	General	Water	Sewer	Capital Projects	Total Governmental Funds
REVENUES					
Real property taxes	\$ 3,672,233	\$ 245,380	\$ 283,565	\$	\$ 4,201,178
Real property tax items	500,009				500,009
Non-property taxes	14,141				14,141
Departmental income	316,395	572,493	544,202		1,433,090
Intergovernmental income	654,674				654,674
Use of money and property	1,010,823	10,233	29,729		1,050,785
Licenses and permits	320,973				320,973
Fines and forfeited bail	44,514				44,514
Sale of property and compensation for loss	2,386	297			2,683
Miscellaneous	22,376		28,017		50,393
State aid	65,827				65,827
Federal aid	116,775			6,051,121	6,167,896
Total Revenues	6,741,126	828,403	885,513	6,051,121	14,506,163
EXPENDITURES					
General government	2,136,363	51,300	82,000		2,269,663
Public safety	1,412,977				1,412,977
Health	3,768				3,768
Transportation	190,363			2,343,299	2,533,662
Culture and recreation	749,799			299,568	1,049,367
Home and community	475,085	513,206	384,961	4,032,231	5,405,483
Employee benefits	949,375	122,925	138,344		1,210,644
Debt service					
Principal	607,446	200,807	95,000		903,253
Interest	222,151	34,929	69,894		326,974
Total Expenditures	6,747,327	923,167	770,199	6,675,098	15,115,791
Excess (Deficiency) of Revenues Over Expenditures	(6,201)	(94,764)	115,314	(623,977)	(609,628)
OTHER FINANCING SOURCES AND (USES)					
Proceeds of debt				2,833,224	2,833,224
BANs redeemed from appropriations				505,807	505,807
Operating transfers in	11,589			174,863	186,452
Operating transfers (out)	(174,863)			(11,589)	(186,452)
Total Other Financing Sources and (Uses)	(163,274)	-	-	3,502,305	3,339,031
Net Change in Fund Balances	(169,475)	(94,764)	115,314	2,878,328	2,729,403
Fund Balances (Deficit) - Beginning of Year, as Restated	6,694,819	848,909	1,059,457	(3,235,951)	5,367,234
End of Year	\$ 6,525,344	\$ 754,145	\$ 1,174,771	\$ (357,623)	\$ 8,096,637

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, 2019

Net Change in Fund Balances		\$ 2,729,403
Amounts reported for governmental activities in the Statement of Activities are different because:		
<u>Long-Term Revenue and Expense Differences</u>		
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).	\$ 73,259	
Certain revenues are recognized in the governmental funds when they provide current financial resources. However, these revenues were recognized in the Statement of Activities in prior years when they were earned.	(46,972)	
Certain operating expenses do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, but are expensed in the Statement of Activities.		
Increase in compensated absences payable	(3,358)	22,929
<u>Capital Related Differences</u>		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized and shown in the Statement of Net Position and allocated over their useful lives as annual depreciation expense in the Statement of Activities. This is the amount by which, capital outlays exceeded depreciation in the period.		
Capital outlays	7,548,704	
Depreciation expense	(989,266)	6,559,438
<u>Long-Term Debt Transactions Differences</u>		
Proceeds from the issuance of bonds are other funding sources in the governmental funds, but increase long-term liabilities in the Statement of Net Position and do not affect the Statement of Activities.	(2,833,224)	
Proceeds from the redemptions of BANs are an other funding source in the governmental funds, but increase long-term liabilities in the Statement of Net Position and do not affect the Statement of Activities.	(505,807)	
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	367,000	
Repayment of capital lease payable	30,446	
Repayment of BAN principal	505,807	
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount by which accrued decreased from May 31, 2018 to May 31, 2019.	14,939	(2,420,839)
<u>Pension Differences</u>		
The change in the proportionate share of the collective pension expense of the state retirement plans reported in the Statement of Activities did not affect current financial resources and, therefore, is not reported in the governmental funds.		
Police and fire retirement system	(81,593)	
Employees' retirement system	(63,758)	(145,351)
Change in Net Position of Governmental Activities		\$ 6,745,580

INCORPORATED VILLAGE OF OCEAN BEACH
Statement of Fiduciary Net Position -
Fiduciary Fund
May 31, 2019

	<u>Agency</u>
ASSETS	
Cash	
Unrestricted	<u>\$ 52,576</u>
LIABILITIES	
Due to governmental funds	\$ 41
Other liabilities	<u>52,535</u>
Total Liabilities	<u>\$ 52,576</u>

INCORPORATED VILLAGE OF OCEAN BEACH
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Financial Reporting Entity

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

The following basic services are provided: general support, public safety, health, transportation, economic assistance and opportunity, culture and recreation, and home and community service.

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

B. Basis of Presentation

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

Governmental Funds - are those through which most governmental functions are financed. The acquisition, use and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The emphasis of governmental fund financial statements is on major funds as defined by GASB, each displayed in a separate column. The following are the Village's major governmental funds:

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

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

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

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

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

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

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

C. Measurement Focus and Basis of Accounting

Accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. 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.

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

The governmental fund 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, and pension costs, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

D. Real Property Taxes

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

E. Restricted Resources

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

F. Interfund Transactions

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

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

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

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

G. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources, and disclosure of contingencies at the date of the financial statements and the reported revenues and expenses/expenditures during the reporting period. Accordingly, actual results could differ from those

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

estimates. Estimates and assumptions are made in a variety of areas, including compensated absences, pension reporting, and useful lives of long-lived 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

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.

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

L. Capital Assets

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

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

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

INCORPORATED VILLAGE OF OCEAN BEACH

NOTES TO FINANCIAL STATEMENTS

(Continued)

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. The second item is the Village's contributions to the pension systems (NYSLRS) subsequent to the measurement date.

N. 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.

O. 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) until that time. The Village has three items that qualify for reporting in this category. First is unavailable revenues reported in the governmental funds when potential revenues do not meet the availability criterion for recognition in the current period. In subsequent periods, when the availability criterion is met, unavailable revenues are reclassified as revenues. In the government-wide financial statements, unavailable revenues are treated as revenues. The second item is property taxes and assessments received before the period for which they are levied or assessed, and are reported as deferred revenue. They are recognized as revenue in the year for which they are levied or assessed, which will be the subsequent year. The last 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.

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.

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

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 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.

R. 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.

S. Equity Classifications

Government-wide Statements

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

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

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

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

Fund Statements

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

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

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

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

Retirement Contribution Reserve

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

Restricted for Debt Service

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

Restricted for Service Award Program

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

Restricted – Unspent Bond Proceeds

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

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

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

Fund Balance Classification

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

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

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

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

2. CHANGES IN ACCOUNTING PRINCIPLES

For the fiscal year ended May 31, 2019, the Village implemented GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, which requires local governments to include government-wide financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting.

The Village also implemented 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*, in the fiscal year ended May 31, 2019. The implementation of the statement requires, among other things, that the Village eliminate the presentation of the Ocean Beach Volunteer Fire Department Service Award Program in the Agency Fund and present the assets in the General Fund. Accounting changes adopted to conform to the provisions of the statements are to be applied retroactively and reported as a restatement of beginning net position.

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

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the government-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic resource measurement focus of the government-wide statements, compared with the current financial resource measurement focus of the governmental funds.

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.

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

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

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 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.

4. 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.

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

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.

C. Capital Projects Fund

The capital projects fund has an unassigned fund balance deficit of \$531,835. This will be funded when the Village obtains permanent financing for its current construction project.

5. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

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

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

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

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

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.

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

Total investments of the cooperative at May 31, 2019 are \$2,875,025,656, which consisted of \$451,582,793 in repurchase agreements, \$2,185,579,227 in U.S. Treasury Securities and \$237,863,636 in collateralized bank deposits, with various interest rates and due dates.

The following amounts are included as cash:

Fund	Carrying Amount
General	\$ 4,042,957
Water	509,471
Sewer	709,999
Capital Projects	241,409
	\$ 5,503,836

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

6. DUE FROM STATE AND FEDERAL

The Village is owed \$992,801 in Federal Emergency Management Aid for storm damages in the Capital Projects Fund.

7. DUE FROM OTHER GOVERNMENTS

Due from other governments at May 31, 2019 consisted of:

General Fund	
Fire Protection Charges - ambulance contracts	\$ 9,470
Suffolk County Sales Tax	9,588
	\$ 19,058

8. INTERFUND TRANSACTIONS

Interfund balances and activities at May 31, 2019, are as follows:

	Interfund			
	Receivable	Payable	Transfers In	Transfers Out
General Fund	\$ 29,403	\$	\$ 11,589	\$ 174,863
Water Fund		6,845		
Sewer Fund	146,182	7,715		
Capital Projects Fund		160,984	174,863	11,589
Total Governmental Funds	175,585	175,544	\$ 186,452	\$ 186,452
Fiduciary Funds		41		
Total	\$ 175,585	\$ 175,585		

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

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

9. CAPITAL ASSETS

Capital asset balances and activity for the year ended May 31, 2019 were as follows:

	Balance May 31, 2018	Additions	Reductions	Balance May 31, 2019
Governmental activities				
Capital assets not being depreciated				
Land	\$ 225,326	\$	\$	\$ 225,326
Construction in progress	5,738,129	6,675,097	(6,183,972)	6,229,254
Total capital assets not being depreciated	5,963,455	6,675,097	(6,183,972)	6,454,580
Capital assets being depreciated				
Buildings	11,365,942	2,614,541		13,980,483
Equipment	2,522,714	469,264		2,991,978
Infrastructure	13,940,729	3,973,774		17,914,503
Capital leases	536,016			536,016
Total capital assets being depreciated	28,365,401	7,057,579	-	35,422,980
Less accumulated depreciation for:				
Buildings	1,106,115	557,355		1,663,470
Equipment	2,033,410	136,655		2,170,065
Infrastructure	6,253,773	295,256		6,549,029
Capital leases	536,016			536,016
Total accumulated depreciation	9,929,314	989,266	-	10,918,580
Total capital assets, being depreciated, net	18,436,087	6,068,313	-	24,504,400
Capital assets, net	<u>\$ 24,399,542</u>	<u>\$ 12,743,410</u>	<u>\$ (6,183,972)</u>	<u>\$ 30,958,980</u>

The total depreciation expense recorded in the government-wide statements is \$989,266.

10. SHORT-TERM DEBT

Short-term debt transactions for the year are summarized below:

	Maturity	Stated Interest Rate	Balance May 31, 2018	Issued	Redeemed	Balance May 31, 2019
BAN	4/12/2019	2.00%	\$ 3,233,000	\$	\$ (3,233,000)	\$ -
BAN	4/12/2019	2.91%	4,500,000		(4,500,000)	-
BAN	4/10/2020	2.75%		2,048,000		2,048,000
BAN	4/10/2020	2.75%		1,500,000		1,500,000
			<u>\$ 7,733,000</u>	<u>\$ 3,548,000</u>	<u>\$ (7,733,000)</u>	<u>\$ 3,548,000</u>

The BANs were issued for sewer treatment plant improvements for \$2,048,000 and ferry terminal construction for \$1,500,000.

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

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

Interest paid	\$ 223,908
Less interest accrued in the prior year	(30,673)
Plus interest accrued in the current year	<u>13,633</u>
 Total interest expense on short-term debt	 <u><u>\$ 206,868</u></u>

11. LONG-TERM LIABILITIES

A. Changes

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

	Balance May 31, 2018	Additions	Reductions	Balance May 31, 2019	Amounts Due Within One Year
Long-term debt:					
Bonds payable	\$ 3,922,000	\$ 2,833,224	\$ (367,000)	\$ 6,388,224	\$ 464,740
Capital lease payable	96,527		(30,446)	66,081	32,144
	<u>4,018,527</u>	2,833,224	<u>(397,446)</u>	6,454,305	496,884
Other long-term liabilities					
Compensated absences	41,410	3,358		44,768	
	<u>\$ 4,059,937</u>	<u>\$ 2,836,582</u>	<u>\$ (397,446)</u>	<u>\$ 6,499,073</u>	<u>\$ 496,884</u>

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

B. Bonds Payable

Bonds payable is comprised of the following:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at May 31, 2019
Serial Bond - sidewalks	12/13/2012	7/1/2027	1.25 - 2.25%	\$ 785,000
Serial Bond - water pipes	12/13/2012	7/1/2027	1.25 - 2.25%	250,000
Serial Bond - Village hall improvements	12/13/2012	7/1/2022	1.25 - 2.00%	440,000
Serial Bond - Bayberry	12/13/2012	7/1/2022	1.25 - 2.00%	50,000
Windswept	4/12/2018	4/1/2031	2.00 - 3.00%	935,000
Roads	4/12/2018	4/1/2031	2.00 - 3.00%	630,000
Sewer	4/12/2018	4/1/2031	2.00 - 3.00%	465,000
NYS - Drinking Water	6/13/2019	2/1/2049	N/A	1,792,000
NYS - Safe House	6/20/2019	2/1/2049	1.31 - 3.81%	<u>1,041,224</u>
				 <u><u>\$ 6,388,224</u></u>

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

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

Year Ending May 31,	Principal	Interest	Total
2020	\$ 464,740	\$ 94,361	\$ 559,101
2021	475,964	86,564	562,528
2022	479,740	78,537	558,277
2023	489,540	70,363	559,903
2024	369,740	63,338	433,078
2025 - 2029	1,753,700	219,913	1,973,613
2030 - 2034	828,700	79,929	908,629
2035 - 2039	468,700	51,684	520,384
2040 - 2044	508,700	35,680	544,380
2045 - 2049	548,700	14,676	563,376
Total	<u>\$ 6,388,224</u>	<u>\$ 795,045</u>	<u>\$ 7,183,269</u>

C. Capital Lease Payable

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

Total minimum lease payments	\$ 71,660
Less: Amount representing interest	<u>(5,579)</u>
Present value of minimum lease payments	<u>\$ 66,081</u>

Scheduled maturities of future minimum lease payments at May 31, 2019, are as follows:

2020	\$ 32,144
2021	<u>33,937</u>
Total	<u>\$ 66,081</u>

Interest on capital leases for the year was \$5,384.

D. Interest Expense

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

Interest paid	\$ 103,067
Less interest accrued in the prior year	(26,352)
Plus interest accrued in the current year	<u>28,453</u>
Total interest expense on long-term debt	<u>\$ 105,168</u>

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

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.

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 of a State statute. The NYSLRS is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided may be found on the NYS Comptroller's website at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Employees' Retirement System, 110 State Street, Albany, NY 12244.

C. Funding Policies

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

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

for the current year. The Village's average contribution rate was 13.0% of covered payroll for the ERS and 21.3% of covered payroll for the PFRS for the fiscal year ended March 31, 2019.

The Village's share of the required contributions, based on covered payroll for the Village's year ended May 31, 2019, was \$106,162 for PFRS and \$125,081 for ERS.

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

At May 31, 2019, 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, 2019 for both the ERS and PFRS. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation. The Village's proportion of the net pension liability was based on a projection of the Village's long-term share of contributions to the systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the NYSLRS in reports provided to the Village.

	<u>PFRS</u>	<u>ERS</u>
Measurement date	March 31, 2019	March 31, 2019
Village's proportionate share of the net pension liability	\$ (361,236)	\$ (269,771)
Village's portion of the Plan's total net pension liability	0.0215398%	0.0038075%
Change in proportion since the prior measurement date	(0.0026410)	(0.0001329)

For the year ended May 31, 2019, the Village recognized pension expense of \$169,920 for PFRS and \$207,460 for ERS. At May 31, 2019, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>PFRS</u>	<u>ERS</u>	<u>PFRS</u>	<u>ERS</u>
Differences between expected and actual experience	\$ 87,754	\$ 53,124	\$ 38,568	\$ 18,109
Changes of assumptions	131,247	67,810		
Net difference between projected and actual earnings on pension plan investments			72,347	69,238
Changes in proportion and differences between the Village's contributions and proportionate share of contributions	39,136	70,856	230,851	31,926
Village's contributions subsequent to the measurement date	<u>23,989</u>	<u>30,542</u>		
Total	<u>\$ 282,126</u>	<u>\$ 222,332</u>	<u>\$ 341,766</u>	<u>\$ 119,273</u>

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

Village contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending May 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending May 31,	PFRS	ERS
2020	\$ 5,510	\$ 75,864
2021	(67,880)	(38,208)
2022	(33,247)	4,570
2023	20,966	30,291
2024	(8,978)	
	<u>\$ (83,629)</u>	<u>\$ 72,517</u>

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:

	<u>NYSLRS</u>
Measurement date	March 31, 2019
Actuarial valuation date	April 1, 2018
Inflation	2.50%
Salary increases	4.20%
Investment rate of return (net of investment expense, including inflation)	7.00%
Cost of living adjustments	1.30%

Annuitant mortality rates are based on system experience with adjustments for mortality improvements based on Society of Actuaries Scale MP-2014.

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

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

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

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

	NYSLRS	
	Target Allocation	Long-term Expected Rate of Return
Measurement date	March 31, 2019	
Asset type		
Domestic equity	36.0%	4.55%
International equity	14.0%	6.35%
Real estate	10.0%	5.55%
Private equities	10.0%	7.50%
Alternative investments	8.0%	3.75-5.68%
Bonds and mortgages	17.0%	1.31%
Cash	1.0%	(0.25)%
Inflation indexed bonds	4.0%	1.25%
	100.0%	

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

Discount Rate

The discount rate used to measure the total pension liability was 7.0%. 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 7.0%, 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 6.0% or 1 percentage point higher 8.0% than the current rate:

PFRS	1% Decrease 6.00 %	Current Assumption 7.00 %	1% Increase 8.00 %
Village's proportionate share of the net pension asset (liability)	<u>\$ (1,305,455)</u>	<u>\$ (361,236)</u>	<u>\$ 427,295</u>
ERS	1% Decrease 6.00 %	Current Assumption 7.00 %	1% Increase 8.00 %
Village's proportionate share of the net pension asset (liability)	<u>\$ (1,179,484)</u>	<u>\$ (269,771)</u>	<u>\$ 494,452</u>

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

Pension Plan Fiduciary Net Position

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

	PFRS	ERS
	<i>(Dollars in Thousands)</i>	
Measurement date	March 31, 2019	March 31, 2019
Employers' total pension liability	\$ (34,128,100)	\$ (189,803,429)
Plan fiduciary net position	32,451,037	182,718,124
Employers' net pension liability	\$ (1,677,063)	\$ (7,085,305)
Ratio of plan fiduciary net position to the employers' total pension liability	95.09%	96.27%

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, 2019, represent the projected employer contribution for the period of April 1, 2019 through May 31, 2019 based on paid covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of May 31, 2019 amounted to \$30,600 of employer contributions for ERS and \$23,988 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 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. The program account balance of a participating volunteer is credited with a "service award" contribution as of the end of each year during which the volunteer was active enough to earn a year of Service Award Program service credit. The participant is paid his or her account balance upon attainment of the "entitlement age". The amount paid will vary depending upon the number of years of service credit earned by the volunteer and the investment income (less administrative and/or investment expenses not paid by the Village) earned by the program assets and allocated to the participant's program account.

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

Active volunteer firefighters who have reached the age of 18 and who have completed 1 year of firefighting service are eligible to participate in the program. Participants acquire a nonforfeitable right to be paid their program account balance after being credited with five (5) years of firefighting service, attaining the program's entitlement age while an active volunteer, becoming totally and permanently disabled, or dying while an active volunteer. The program's entitlement age is age 65. An active volunteer firefighter is credited with a year of firefighting service for each calendar year after the establishment of the program in which he or she accumulates fifty points. Points are granted for the performance of certain activities in accordance with a system established by the sponsor on the basis of a statutory list of activities and point values. A Participant may also receive credit for five (5) years of firefighting service rendered prior to the establishment of the program as an active volunteer fire fighter members of the Ocean Beach Volunteer Fire Department.

Benefits

A participant's benefit under the program is his or her program amount balance paid upon attainment of the entitlement age in a lump sum to the participant. The annual contribution paid by the Village and credited to the account of a participant who earned fifty points during a calendar year is currently \$700 for service credit earned in 2009 and beyond. The maximum number of years of service credit a participant may earn is 40 years under the program. Currently there are no other forms of payment of a volunteer's earned service award under the Program. Except in the case of death or total and permanent disablement, service awards are paid when a participant attains the entitlement age. Volunteers who continue to be active after attaining the entitlement age and beginning to be paid a service award continue to have the opportunity to earn program credit and to thereby increase their service award payments. The program provides death and disability benefits equal to the participant's program account balance at the time of death or disablement. The program does not provide extra line-of-duty death or disability benefits. All death and disability benefits are "self-insured" and are paid from the program trust fund.

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

Fiduciary Investment and Control

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

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

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

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.

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

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, 2019

	% of total	
Sponsor contributions receivable	6.06%	\$ 35,000
Capital appreciation fund	7.10%	41,018
Rochester fund	12.29%	70,966
Main Street fund	2.51%	14,479
Senior floating rate fund	5.65%	32,653
International bond fund	7.36%	42,518
Limited-term government fund A	45.17%	260,843
Cash reserves	0.60%	3,489
Dividend opportunity	11.32%	65,376
International Equity A	1.94%	11,187
 Total Net Assets Available for Benefits		 \$ 577,529

Receipts and Disbursements

Balance at May 31, 2018	\$ 598,066
Changes for the year	
+ Plan contributions	27,783
+ Investment income earned	19,621
+/- Changes in fair market value of investments	(7,420)
- Plan benefit withdrawals	(67,738)
- Change in sponsor contributions receivable	7,217
	(20,537)
 Balance at May 31, 2019	 \$ 577,529

Contributions

Amount of sponsor's contribution recommended by actuary:	\$ 27,783
Amount of sponsor's actual contribution:	\$ 27,783

Administration Fees

Fees paid to administrative/actuarial services provider	\$ 4,635
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INCORPORATED VILLAGE OF OCEAN BEACH
NOTES TO FINANCIAL STATEMENTS
(Continued)

14. POSTEMPLOYMENT HEALTHCARE BENEFITS

The Village paid \$110,691 in postemployment benefits for eight retirees.

15. CHANGE IN ACCOUNTING PRINCIPLES/RESTATEMENT

For the year ended May 31, 2019 the Village implemented GASB Statement No. 34 and GASB Statement No. 73.

Accounting changes adopted to conform to the provisions of these statements are to be applied retroactively and reported as a restatement of beginning net position. Accordingly, the Village's net position in the government-wide Statement of Net Position and the beginning fund balance of the General Fund in the fund financial statements were restated as follows:

	Net Position	General Fund
Net position/general fund-fund balances beginning of year, as previously stated	\$ 39,098,024	\$ 6,096,753
The following adjustments were necessary to determine the beginning balances at May 31, 2018:		
Accumulated depreciation for government type capital assets	(9,929,313)	
Long-term outstanding obligation items	(4,431,520)	
Accrued interest on long-term obligations	(57,025)	
Deferred revenue	46,973	
GASB 68 NYSLRS balances	(70,656)	
GASB 73 service award program balances	598,066	598,066
Net position/general fund-fund balances beginning of year, as restated	\$ 25,254,549	\$ 6,694,819

16. ASSIGNED: APPROPRIATED FUND BALANCE

The amount of \$31,479 has been appropriated in the Water Fund, to reduce taxes for the year ending May 31, 2020.

17. RISK MANAGEMENT

A. General Information

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. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

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

18. COMMITMENTS AND CONTINGENCIES

A. Encumbrances

All encumbrances are classified as either restricted or assigned fund balance. At May 31, 2019, the Village encumbered the following amounts:

Restricted Fund Balance	
Capital Projects Fund	
Capital Projects	\$ 14,613
Assigned: Unappropriated Fund Balance:	
Sewer Fund	
Home and community	<u>2,340</u>
	<u>\$ 16,953</u>

B. Grants

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

C. Certiorari Proceedings

From time to time, the Village is involved in certiorari proceedings under which taxpayers seek reduction in the assessed value of property upon which taxes are measured. A reduction in assessed valuation may result in a refund of real property taxes previously paid by the claimant. It is not possible to estimate the amount of refunds, if any, that the Village may be required to make for taxes collected through May 31, 2019, which could affect future operating budgets of the Village.

D. Litigation

The Village is not aware of any material pending or threatened litigation claims against the Village. The Village is also unaware of any unasserted claims or assessments that would require financial statement disclosure.

E. Contingency

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

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, 2019

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
REVENUES				
Local Sources				
Real Property Taxes	\$ 3,700,891	\$ 3,700,891	\$ 3,672,233	\$ (28,658)
Other Tax Items				
Refuse residential	250,000	250,000	295,880	45,880
Refuse commercial	149,900	149,900	175,565	25,665
Interest and penalties on real property taxes	25,000	25,000	28,564	3,564
Total Other Tax Items	424,900	424,900	500,009	75,109
Non-Property Taxes				
Utilities gross receipts tax	15,000	15,000	14,141	(859)
Departmental Income				
Clerk fees	2,000	2,000	1,309	(691)
C.O. applications	6,000	6,000	5,700	(300)
Tennis fees	7,000	7,000	8,966	1,966
Seasonal boat basin fee	178,000	178,000	170,749	(7,251)
Daily marina rentals	125,000	125,000	116,511	(8,489)
Jet ski fees	2,000	2,000	6,160	4,160
Zoning board fees	12,000	12,000	7,000	(5,000)
Total Departmental Income	332,000	332,000	316,395	(15,605)
Intergovernmental Charges				
Fire protection services, other governments	642,987	642,987	654,674	11,687
Use of Money and Property				
Interest & earnings	40,000	40,000	63,145	23,145
Rental of real property	930,504	930,504	947,678	17,174
Total Use of Money and Property	970,504	970,504	1,010,823	40,319
Licenses and Permits				
Permits	302,500	302,500	320,973	18,473
Fines and Forfeited Bail				
Fines & forfeited bail	86,000	86,000	44,514	(41,486)
Sale of Property & Compensation for Loss				
Sale of real property	-	-	2,386	2,386
Insurance recoveries	5,000	5,000	-	(5,000)
Total Sale of Property & Compensation for Loss	5,000	5,000	2,386	(2,614)
Miscellaneous				
Gifts and donations	2,000	2,000	7,050	5,050
Unclassified revenues	2,000	2,000	162	(1,838)
Ferry tickets	20,000	20,000	15,164	(4,836)
Total Miscellaneous	24,000	24,000	22,376	(1,624)
State Aid				
Revenue sharing	4,549	4,549	4,449	(100)
Mortgage tax	40,000	40,000	51,790	11,790
Sales tax revenue sharing	9,588	9,588	9,588	-
Total State Aid	54,137	54,137	65,827	11,690
Federal Aid				
Federal aid (FEMA)	444,217	444,217	116,775	(327,442)
Total Revenues	7,002,136	7,002,136	6,741,126	(261,010)
OTHER FINANCING SOURCES				
Operating Transfers In	-	-	11,589	11,589
Total Revenues and Other Sources	\$ 7,002,136	\$ 7,002,136	6,752,715	\$ (249,421)

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, 2019

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual & Encumbrances
EXPENDITURES				
General Government Support				
Legislative board				
Personal services	\$ 59,800	\$ 60,393	\$ 60,393	\$ -
Contractual services	6,100	6,457	6,350	107
Municipal court				
Personal services	48,000	42,200	42,138	62
Equipment	1,000	1,000	173	827
Contractual services	9,900	9,250	7,296	1,954
Mayor				
Personal services	50,888	127,147	127,147	-
Contractual services	8,000	4,431	3,970	461
Administration				
Personal services	192,700	192,700	192,700	-
Contractual services	5,400	5,500	4,543	957
Auditor				
Contractual services	65,000	65,093	65,093	-
Treasurer				
Personal services	395,000	355,000	354,870	130
Equipment	7,000	11,200	11,167	33
Contractual services	44,650	39,100	36,764	2,336
Assessment				
Personal services	11,000	11,000	11,000	-
Attorney				
Contractual services	175,700	124,487	124,390	97
Engineer				
Contractual services	40,000	80,255	80,254	1
Elections				
Personal services	1,512	1,512	1,440	72
Contractual services	6,000	1,530	1,380	150
Buildings				
Equipment	9,700	2,007	2,006	1
Contractual services	517,500	360,133	355,540	4,593
Shared services				
Contractual services	23,200	22,800	21,363	1,437
Central data processing				
Contractual services	65,000	56,251	55,145	1,106
Unallocated insurance				
Contractual services	506,381	560,950	560,646	304
Municipal association dues				
Contractual services	5,000	5,000	4,532	468
Judgments and claims				
Contractual services	30,000	2,000	562	1,438
Ferry				
Contractual services	10,000	500	-	500
Payment of MTA payroll tax				
Contractual services	7,000	7,000	5,501	1,499
Contingent account				
Contractual services	142,000	-	-	-
Total General Government Support	2,443,431	2,154,896	2,136,363	18,533

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, 2019

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual & Encumbrances
EXPENDITURES				
Public Safety				
Police				
Personal services	\$ 811,349	\$ 844,285	\$ 844,285	\$ -
Equipment	8,000	32,162	32,162	-
Contractual services	44,400	44,886	44,886	-
Fire protection				
Personal services	75,000	65,350	60,947	4,403
Equipment	156,000	94,669	94,281	388
Contractual services	308,000	284,169	276,045	8,124
Safety inspections				
Personal services	80,500	47,126	46,882	244
Contractual services	25,800	14,545	13,489	1,056
Total Public Safety	<u>1,509,049</u>	<u>1,427,192</u>	<u>1,412,977</u>	<u>14,215</u>
Health				
Contractual	<u>5,000</u>	<u>6,500</u>	<u>3,768</u>	<u>2,732</u>
Transportation				
Street maintenance				
Personal services	157,000	153,000	145,940	7,060
Equipment	35,000	1,875	1,874	1
Contractual services	69,600	40,065	38,048	2,017
Street lighting				
Equipment	5,000	1,000	-	1,000
Contractual services	10,000	5,000	4,501	499
Total Transportation	<u>276,600</u>	<u>200,940</u>	<u>190,363</u>	<u>10,577</u>
Culture and Recreation				
Parks				
Equipment	7,000	15,600	15,112	488
Contractual services	59,184	18,304	17,070	1,234
Beach				
Personal services	207,833	199,033	199,011	22
Equipment	4,000	11,420	10,989	431
Contractual services	34,200	36,150	34,319	1,831
Recreation				
Personal services	1,000	1,000	-	1,000
Equipment	2,100	1,100	-	1,100
Contractual services	6,050	6,050	4,315	1,735
Celebrations				
Contractual services	4,000	2,000	1,499	501
Other culture and recreation (Marina & Docks)				
Personal services	34,000	23,900	23,152	748
Equipment	2,500	2,500	1,870	630
Contractual services	25,000	442,914	442,462	452
Total Culture & Recreation	<u>386,867</u>	<u>759,971</u>	<u>749,799</u>	<u>10,172</u>
Home and Community Services				
Zoning board of appeals				
Contractual services	7,900	4,900	1,849	3,051
Refuse				
Equipment	3,000	500	-	500
Contractual services	466,000	471,805	471,236	569
Flood/Erosion				
Contractual services	<u>25,000</u>	<u>5,000</u>	<u>2,000</u>	<u>3,000</u>
Total Home & Community	<u>501,900</u>	<u>482,205</u>	<u>475,085</u>	<u>7,120</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, 2019

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual & Encumbrances
EXPENDITURES				
Employee Benefits				
State retirement	\$ 100,100	\$ 92,483	\$ 90,771	\$ 1,712
Police and fire retirement	124,500	106,162	106,162	-
Local pension fund (Fire service award)	42,000	52,955	52,955	-
Social security and Medicare	160,000	160,000	157,811	2,189
Worker's compensation	66,500	72,570	72,561	9
Unemployment insurance	7,000	7,000	3,045	3,955
Disability insurance	1,500	1,710	1,705	5
Longevity	1,500	1,500	1,000	500
Other	60,000	60,000	60,000	-
Hospital and medical insurance	481,800	406,800	403,365	3,435
Total Employee Benefits	<u>1,044,900</u>	<u>961,180</u>	<u>949,375</u>	<u>11,805</u>
Debt Service				
Principal	609,144	607,446	607,446	-
Interest	225,245	226,943	222,151	4,792
Total Debt Service	<u>834,389</u>	<u>834,389</u>	<u>829,597</u>	<u>4,792</u>
Total Expenditures	<u>7,002,136</u>	<u>6,827,273</u>	<u>6,747,327</u>	<u>79,946</u>
OTHER USES				
Operating Transfers Out	-	174,863	174,863	-
Total Expenditures and Other Uses	<u>\$ 7,002,136</u>	<u>\$ 7,002,136</u>	<u>6,922,190</u>	<u>\$ 79,946</u>
Net Change in Fund Balance			(169,475)	
Fund Balance - Beginning of Year, as Restated			<u>6,694,819</u>	
Fund Balance - End of Year			<u>\$ 6,525,344</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, 2019

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
REVENUES				
Real Property Taxes	\$ 245,488	\$ 245,488	\$ 245,380	\$ (108)
Departmental Income	569,268	569,268	572,493	3,225
Use of Money and Property	8,000	8,000	10,233	2,233
Sale of property and compensation for loss	-	-	297	297
Miscellaneous	10,000	10,000	-	(10,000)
Total Revenues	832,756	832,756	828,403	\$ (4,353)
APPROPRIATED FUND BALANCE				
Appropriation of Fund Balance	37,703	37,703		
Prior Year Encumbrances	86,714	86,714		
Total Revenues and Appropriated Fund Balance	\$ 957,173	\$ 957,173		
EXPENDITURES				
General government support	71,300	51,300	51,300	\$ -
Home and community services	482,422	546,908	513,206	33,702
Employee benefits	149,173	123,226	122,925	301
Debt Service				
Principal	203,333	200,808	200,807	1
Interest	50,945	34,931	34,929	2
Total Expenditures	\$ 957,173	\$ 957,173	923,167	\$ 34,006
Net Change in Fund Balance			(94,764)	
Fund Balance - Beginning of Year			848,909	
Fund Balance - End of Year			<u>\$ 754,145</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 - Sewer Fund
For the Year Ended May 31, 2019

	Original Budget	Final Budget	Actual	Final Budget Variance with Actual
REVENUES				
Real Property Taxes	\$ 281,228	\$ 281,228	\$ 283,565	\$ 2,337
Departmental Income	546,497	546,497	544,202	(2,295)
Use of Money and Property	8,000	8,000	29,729	21,729
Miscellaneous	28,017	28,017	28,017	-
Federal sources	88,164	88,164	-	(88,164)
	<u>951,906</u>	<u>951,906</u>	885,513	<u>\$ (66,393)</u>
EXPENDITURES				
General government support	\$ 102,000	\$ 102,000	82,000	\$ 20,000
Home and community services	516,145	516,145	384,961	131,184
Employee benefits	167,442	167,442	138,344	29,098
Debt Service				
Principal	95,000	95,000	95,000	-
Interest	71,319	71,319	69,894	1,425
	<u>\$ 951,906</u>	<u>\$ 951,906</u>	770,199	<u>\$ 181,707</u>
Net Change in Fund Balance			115,314	
Fund Balance - Beginning of Year			<u>1,059,457</u>	
Fund Balance - End of Year			<u>\$ 1,174,771</u>	

Note to Required Supplementary Information

Budget Basis of Accounting

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

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

Police and Fire Retirement System

	2019
Village's proportion of the net pension liability	0.0215398%
Village's proportionate share of the net pension liability	\$ 361,236
Village's covered payroll	\$ 688,917
Village's proportionate share of the net pension liability as a percentage of its covered payroll	52.44 %
Plan fiduciary net position as a percentage of the total pension liability	95.09%

Employees' Retirement System

	2019
Village's proportion of the net pension liability	0.0038075%
Village's proportionate share of the net pension liability	\$ 269,771
Village's covered payroll	\$ 1,463,679
Village's proportionate share of the net pension liability as a percentage of its covered payroll	18.43 %
Plan fiduciary net position as a percentage of the total pension liability	96.27%

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 Ten Fiscal Years

Employees' Retirement System

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 125,081									
Contributions in relation to the contractually required contribution	125,081									
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Village's covered payroll	\$ 1,456,316									
Contributions as a percentage of covered payroll	9%									

~ Not Readily available ~

~ Not Readily available ~

Police and Fire Retirement System

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 106,162									
Contributions in relation to the contractually required contribution	106,162									
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Village's covered payroll	\$ 650,819									
Contributions as a percentage of covered payroll	16%									

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~ Not Readily available ~

**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, 2019, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements and have issued our report thereon dated October 24, 2019. That report included an adverse opinion on the governmental activities due to the omission of GASB Statement No. 75 information concerning other postemployment benefits as required by generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we have reported to the Board of Trustees and management of the Incorporated Village of Ocean Beach in a separate letter dated October 24, 2019.

Purpose of this Report

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

Cullen & Danowski, LLP

October 24, 2019

