

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 2, 2017

RENEWALS

BOND ANTICIPATION NOTES

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Village, under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Notes is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. In addition, in the opinion of Bond Counsel to the Village, under existing statutes, interest on the Notes is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York. See "Tax Matters" herein.

The Village will designate the Notes as "qualified tax-exempt obligations" pursuant to the provision of Section 265(b)(3) of the Code.

VILLAGE OF OCEAN BEACH SUFFOLK COUNTY, NEW YORK (the "Village")

\$3,500,000

BOND ANTICIPATION NOTES – 2017 SERIES D (the "Notes")

Dated Date: October 24, 2017

Maturity Date: April 12, 2018

Security and Sources of Payment: The Notes are general obligations of the Village of Ocean Beach, Suffolk County, New York (the "Village"), and will contain a pledge of the faith and credit of the Village for the payment of the principal thereof and interest thereon and, unless paid from other sources, the Notes are payable from ad valorem taxes which may be levied upon all the taxable real property within the Village, subject to certain statutory limitations imposed by Chapter 97 of the New York Laws of 2011, as amended (the "Tax Levy Limit Law"). (See "Tax Levy Limit Law," herein).

Prior Redemption: The Notes will not be subject to redemption prior to their maturity.

Form and Denomination: At the option of the purchaser, the Notes may be either registered to the purchaser or registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC") as book-entry notes. For those Notes registered to the purchaser, a single note certificate shall be delivered to the purchaser(s), for those Notes bearing the same rate of interest in the aggregate principal amount awarded to such purchaser at such interest rate. Principal of and interest on such Notes will be payable in lawful money of the United States of America (Federal Funds) at such bank or trust company located and authorized to do business in the State of New York as may be selected by the successful bidder. Those Notes issued in book-entry form will be issued as registered notes, and, when issued, will be registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as the Securities Depository for the Notes. A single note certificate will be issued for those Notes bearing the same rate of interest and CUSIP number in the aggregate principal amount awarded to such purchaser at such interest rate. Individual purchases of any Notes issued in book-entry form may be made only in book-entry form in denominations of \$5,000 or integral multiples thereof. Noteholders will not receive certificates representing their respective ownership interests in any Notes issued in book-entry form. (See "Book-Entry System" herein).

Payment: Payment of the principal of and interest on any Notes issued in book-entry form will be made by DTC Participants and Indirect Participants in accordance with standing instructions and customary practices. Payment will be the responsibility of the DTC Participants or Indirect Participants and not of DTC or the Village, subject to any statutory and regulatory requirements as may be in effect from time to time. Principal and interest payments on any book-entry Notes shall be payable at the office of the Village Clerk. See "Book-Entry System" herein. Payment of the principal of and interest on the Notes registered to the Purchaser will be payable at such bank or trust company located and authorized to do business in the State of New York as may be selected by the successful bidder.

Proposals for the Notes will be received at 11:00 A.M. (Prevailing Time) on October 11, 2017 at the office of Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776.

The Notes are offered subject to the final approving opinion of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel, and certain other conditions. It is expected that delivery of the Notes will be made on or about October 24, 2017 in New York, New York, or as otherwise agreed to by the Village and the purchaser.

THIS OFFICIAL STATEMENT IS IN A FORM "DEEMED FINAL" BY THE VILLAGE FOR THE PURPOSES OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12 (THE "RULE"). FOR A DESCRIPTION OF THE VILLAGE'S AGREEMENT TO PROVIDE CONTINUING DISCLOSURE FOR THE NOTES, AS DESCRIBED IN THE RULE, SEE "DISCLOSURE UNDERTAKING" HEREIN.

**VILLAGE OF OCEAN BEACH
SUFFOLK COUNTY, NEW YORK**

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* * *

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No dealer, broker, salesman or other person has been authorized by the Village to give any information or to make any representations, other than those contained in this Official Statement and if given or made, such other information or representations must not be relied upon as having been authorized by the Village. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Notes by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained by the Village from sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Village since the date hereof.

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OFFICIAL STATEMENT

Relating to

VILLAGE OF OCEAN BEACH SUFFOLK COUNTY, NEW YORK

\$3,500,000 BOND ANTICIPATION NOTES – 2017 Series D (the “Notes”)

This Official Statement, including the cover page and appendices thereto, has been prepared by the Village and presents certain information relating to the Village's \$3,500,000 Bond Anticipation Notes – 2017 Series D (the “Notes”). All quotations from and summaries and explanations of provisions of the Constitution and laws of the State of New York (the “State”) and acts and proceedings of the Village contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof and all references to the Notes and the proceedings of the Village relating thereto are qualified in their entirety by reference to the definitive form of the Notes and such proceedings.

THE NOTES

Description of the Notes

The Notes are general obligations of the Village. The Village has pledged its faith and credit for the payment of the principal of and interest on the Notes and, unless paid from other sources, the Notes are payable from ad valorem taxes which may be levied upon all the taxable real property within the Village, subject to certain statutory limitations imposed by the Tax Levy Limit Law. (See “*Tax Levy Limit Law*” herein.)

The Notes will be dated and will mature, without the option of prior redemption, as indicated on the cover page hereof.

Paying agent fees, if any, for those Notes registered to the purchaser will be paid by the purchaser(s).

The Village will act as Paying Agent for any Notes, issued in book-entry form. The Village's contact information is as follows: Steven W. Brautigam, Village Clerk/Treasurer, Village of Ocean Beach, PO Box 457, Ocean Beach, NY 11770, Phone (631) 583-5940, Fax (631) 583-7597 and email: sbrautigam@villageofoceanbeach.org.

Optional Redemption

The Notes will not be subject to redemption prior to maturity.

Book-Entry System

DTC will act as securities depository for any Notes issued as book-entry notes. Such Notes will be issued as fully-registered securities, in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered note certificate will be issued and deposited with DTC for each maturity of the Notes.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of certificates.

Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of the Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). Standard & Poor’s assigns a rating of “AA+” to DTC. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC’s records. The ownership interest of each actual purchaser of each Note (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase, Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Notes with DTC and their registration in the name of Cede & Co., or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping accounts of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Beneficial Owners of the Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of the Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to the Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Notes will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the Village on the payable date, in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC (nor its nominee) or the Village, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Village, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

Source: The Depository Trust Company, New York, New York.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the Village. Under such circumstances, in the event that a successor depository is not obtained, note certificates are required to be printed and delivered to the Noteowners. The Village may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In such event, note certificates will be printed and delivered to the Noteowners.

The information contained in the above section concerning DTC and DTC's book-entry system has been obtained from sample offering document language supplied by DTC, but the Village takes no responsibility for the accuracy thereof. In addition, the Village will not have any responsibility or obligation to participants, to indirect participants or to any beneficial owner with respect to: (i) the accuracy of any records maintained by DTC, any participant or any indirect participant; (ii) the payments by DTC or any participant or any indirect participant of any amount with respect to the principal of, or premium, if any, or interest on the Notes or (iii) any notice which is permitted or required to be given to Noteowners.

Authorization and Purpose

The Notes are being issued pursuant to the Constitution and statutes of the State of New York, including among others, the Village Law and the Local Finance Law, and the bond resolutions duly adopted by the Village Board, authorizing the issuance of serial bonds for the following purpose:

<u>Date of Authorization</u>	<u>Purpose</u>	<u>Amount Outstanding</u>	<u>Amount to be Paid</u>	<u>Amount to be Issued</u>
08/15/2015	Improvements to Windswept	\$1,000,000	\$ 0	\$1,000,000
01/24/2015	Ferry Basin Improvement	<u>2,500,000</u>	<u>0</u>	<u>2,500,000</u>
		<u>\$3,500,000</u>	<u>\$ 0</u>	<u>\$3,500,000</u>

Security and Source of Payment

Each Note when duly issued and paid for will constitute a contract between the Village and the holder thereof.

The Notes will be general obligations of the Village and will contain a pledge of the faith and credit of the Village for the payment of the principal thereof and the interest thereon. For the payment of such principal of and interest on the Notes, the Village has the power and statutory authorization to levy ad valorem taxes on all taxable real property in the Village, subject to certain statutory limitations imposed by the Tax Levy Limit Law. (See "*Tax Levy Limit Law*," herein).

Under the Constitution of the State, the Village is required to pledge its faith and credit for the payment of the principal of and interest on the Notes, and the State is specifically precluded from restricting the power of the Village to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted. However, the Tax Levy Limit Law imposes a statutory limitation on the Village's power to increase its annual tax levy, unless the Village complies with certain procedural requirements to permit the Village to levy certain year-to-year increases in real property taxes. (See "*Tax Levy Limit Law*," herein).

MARKET MATTERS AFFECTING FINANCINGS OF THE MUNICIPALITIES OF THE STATE

The Village's credit rating could be affected by circumstances beyond the Village's control. Economic conditions such as the rate of unemployment and inflation, termination of commercial operations by corporate taxpayers and employers, as well as natural catastrophes, could adversely affect the assessed valuation of Village property and its ability to maintain fund balances and other statistical indices commensurate with its current credit rating. As a consequence, a decline in the Village's credit rating could adversely affect the market value of the Notes.

If and when an owner of any of the Notes should elect to sell a Note prior to its maturity, there can be no assurance that a market will have been established, maintained and continue in existence for the purchase and sale of any of those Notes. The market value of the Notes is dependent upon the ability of holder to potentially incur a capital loss if such Note is sold prior to its maturity.

There can be no assurance that adverse events including, for example, the seeking by another municipality in the State or elsewhere of remedies pursuant to the Federal Bankruptcy Act or otherwise, will not occur which might affect the market price of and the market for the Notes. In particular, if a significant default or other financial crisis should occur in the affairs of the State or any of its municipalities, public authorities or other political subdivisions thereby possibly further impairing the acceptability of obligations issued by those entities, both the ability of the Village to arrange for additional borrowing(s) as well as the market for and market value of outstanding debt obligations, including the Notes, could be adversely affected.

The Village is dependent in part upon financial assistance from the State in the form of State aid as well as grants and loans to be received ("State Aid"). The Village's receipt of State aid may be delayed as a result of the State's failure to adopt its budget timely and/or to appropriate State Aid to municipalities and school districts. Should the Village fail to receive all or a portion of the amounts of State Aid expected to be received from the State in the amounts and at the times anticipated, occasioned by a delay in the payment of such moneys or by a reduction in State Aid or its elimination, the Village is authorized pursuant to the Local Finance Law ("LFL") to provide operating funds by borrowing in anticipation of the receipt of such uncollected State Aid, however, there can be no assurance that, in such event, the Village will have market access for any such borrowing on a cost effective basis. The elimination of or any substantial reduction in State Aid would likely have a materially adverse effect upon the Village requiring either a counterbalancing increase in revenues from other sources to the extent available or a curtailment of expenditures. (See also "*State Aid*" herein.)

Future amendments to applicable statutes whether enacted by the State or the United States of America affecting the treatment of interest paid on municipal obligations, including the Notes, for income taxation purposes could have an adverse effect on the market value of the Notes (see "*Tax Matters*" herein).

The enactment of the Tax Levy Limit Law, which imposes a tax levy limitation upon municipalities, school districts and fire districts in the State, including the Village, without providing exclusion for debt service on obligations issued by municipalities and fire districts, including the Village, may affect the market price and/or marketability for the Notes. (See "*Tax Levy Limit Law*" herein.)

Federal or State legislation imposing new or increased mandatory expenditures by municipalities, school districts and fire districts in the State, including the Village, could impair the financial condition of such entities, including the Village, and the ability of such entities, including the Village, to pay debt service on the Notes.

REMEDIES UPON DEFAULT

Neither the Notes, nor the proceedings with respect thereto, specifically provide any remedies which would be available to owners of the Notes should the Village default in the payment of principal of or interest on the Notes, nor do they contain any provisions for the appointment of a trustee to enforce the interests of the owners of the Notes upon the occurrence of any such default. Each Note is a general obligation contract between the Village and the owners for which the faith and credit of the Village are pledged and while remedies for enforcement of payment are not expressly included in the Village's contract with such owners, any permanent repeal by statute or constitutional amendment of a bond or note holder's remedial right to judicial enforcement of the contract should, in the opinion of Bond Counsel, be held unconstitutional.

Upon default in the payment of principal of or interest on the Notes, at the suit of the owner, a Court has the power, in proper and appropriate proceedings, to render judgment against the Village. The present statute limits interest on the amount adjudged due to contract creditors to nine per centum per annum from the date due to the date of payment. As a general rule, property and funds of a municipal corporation serving the public welfare and interest have not been judicially subjected to execution or attachment to satisfy a judgment. A Court also has the power, in proper and appropriate proceedings, to order payment of a judgment on such Notes from funds lawfully available therefor or, in the absence thereof, to order the Village to take all lawful action to obtain the same, including the raising of the required amount in the next annual tax levy. In exercising its discretion as to whether to issue such an order, the Court may take into account all relevant factors, including the current operating needs of the Village and the availability and adequacy of other remedies. Upon any default in the payment of the principal of or interest on a Note, the owner of such Note could, among other remedies, seek to obtain a writ of mandamus from a Court ordering the governing body of the Village to assess, levy and collect an *ad valorem* tax, upon all taxable property of the Village subject to taxation by the Village, sufficient to pay the principal of and interest on the Notes as the same shall come due and payable (and interest from the due date to date of payment) and otherwise to observe the covenants contained in the Notes and the proceedings with respect thereto all of which are included in the contract with the owners of the Notes. The mandamus remedy, however, may be impracticable and difficult to enforce. Further, the right to enforce payment of the principal of or interest on the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws and equitable principles, which may limit the specific enforcement of certain remedies.

In 1976, the New York Court of Appeals, the State's highest court, held in *Flushing National Bank v. Municipal Assistance Corporation for the City of New York*, 40 N.Y.2d 731 (1976), that the New York State legislation purporting to postpone the payment of debt service on New York City obligations was an unconstitutional moratorium in violation of the New York State constitutional faith and credit mandate included in all municipal debt obligations. While that case can be viewed as a precedent for protecting the remedies of holders of bonds or notes of the Village, there can be no assurance as to what a Court may determine with respect to future events, including financial crises as they may occur in the State and in municipalities of the State, that require the exercise by the State of its emergency and police powers to assure the continuation of essential public services. (See also, *Flushing National Bank v. Municipal Assistance Corporation for the City of New York*, 40 N.Y.2d 1088 (1977), where the Court of Appeals described the pledge as a direct Constitutional mandate.)

As a result of the Court of Appeals decision, the constitutionality of that portion of Title 6-A of Article 2 of the Local Finance Law enacted at the 1975 Extraordinary Session of the State legislature authorizing any county, city, town or village with respect to which the State has declared a financial emergency to petition the State Supreme Court to stay the enforcement against such municipality of any claim for payment relating to any contract, debt or obligation of the municipality during the emergency period, is subject to doubt. In any event, no such emergency has been declared with respect to the Village.

Pursuant to Article VIII, Section 2 of the State Constitution, the Village is required to provide an annual appropriation of monies for the payment of due and payable principal of and interest on indebtedness. Specifically, this constitutional provision states: "If at any time the respective appropriating authorities shall fail to make such appropriations, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. The fiscal officer of any county, city, town, village or school district may be required to set aside and apply such revenues as aforesaid at the suit of any holder of obligations issued for any such indebtedness." This constitutes a specific non-exclusive constitutional remedy against a defaulting municipality or school district; however, it does not apply in a context in which monies have been appropriated for debt service but the appropriating authorities decline to use such monies to pay debt service. However, Article VIII, Section 2 of the Constitution of the State also provides that the fiscal officer of any county, city, town, village or school district may be required to set apart and apply such revenues at the suit of any holder of any obligations of indebtedness issued with the pledge of the faith of the credit of such political subdivision. In *Quirk v. Municipal Assistance Corp.*, 41 N.Y.2d 644 (1977), the Court of Appeals described this as a "first lien" on revenues, but one that does not give holders a right to any particular revenues. It should thus be noted that the pledge of the faith and credit of a political subdivision in the State is a pledge of an issuer of a general obligation bond or note to use its general revenue powers, including, but not limited to, its property tax levy, to pay debt service on such obligations, but that such pledge may or may not be interpreted by a court of competent jurisdiction to include a constitutional or statutory lien upon any particular revenues. The Constitutional provision providing for first revenue set asides does not apply to tax anticipation notes, revenue anticipation notes or bond anticipation notes.

While the courts in the State have historically been protective of the rights of holders of general obligation debt of political subdivisions, it is not possible to predict what a future court might hold.

In prior years, certain events and legislation affecting a holder's remedies upon default have resulted in litigation. While courts of final jurisdiction have generally upheld and sustained the rights of holders of bonds or notes, such courts might hold that future events, including a financial crisis as such may occur in the State or in political subdivisions of the State, may require the exercise by the State or its political subdivisions of emergency and police powers to assure the continuation of essential public services prior to the payment of debt service.

MUNICIPAL BANKRUPTCY

The undertakings of the Village should be considered with reference, specifically, to Chapter IX of the Bankruptcy Act, 11 U.S.C. §401, et seq., as amended ("Chapter IX") and, in general, to other bankruptcy laws affecting creditors' rights and municipalities. Chapter IX permits any political subdivision, public agency or instrumentality that is insolvent or unable to meet its debts (i) to file a petition in a Court of Bankruptcy for the purpose of effecting a plan to adjust its debts provided such entity is authorized to do so by applicable state law; (ii) directs such a petitioner to file with the court a list of a petitioner's creditors; (iii) provides that a petition filed under such chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; (iv) grants priority to debt owed for services or material actually provided within three (3) months of the filing of the petition; (v) directs a petitioner to file a plan for the adjustment of its debts; and (vi) provides that the plan must be accepted in writing by or on behalf of creditors holding at least two-thirds (2/3) in amount or more than one-half (1/2) in number of the listed creditors.

Bankruptcy proceedings by the Village could have adverse effects on holders of bonds or notes including (a) delay in the enforcement of their remedies, (b) subordination of their claims to those supplying goods and services to the Village after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings and (c) imposition without their consent of a reorganization plan reducing or delaying payment of the Notes. The Bankruptcy Code contains provisions intended to ensure that, in any reorganization plan not accepted by at least a majority of a class of creditors such as the holders of general obligation bonds, such creditors will have the benefit of their original claim or the “indubitable equivalent”. The effect of these and other provisions of the Bankruptcy Code cannot be predicted and may be significantly affected by judicial interpretation.

Accordingly, enforceability of the rights and remedies of the owners of the Notes, and the obligations incurred by the Village, may become subject to Chapter IX and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor’s rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against public agencies in the State. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Notes to judicial discretion, interpretation and of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

The State has consented (see Title 6-A of the Local Finance Law) that any municipality in the State may file a petition with any United States district court or court of bankruptcy under any provision of the laws of the United States, now or hereafter in effect for the composition or adjustment of municipal indebtedness. However, it is noted that there is no record of any recent filings by a New York municipality. Since the New York City fiscal crisis in 1975, the State has legislated a finance control or review board and assistance corporations to monitor and restructure finance matters in addition to New York City, for the Cities of Yonkers, Troy and Buffalo and for the Counties of Nassau and Erie. Similar active intervention pursuant to State legislation to relieve fiscal stress for the Village in the future cannot be assured.

No current state law purports to create any priority for holders of the Notes should the Village be under the jurisdiction of any court, pursuant to the laws of the United States, now or hereafter in effect, for the composition or adjustment of municipal indebtedness.

The above references to the Bankruptcy Act are not to be construed as an indication that the Village is currently considering or expects to resort to the provisions of the Bankruptcy Act.

Financial Control Boards

Pursuant to Article IX Section 2(b)(2) of the State Constitution, any municipality in the State may request the intervention of the State in its “property, affairs and government” by a two-thirds vote of the total membership of its legislative body or on request of its chief executive officer concurred in by a majority of such membership. This has resulted in the adoption of special acts for the establishment of public benefit corporations with varying degrees of authority to control the finances (including debt issuance) of the Cities of Buffalo, Troy and Yonkers and the County of Nassau. The specific authority, powers and composition of the financial control boards established by these acts varies based upon circumstances and needs. Generally, the State legislature has granted such boards the power to approve or disapprove budget and financial plans and to issue debt on behalf of the municipality, as well as to impose wage and/or hiring freezes and in certain cases approve or disapprove collective bargaining agreements. Implementation is generally left to the discretion of the board of the public benefit corporation. Such a State financial control board was first established for New York City in 1975. In addition, upon the issuance of a certificate of necessity of the Governor reciting facts which in the judgment of the Governor constitute an emergency requiring enactment of such laws, with the concurrences of two-thirds of the members elected in each house of the State legislature, the State is authorized to intervene in the “property, affairs and governments” of local government units. This occurred in the case of the County of Erie in 2005. The authority of the State to intervene in the financial affairs of a local government is further supported by Article VIII, Section 12 of the Constitution which declares it to be the duty of the State legislature to restrict, subject to other provisions of the Constitution, the power of taxation, assessment, borrowing money and contracting indebtedness and loaning the credit of counties, cities, towns and villages so as to prevent abuses in taxation and assessment and in contracting indebtedness by them.

In 2013, the State established a new state advisory board to assist counties, cities, towns and villages in financial distress. The Financial Restructuring Board for Local Governments (the "FRB"), is authorized to conduct a comprehensive review of the finances and operations of any such municipality deemed by the FRB to be fiscally eligible for its services upon request by resolution of the municipal legislative body and concurrence of its chief executive. The FRB is authorized to make recommendations for, but cannot compel improvement of fiscal stability, management and delivery of municipal services, including shared services opportunities and is authorized to offer grants and/or loans of up to \$5,000,000 through a Local Government Performance and Efficiency Program to undertake certain recommendations. If a municipality agrees to undertake the FRB recommendations, it will be automatically bound to fulfill the terms in order to receive the aid.

The FRB is also authorized to serve as an alternative arbitration panel for binding arbitration.

Although from time to time there have been proposals for the creation of a statewide financial control board with broad authority over local governments in the State, the FRB does not have emergency financial control board powers to intervene in the finances and operations of entities such as the public benefit corporations established by special acts as described above.

Several municipalities in the State are presently working with the FRB. The Village has not applied to the FRB and does not reasonably anticipate submission of a request to the FRB for a comprehensive review of its finances and operations. School districts and fire districts are not eligible for FRB assistance.

No Past Due Debt

No principal or interest payment on Village indebtedness is past due. The Village has never defaulted in the payment of the principal of and/or interest on any indebtedness.

THE VILLAGE OF OCEAN BEACH

There follows in this Official Statement a brief description of the Village together with certain information concerning its economy, governmental organization, indebtedness, current major revenue sources, and general and specific funds.

Description

The Village of Ocean Beach, incorporated in 1921, is located in the Town of Islip on Fire Island, a barrier beach along the south shore of Long Island approximately fifty miles from the heart of New York City. It is bounded on the south by the Atlantic Ocean and on the north by the Great South Bay and consists of approximately 600 houses with a small commercial business area of approximately 30 establishments. Although the Village had a population, estimated by the Census Bureau, of 32 in 2015 the actual population varies widely during the year. The Village has an average population of approximately 500 in the winter months, 1,200 - 1,500 in the spring and fall, and daily visitors of approximately 2,500 in the summer months.

Ocean Beach has been a summer resort for many years and is generally a family community taking advantage of the beautiful Long Island beaches. Churches and recreational facilities are more than ample to meet the needs of the community. The Village is provided transportation by ferries running across the Great South Bay, which have almost hourly schedules during the summer season and during the winter, when such ferry transportation is not available, the Village is accessible by beach vehicle along the Atlantic Ocean.

The Village's educational facilities are supplied by the Fire Island Union Free School District, which encompasses the entire Fire Island community.

The Village owns its own self-supporting water system which provides more than adequate water to the Village. In addition, the Village has its own sewer system. Electricity is provided by the Long Island Power Authority. Police protection is provided by the Village.

The Village of Ocean Beach has in place a storm and flood mitigation program. At the ocean front there are groins to hold sand and maintain the beaches, and dunes that are maintained at heights and depths sufficient to withstand ocean storm tidal actions. At the bay front the Village maintains all bulkheads, marinas and the ferry terminal. All infrastructure equipment (water, sewer, general maintenance) are above the flood plain. (See *"Impact Upon the Village of Superstorm Sandy"* herein.)

During a major storm in April 2005 the Village's storm and flood mitigation program functioned as planned. All Village owned and maintained property withstood storm tidal actions with minimal clean up and repairs required. The cost of repairs were covered by the Federal Emergency Management Agency (FEMA), insurance and Village reserve funds. Individual homes experienced some flooding but no homes were lost due to the storm. Almost all storm repairs are covered by individual casualty and flood insurance.

As an incorporated Village, Ocean Beach issues its own Building Permits so that repairs are made on a timely basis thus maintaining property safety and values.

Impact Upon the Village of Superstorm Sandy

Due to Superstorm Sandy in October, 2012, portions of the Village closer to the shore experienced significant damage. The Village reports that of approximately 600 homes located in the Village, one was destroyed. Village residents were not allowed to enter the Village for about a week. The Long Island Power Authority, which provides electric service to the Village, restored power to the main lines within 10 days of the storm. However, providing power to the residences is the responsibility of the individual homeowner.

There was significant damage to certain Village-owned docks at the Village Marina (FEMA has paid \$900,000 towards its repairs), the Police Department Building (which has been rebuilt completely brand-new with FEMA funds) and Village Hall (which is being repaired). Because the Village is predominantly a summer community, the Village relocated its Village offices temporarily to a space in the Town of Islip. The Fire Department and Police Department continued to operate without interruption. The Fire Island Union Free School District, which serves the Village residents but is not located within Village boundaries, opened again on November 7, 2012. Water and sewer services are provided by the Village and service was not interrupted. The homes are either heated by individual propane tanks or electric service.

Since the storm, the Village has been in contact with officials from the Federal and State governments and it is expected that most of the expense associated with the cleanup from the storm will be reimbursed by Federal and State agencies. To date, the Village has received approximately \$4,000,000 from FEMA and flood insurance. The Town of Islip has also provided assistance with the cleanup efforts. The Village has set aside \$1,000,000 in a restricted fund balance to cover any future storms. Currently, the Army Corps of Engineers is working on the Fire Island Moriches Inlet Project, which will restore 16 feet of lost dunes.

Governmental Organization

Subject to the provisions of the State Constitution, the Village operates pursuant to the Village Law, the Local Finance Law, other laws generally applicable to the Village, and any special laws applicable to the Village.

The legislative power of the Village is vested in the Board of Trustees of the Village (the "Board"). There are five members of the Board (the Mayor and four Trustees), each of whom is elected at-large for a term of four years. These officials may succeed themselves.

The executive responsibility for the Village is vested in the Mayor. Subject to Board approval, the Mayor appoints the Clerk-Treasurer and Village Counsel.

The Clerk-Treasurer carries out the policies of the Mayor and the Board, and supervises all Village departments and agencies.

Employees

The Village Treasurer is the chief fiscal officer and the accounting officer. The Village Board of Trustees appoints the assessor and budget officer. In addition, the Village appoints a Certified Public Accountant as a Village Auditor.

The Village provides services through approximately 34 year round and approximately 145 summer employees. Two employees are represented by a collective bargaining organization.

ECONOMIC AND DEMOGRAPHIC INFORMATION

Population Trends

<u>Year</u>	<u>Village</u>	<u>Town of Islip</u>	<u>Suffolk County</u>
1980	155	298,897	1,284,231
1990	131	299,587	1,321,684
2000	138	322,612	1,419,369
2010	79	335,543	1,515,943
2015	32	336,747	1,501,373

Selected Wealth and Income Indicators

	<u>2000</u>	<u>2010</u>	<u>2015</u>
Village of Ocean Beach	\$28,782	\$53,207	\$57,831
Town of Islip	23,699	28,772	32,425
County of Suffolk	26,577	34,582	37,634
State of New York	23,389	30,011	33,236

	<u>2000</u>	<u>2010</u>	<u>2015</u>
Village of Ocean Beach	\$48,125	\$60,833	\$58,750
Town of Islip	65,359	85,588	92,020
County of Suffolk	65,288	87,062	91,451
State of New York	43,393	61,796	66,256

Source: U.S. Bureau of the Census.

Selected Listing of Major Employers

<u>Name of Employer</u>	<u>Nature of Business</u>	<u>Number of Employees</u>
Village of Ocean Beach	Government	100
Matthew's	Restaurant	N/A
Houser's	Hotel	N/A
Ocean Beach Trading	Market	N/A
Bocce Beach	Restaurant	N/A
Island Mermaid	Restaurant	N/A
Maquires	Restaurant	N/A
Love the Plumber/Electrician	Plumber/Electrician	N/A
Whitney's	Market	N/A

Unemployment Rate Statistics

Unemployment statistics are not available for the Village. The information set forth below with respect to the Town, County and the State is included for information purposes only. It should not be implied from the inclusion of such data in this Statement that the Village is necessarily representative of the Town, County or the State.

<u>Annual Averages:</u>	<u>Town of Islip (%)</u>	<u>Suffolk County (%)</u>	<u>New York State (%)</u>
2012	8.1	7.8	8.6
2013	6.8	6.5	7.7
2014	5.5	5.3	6.4
2015	4.8	4.8	5.3
2016	4.3	4.3	4.9
2017 (6 Months)	4.3	4.4	4.6

Source: Department of Labor, State of New York

INDEBTEDNESS OF THE VILLAGE

Constitutional Requirements

The New York State Constitution limits the power of the Village (and other municipalities and school districts of the State) to issue obligations and to otherwise contract indebtedness. Such constitutional and statutory limitations include the following, in summary form, and are generally applicable to the Village and the Notes.

Purpose and Pledge. The Village shall not give or loan any money or property to or in aid of any individual or private corporation or private undertaking or give or loan its credit to or in aid of any of the foregoing or any public corporation.

The Village may contract indebtedness only for a Village purpose and shall pledge its faith and credit for the payment of principal of and interest thereon.

Payment and Maturity. Except for certain short-term indebtedness contracted in anticipation of taxes, or to be paid in one of the two fiscal years immediately succeeding the fiscal year in which such indebtedness was contracted, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the expiration of the periods of probable usefulness of the objects or purposes as determined by statute or weighted average maturity thereof; no installment may be more than fifty per centum in excess of the smallest prior installment, unless the Village has authorized the issuance of indebtedness having substantially level or declining annual debt service. The Village is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for amortization and redemption of its serial bonds and bond anticipation notes.

General. The Village is further subject to constitutional limitation by the general constitutionally imposed duty on the State Legislature to restrict the power of taxation, assessment, borrowing money, contracting indebtedness and loaning the credit of the Village so as to prevent abuses in the exercise of such powers; however, as has been noted under "*Security and Source of Payment*", the State Legislature is prohibited by a specific constitutional provision from restricting the power of the Village to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted. However, the Tax Levy Limit Law imposes a statutory limitation on the Village's power to increase its annual tax levy, unless the Village complies with certain procedural requirements to permit the Village to levy certain year-to-year increases in real property taxes. (See "*Tax Levy Limit Law*," herein).

Statutory Procedure

In general, the State Legislature has authorized the power and procedure for the Village to borrow and incur indebtedness subject, of course, to the constitutional and statutory provisions set forth above. The power to spend money, however, generally derives from other law, including the Village Law and the General Municipal Law.

Pursuant to the Local Finance Law, the Village authorizes the incurrence of indebtedness by the adoption of a bond resolution approved by at least two-thirds of the members of the Board of Trustees, except in the event that the Village determines to subject the bond resolution to voter approval by mandatory referendum, in which case only a three-fifths vote is required.

The Local Finance Law also provides a twenty-day statute of limitations after publication of a bond resolution which, in effect, estops thereafter legal challenges to the validity of obligations authorized by such bond resolution except for alleged constitutional violations. The Village has complied with such procedure for the bond resolution authorizing the issuance of the Notes.

Each bond resolution usually authorizes the construction, acquisition or installation of the object or purpose to be financed, sets forth the plan of financing and specifies the maximum maturity of the bonds subject to the legal (Constitution, Local Finance Law and case law) restrictions relating to the period of probable usefulness with respect thereto.

Each bond resolution also authorizes the issuance of bond anticipation notes prior to the issuance of serial bonds. Statutory law in New York permits notes to be renewed each year provided that principal is amortized and provided that such renewals do not (with certain exceptions) extend more than five years beyond the original date of borrowing. However, notes issued in anticipation of the sale of serial bonds for assessable improvements are not subject to such five-year limit and may be renewed subject to annual reductions of principal for the entire period of probable usefulness of the purpose for which such notes were originally issued. (See "*Payment and Maturity*" under "*Constitutional Requirements*").

In addition, under each bond resolution, the Board of Trustees may delegate, and has delegated, power to issue and sell bonds and notes, to the Village Treasurer, the chief fiscal officer of the Village.

In general, the Local Finance Law contains similar provisions providing the Village with power to issue general obligation revenue anticipation notes, tax anticipation notes, deficiency notes and budget notes.

Debt Limit. The Village has the power to contract indebtedness for any Village purpose so long as the aggregate outstanding principal amount thereof shall not exceed seven per centum of the average full valuation of taxable real estate of the Village and subject to certain enumerated exclusions and deductions such as water and certain sewer facilities and cash or appropriations for current debt service. The constitutional and statutory method for determining the full valuation is by dividing the assessed valuation of taxable real estate by the respective equalization rates assigned to each assessment roll. Such equalization rates are the ratios which each of such assessed valuations bear to the respective full valuation of such year, as assigned by the New York State Office of Real Property Services. The State Legislature is required to prescribe the manner by which such ratios shall be determined. Average full valuation is determined by adding the full valuations for the most recently completed assessment roll and the four immediately preceding assessments rolls and dividing the resulting sum of such addition by five.

There is no constitutional limitation on the amount that may be raised by the Village by tax on real estate in any fiscal year to pay principal and interest on all indebtedness. However, the Tax Levy Limit Law, imposes a statutory limitation on the power of the Village to increase its annual tax levy. The amount of such increases is limited by the formulas set forth in the Tax Levy Limit Law. (See "*Tax Levy Limit Law*," herein).

The following pages set forth certain details with respect to the indebtedness of the Village.

Computation of Debt Limit and Calculation of Net Debt Contracting Margin
(As of October 2, 2017)

<u>FYE May 31:</u>	<u>Assessed Valuation</u>	<u>State Equal. Rate (%)</u>	<u>Full Valuation</u>
2014	\$36,116,285	10.44	\$345,941,427
2015	36,423,633	11.19	325,501,635
2016	36,623,159	11.14	328,753,671
2017	36,703,036	10.79	340,157,887
2018	36,914,223	10.73	344,028,173
Total Five Year Full Valuation			\$1,684,382,794
Average Five Year Full Valuation			336,876,559
Debt Limit - 7% of Average Full Valuation			23,581,359
Inclusions:			
General Purpose Bonds			1,745,000
Bond Anticipation Notes			<u>9,000,000</u>
Total Inclusions			<u>10,745,000</u>
Exclusions:			
Appropriations			<u>0</u>
Total Exclusions			<u>0</u>
Total Net Indebtedness Before Issuing the Notes			<u>10,745,000</u>
The Notes			3,500,000
Less: BANs to be Redeemed by the Issuance of the Notes			<u>3,500,000</u>
Net Effect of Issuing the Notes			0
Total Net Indebtedness After Issuing the Notes			10,745,000
Net Debt Contracting Margin			<u><u>\$12,836,359</u></u>
Percent of Debt Contracting Margin Exhausted (%)			45.57

Debt Service Requirements - Outstanding Bonds^a

<u>FYE May 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$210,000	\$37,344	\$247,344
2019	220,000	33,044	253,044
2020	225,000	28,593	253,593
2021	235,000	23,994	258,994
2022	240,000	19,244	259,244
2023	250,000	14,344	264,344
2024	125,000	10,593	135,593
2025	125,000	8,094	133,094
2026	125,000	5,594	130,594
2027	125,000	3,016	128,016
2028	<u>75,000</u>	<u>843</u>	<u>75,843</u>
Totals	<u>\$1,955,000</u>	<u>\$184,703</u>	<u>\$2,139,703</u>

a. Does not include payments made to date.

Details of Short-Term Indebtedness Outstanding

As of the date of this Official Statement, the Village has \$3,500,000 and \$5,500,000 in bond anticipation notes outstanding, which mature October 25, 2017 and April 12, 2018, respectively. The proceeds of the Notes, in the amount of \$3,500,000, will redeem the outstanding bond anticipation notes that mature on October 25, 2017.

Installment Purchase Debt

The Village is currently engaged in two lease/purchase contracts for fire trucks, both of which the Village entered into in February 2005. The debt service requirements of the lease contracts is included below.

Combined Debt Service Requirements - Fire Equipment Lease Contracts

<u>FYE May 31:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$28,838	\$6,992	\$35,830
2019	30,446	5,384	35,830
2020	32,144	3,686	35,830
2021	<u>33,937</u>	<u>1,893</u>	<u>35,830</u>
Totals	<u>\$125,365</u>	<u>\$17,955</u>	<u>\$143,320</u>

Authorized But Unissued Indebtedness

As of the date of this Official Statement, the Village has authorized but unissued debt in the amount of \$19,744,141. See also, "Capital Project Plans", herein.

<u>Date</u> <u>Authorized</u>	<u>Purpose</u>	<u>Amount</u>
03/04/2017	Construction of New Water Well	\$ 1,969,141
03/05/2016	Sewer Collection System Improvements	12,500,000
08/13/2016	Improvements to Windswept	500,000
08/15/2015	Sewer Treatment Plant Improvements	4,275,000
01/24/2015	Ferry Basin Improvements	500,000
	Totals	<u><u>\$19,744,141</u></u>

Capital Project Plans

The Village is generally responsible for providing services as required to the residents on a Village-wide basis. The Village maintains a road system necessitating road resurfacing and improvements and sidewalk improvements and the acquisition of machinery and equipment from time to time. Additionally, although not a capital expense, such road system requires annual expenditures for snow removal as well as regular general operating maintenance expenses. As has been noted, the Village also provides water and sewer services. The Village generally has provided the financing for sanitary sewer facilities and maintains primary responsibility for these functions. In general, needs for capital funding for the above described projects for which the Village has responsibility are anticipated to continue. As noted below, the Village expects to receive grants and Federal and State assistance to offset the cost of certain projects. Therefore, the authorized amounts are not necessarily going to be financed by the Village.

The Village is in the planning stages for the installation of a separate stormwater collection system and the replacement of the existing sanitary sewage system. The estimated cost for such projects is \$12.5 million. The Village has applied to the New York State Environmental Facilities Corporation ("EFC"), Suffolk County and other Federal Organizations for financial assistance, grants and subsidized loans. On August 12, 2016, the Village was awarded approximately \$9.3 million in grants toward the project under the New York State Water Infrastructure Improvement Act. The timeline for completion of this project has yet to be determined.

The Village is also in the process of reconstructing its Ferry Terminal, improving Village-owned docks and the rehabilitation of the Maritime Building for an estimated cost of approximately \$7.4 million. The Village has applied to the US Department of Transportation for financial assistance with this project and it is expected that the Village will receive 80% reimbursement for all eligible costs associated with such project, with the balance of the cost expected to be financed by bonds of the Village. The issuance of the Notes will finance a portion of such project.

The Village is also in the process of constructing a new drinking water well on the bay side of Fire Island at the estimated cost of \$9.2 million to provide redundant sources of ground water to ensure that potable water is available for purposes of fire protection and safe consumption, including construction of a fortified building to house the well and protect key personnel during significant storm events, and also including construction of an accessory storage building and other related or ancillary work. The Village has entered into a Project Financing Agreement with the NYSEFC to finance this project. As of the date of this Official Statement, the Village has drawn down \$1,830,263,360 of the \$2.4 million authorized to be drawn down through the New York State Environmental Facilities Corporation's short-term loan financing program.

Trend of Outstanding Debt

	<u>2013</u>	2014	<u>2015</u>	<u>2016</u>	<u>2017</u>
Bonds	\$2,900,000	\$2,545,000	\$2,355,000	\$2,160,000	\$1,955,000
BAN's	0	0	0	4,000,000	7,220,000
Capital Leases	<u>226,266</u>	<u>203,056</u>	<u>178,551</u>	<u>152,680</u>	<u>125,365</u>
Total Debt Outstanding	<u>\$3,126,266</u>	<u>\$2,748,056</u>	<u>\$2,533,551</u>	<u>\$6,312,680</u>	<u>\$9,300,365</u>

Calculation of Estimated Overlapping and Underlying Indebtedness

<u>Overlapping Units</u>	<u>Date of Report</u>	Percentage Applicable (%)	Applicable Total Indebtedness	Applicable Net Indebtedness
County of Suffolk	06/28/2016	0.20	\$4,392,714	\$2,670,114
Town of Islip	03/30/2016	0.90	1,285,875	1,180,260
Fire Island UFSD	12/31/2015	19.40	<u>0</u>	<u>0</u>
Totals			<u>\$5,678,589</u>	<u>\$3,850,374</u>

Debt Ratios (As of October 2, 2017)

	<u>Amount^a</u>	<u>Per Capita^b</u>	Percentage Of Full Value (%) ^c
Total Direct Debt	\$14,110,000	\$440,938	4.101
Net Direct Debt	13,545,000	423,281	3.937
Total Direct & Applicable Total Overlapping Debt	19,788,589	618,393	5.752
Net Direct & Applicable Net Overlapping Debt	17,395,374	543,605	5.056

a. Inclusive of the Notes.

b. The current estimated population of the village is 32.

c. The full valuation of taxable real property in the Village for 2017-18 is \$344,028,173.

FINANCES OF THE VILLAGE

Independent Audit

The financial statements of the Village are audited each year by an independent public accountant. The latest year for which an audited financial statement is available is the fiscal year ended May 31, 2016 and is attached hereto as Appendix B. The financial affairs of the Village are subject to periodic compliance review by the Office of the State Comptroller to ascertain whether the Village has complied with the requirements of various State and Federal statutes. As required by law, the Village also prepares an Annual Financial Report Update Document for submission to the State Comptroller. A summary of the operating results for the past five fiscal years is attached as Appendix A hereto.

Fund Structure and Accounts

The Village utilizes fund accounting to record and report its various service activities. A fund represents both a legal and an accounting entity which segregates the transactions of specific programs in accordance with special regulations, restrictions or limitations.

There are two basic fund types: (1) governmental funds that are used to account for basic services and capital projects; (2) fiduciary funds that account for assets held in a trustee capacity. Account groups, which do not represent funds, are used to record fixed assets and long-term obligations that are not accounted for in a specific fund.

The Village presently maintains the following governmental funds: General Fund, Water Sewer Funds, and the Capital Projects Fund. Fiduciary funds consist of a Trust and Agency Fund. There are no proprietary funds. Account groups are maintained for fixed assets and long-term debt.

Basis of Accounting

The Village's governmental funds are accounted for on a modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when they become susceptible to accrual - that is, when they become "measurable" and "available" to finance expenditures to the current period. Revenues which are susceptible to accrual include real property taxes, intergovernmental revenues (State and Federal aid) and operating transfers.

Expenditures are generally recognized under the modified accrual basis of accounting, that is when the related fund liability is incurred. Exceptions to this general rule are (1) payments to employee retirement systems which are recorded in the General Long-Term Debt Account Group and recognized as an expenditure when due, and, (2) unmatured interest on general long-term debt which is recognized when due.

Investment Policy

Pursuant to State law, including Sections 10 and 11 of the General Municipal Law (the "GML"), the Village is generally permitted to deposit moneys in banks or trust companies located and authorized to do business in the State. All such deposits, including special time deposit accounts and certificates of deposit, in excess of the amount insured under the Federal Deposit Insurance Act, are required to be secured in accordance with the provisions of and subject to the limitations of Section 10 of the GML.

The Village may also temporarily invest moneys in: (1) obligations of the United States of America; (2) obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America; (3) obligations of the State of New York; (4) with the approval of the New York State Comptroller, in tax anticipation notes or revenue anticipation notes issued by any municipality, school district, or district corporation, other than those notes issued by the Village, itself; (5) certificates of participation issued in connection with installment purchase agreements entered into by political subdivisions of the State pursuant to Section 109-b(10) of the GML; (6) obligations of a New York public benefit corporation which are made lawful investments for municipalities pursuant to the enabling statute of such public benefit corporation; or (7) in the case of moneys held in certain reserve funds established by the Village pursuant to law, in obligations of the Village.

All of the foregoing investments are required to be payable or redeemable at the option of the owner within such times as the proceeds will be needed to meet expenditures for purposes for which the moneys were provided and, in the case of obligations purchased with the proceeds of bonds or notes, shall be payable or redeemable in any event, at the option of the owner, within two years of the date of purchase. Unless registered or inscribed in the name of the Village, such instruments and investments must be purchased through, delivered to and held in custody of a bank or trust company in the State pursuant to a written custodial agreement as provided by Section 10 of the GML.

The Board of Trustees of the Village has adopted an investment policy and such policy conforms with applicable laws of the State governing the deposit and investment of public moneys. All deposits and investments of the Village are made in accordance with such policy.

Budgetary Procedures

The Village Treasurer is responsible for the preparation and submission of the tentative annual budget to the Board no later than April 1. The Village Board reviews the tentative budget and prepares a preliminary budget and a public hearing is held thereon no later than April 15. Subsequent to the public hearing, revisions (if any) are made. The budget is then adopted by the Village Board by May 1 as final for the year beginning June 1. The budget is not subject to referendum. Municipal law provides that no expenditures may exceed budgeted appropriations. Any revisions to the annual budget proposed to accommodate changes in departments or other programs must be adopted by resolution of the Village Board. The annual budget is subject to the provisions of the Tax Levy Limit Law. (See "Tax Levy Limit Law" herein).

Financial Operations

The Village Treasurer functions as the chief fiscal officer as provided in Section 2.00 of the Local Finance Law; in this role, the Village Treasurer is responsible for the Village's accounting and financial reporting activities. In addition, the Mayor is also the Village's budget officer and prepares the annual tentative budget for submission to the Board of Trustees. Budgetary control during the year is the responsibility of the Village Treasurer. Pursuant to Section 30.00 of the Local Finance Law, the Village Treasurer has been authorized to issue or renew certain specific types of notes. As required by law, the Village Treasurer must execute an authorizing certificate which then becomes a matter of public record.

The Board of Trustees, as a whole, serves as the finance board of the Village and is responsible for authorizing, by resolution, all material financial transactions such as operating and capital budgets and bonded debt.

Village finances are operated primarily through the General Fund. All real property taxes and most of the other Village revenues are credited to this fund. Current operating expenditures are paid from this fund subject to available appropriations. Capital projects and selected equipment purchases are accounted for in special capital projects funds. The Village observes a June 1 - May 31 fiscal year for operating and reporting purposes.

Revenues

The Village receives most of its revenues from a real property tax on all non-exempt real property situated within the Village, non-property taxes, departmental income and state aid. A summary of such revenues for the five most recently completed fiscal years and estimated revenues for the current fiscal year may be found in Appendix A.

Real Property Taxes

See "Tax Information", herein.

See also "Tax Levy Limit Law" herein.

State Aid

The Village receives financial assistance from the State. If the State should not adopt its budget in a timely manner, municipalities and school districts in the State, including the Village, may be affected by a delay in the payment of State aid. Additionally, if the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes in order to pay State aid to municipalities and school districts in the State, including the Village, in this year or future years, the Village may be affected by a delay in the receipt of State aid until sufficient State taxes have been received by the State to make State aid payments.

Based on the audited financial statements of the Village, the Village received 2.90% of its total General Fund operating revenue from State aid in the fiscal year ending May 31, 2016 and expects to receive approximately 0.63% in 2017 and 0.66% in 2018. There is no assurance, however, that State appropriations for aid to municipalities will continue, either pursuant to existing formulas or in any form whatsoever. The State is not constitutionally obligated to maintain or continue such aid and, in fact, the State has drastically reduced funding to municipalities and school districts in the last several years in order to balance its own budget.

Although the Village cannot predict at this time whether there will be any delays and/or reductions in State aid in the current year or in future fiscal years, the Village may be able to mitigate the impact of any delays or reductions by reducing expenditures, increasing revenues appropriating other available funds on hand, and/or by any combination of the foregoing.

The following table sets forth the percentage of the Village's General Fund revenue comprised of State aid for each of the fiscal years 2012 through 2016, and budgeted amounts for 2017 and 2018.

<u>FYE May 31:</u>	<u>Total Revenue</u>	<u>State Aid</u>	<u>State Aid To Revenues (%)</u>
2012	\$4,923,634	\$ 88,999	1.81
2013	6,127,950	67,887	1.11
2014	6,270,516	48,681	0.78
2015	5,747,636	35,583	0.62
2016	6,806,178	197,300	2.90
2017 (Budgeted)	6,553,764	41,037	0.63
2018 (Budgeted)	6,736,005	44,137	0.66

Source: Audited financial statements (2012 through 2016), and adopted budget for fiscal years ended May 31, 2017 and 2018.

Expenditures

The major categories of expenditure for the Village are General Government Support, Public Safety, Transportation, Home & Community Services and Employee Benefits. A summary of the expenditures for the five most recently completed fiscal years and the estimated expenditures for the current fiscal year may be found in Appendix A.

2013-14 Results of Operations

For the fiscal year ended May 31, 2014, the audited financial statements show the total revenues in the General Fund were \$6,270,516 and the total expenditures were \$5,657,211, resulting in an operating surplus of \$613,305. The total overall fund balance in the General Fund increased from \$2,981,863 to \$3,520,168.

2014-15 Results of Operations

For the fiscal year ended May 31, 2015, the audited financial statements show the total revenues in the General Fund were \$5,747,636 and the total expenditures were \$4,914,591, resulting in a surplus of \$833,045. The total overall fund balance in the General Fund increased from \$3,520,168 to \$4,003,213.

2015-16 Results of Operations

For the fiscal year ended May 31, 2016, the audited financial statements show the total revenues in the General Fund were \$6,806,178 and the total expenditures were \$5,520,137, resulting in a surplus of \$882,669. The total overall fund balance in the General Fund increased from \$4,003,213 to \$4,885,882.

2016-17 Budget

The Budget for the fiscal year ending May 31, 2017 was adopted in 2016 and included an 8% property tax increase and an appropriation of \$500,000 in fund balance for the 2016-17 Budget year. A summary of the 2016-2017 Budget is attached in Appendix A.

2017-18 Budget

The Budget for the fiscal year ending May 31, 2018 was adopted in 2017 and included an 8.5% property tax increase and no appropriated fund balance for the 2017-18 Budget year. A summary of the 2017-2018 Budget is attached in Appendix A.

Employee Pension System

Substantially all employees of the Village are members of the New York State and Local Employees' Retirement System (the "Retirement System" or "ERS") or the New York State and Local Police and Fire Retirement System (PFRS). The Retirement Systems are a cost-sharing multiple public employer retirement system. The obligation of employers and employees to contribute and the benefits to employees are governed by the New York State Retirement System and Social Security Law (the "Retirement System Law"). The Retirement Systems offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits and optional methods of benefit payments. All benefits generally vest after five years of credited service, except for Tier 6 employees. The Retirement Systems Law generally provides that all participating employers in the Retirement Systems are jointly and severally liable for any unfunded amounts. Such amounts are collected through annual billings to all participating employers. Generally, all employees, except certain part-time employees, participate in the Retirement Systems. The Retirement Systems are non-contributory with respect to members hired prior to July 27, 1976. Generally, all members hired on or after July 27, 1976 through and including December 31, 2009 must contribute three percent of their gross annual salary towards the costs of retirement programs until they attain ten years in the Retirement Systems, at such time contributions become voluntary. On December 10, 2009, the Governor signed into law the creation of a new Tier 5, which is effective for ERS employees hired after January 1, 2010 through March 31, 2012. Tier 5 employees contribute 3% of their salaries and there is no provision for these contributions to cease for Tier 5 employees after a certain period of service. Additionally, on March 16, 2012, the Governor signed into law the new Tier 6 pension program, effective for ERS employees hired after April 1, 2012. The Tier 6 legislation provides for increased employee contribution rates of between 3% and 6%, an increase in the retirement age from 62 years to 63 years, a readjustment of the pension multiplier, and a change in the time period for final average salary calculation from 3 years to 5 years. Tier 6 employees will vest in the system after ten years of employment and will continue to make employee contributions throughout employment.

As a result of significant capital market declines at certain times, in certain years the State's Retirement System portfolio has experienced negative investment performance and severe downward trends in market earnings. As a result of the foregoing, it is anticipated that the employer contribution rate for the State's Retirement System in future years may be higher than the minimum contribution rate established under applicable law. Since 2010, various forms of legislation have been enacted to allow local governments and school districts the option of amortizing required contributions to the Retirement System. However, although these options reduce near term payments, it will require higher than normal contributions in later years.

The Village has decided not to amortize any pension contributions.

The Village is required to contribute an actuarially determined rate. The following table sets forth the contributions for the five most recently completed fiscal years.

Payments to the Retirement Systems

<u>Fiscal Year</u> <u>Ending May 31:</u>	<u>ERS</u>	<u>PFRS</u>
2013	\$173,148	\$100,507
2014	189,978	215,288
2015	140,138	115,359
2016	176,336	106,155
2017	162,693	125,086
2018 (Budgeted)	178,000	129,000

Length of Service Award Program

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 the active volunteer firefighter members of the Ocean Beach Volunteer Fire Department. The program was established pursuant to Article 11-A of the 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.

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.

Active volunteer firefighters who have reached the age of 18 and who have completed one 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 or upon attaining the program’s entitlement age 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 firefighter activities in accordance with a system established by the sponsor on the basis of a statutory list of activities and point values. A participant may also receive credit for five (5) years of active volunteer firefighting service rendered prior to the establishment of the program as an active volunteer firefighter member of the Ocean Beach Volunteer Fire Department.

A participant’s benefit under the program is his or her program account balance paid upon attainment of the entitlement age in a lump sum to the participant. 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. 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 disability. 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.

Other Post Employment Benefits

The Village provides post-retirement healthcare benefits to various categories of former employees. These costs may be expected to rise substantially in the future. Accounting rules now require governmental entities, such as the Village, to account for post-retirement health care benefits as its accounts for vested pension benefits. GASB Statement No. 45 ("GASB 45") described below requires such accounting.

OPEB refers to "other post-employment benefits," meaning benefits other than pension benefits. OPEB consists primarily of health care benefits, and may include other benefits such as disability benefits and life insurance. Before GASB 45, OPEB costs were generally accounted for and managed as current expenses in the year paid and were not reported as a liability on governmental financial statements.

GASB 45 requires municipalities and school districts to account for OPEB liabilities in the same manner as they already account for pension liabilities. It requires them to adopt the actuarial methodologies used for pensions, with adjustments for the different characteristics of OPEB and the fact that most municipalities and school districts have not set aside any funds against this liability. Unlike GASB Statement No. 27, which covers accounting for pensions, GASB 45 does not require municipalities or school districts to report a net OPEB obligation at the start.

Under GASB 45, based on actuarial valuation, an annual required contribution ("ARC") is determined for each municipality or school district. The ARC is the sum of (a) the normal cost for the year (the present value of future benefits being earned by current employees) plus (b) amortization of the unfunded accrued liability (benefits already earned by current and former employees but not yet provided for), using an amortization period of not more than 30 years. If a municipality or school district contributes an amount less than the ARC, a net OPEB obligation will result, which is required to be recorded as a liability on its financial statements.

GASB 45 does not require that the unfunded liability actually be amortized nor that it be advance funded, only that the municipality or school district account for its unfunded accrued liability and compliance in meeting its ARC. The Village presents its financial statements under a comprehensive statutory basis of accounting in accordance with principles prescribed by the Office of the State Comptroller ("OSC") of the State of New York.

Should the Village required to fund its unfunded actuarial accrued OPEB liability, it could have a material adverse impact upon the Village's finances and could force the Village to reduce services, raise taxes or both. At the present time, however, there is no current or planned requirements for the Village to partially fund its actuarial accrued OPEB liability. At this time, New York State has not developed guidelines for the creation and use of irrevocable trusts for the funding of OPEB. As a result, the Village has decided to continue funding the expenditure on a pay-as-you-go basis.

Actuarial Valuation are required every two years for OPEB plans with more than two hundred members, or every three years if there are less than two hundred members. Additional information about GASB 45 and other accounting rules applicable to municipalities and school districts may be obtained from GASB.

The Village has not retained an actuarial firm to conduct the valuation for the fiscal year ending May 31, 2016 or any previous years, nor does it have plans to do so in the foreseeable future. The Village paid \$75,729 in post-employment benefits for six retirees.

TAX INFORMATION

Real Property Taxes

The Village derives its power to levy an ad valorem real property tax from the Constitution of the State. The Village's power to levy real property taxes, other than for debt service and certain other purposes, is limited by the State Constitution to two percent of the five-year average full valuation of taxable property of the Village. See "Tax Limit" herein. The State Board of Real Property Services annually establishes State Equalization Rates for all localities in the State, which are determined by statistical sampling of market sales/assessment studies. The equalization rates are used in the calculation and distribution of certain State aids and are used by many localities in the calculation of debt contracting and real property taxing limitations.

The following table sets forth the percentage of the Village's General Fund revenue (excluding other financing sources) comprised of real property taxes for each of the fiscal years 2012 through 2016, and budgeted for 2017 and 2018.

<u>Fiscal Year Ending May 31:</u>	<u>Total Revenue</u>	<u>Property Taxes</u>	<u>Property Taxes To Revenues (%)</u>
2012	4,923,634	2,293,855	46.59
2013	6,127,950	2,379,785	38.83
2014	6,270,516	2,687,205	42.85
2015	5,747,636	2,957,552	51.46
2016	6,806,178	2,897,880	42.58
2017 (Budgeted)	6,553,764	3,655,762	55.78
2018 (Budgeted)	6,736,005	3,965,704	58.87

Source: Audited financial statements (2012 through 2016), and adopted budget for fiscal years ended May 31, 2017 and 2018.

Tax Collection Procedure

Tax payments are due on June 1st each year and are payable without penalty up to and including July 1. Penalties for tax delinquencies are imposed at the rate of 5% for the balance of July and an additional percentage (which is set by the State each year and in recent years has approximated 1%) for each month or fraction of thereof thereafter. In March of each year tax liens are sold at auction pursuant to proceedings set forth in the Real Property Tax Law. Consequently, there are usually no uncollected taxes at the end of the fiscal year.

Tax Levy Limit Law

Prior to the enactment of Chapter 97 of the New York Laws of 2011 (the "Tax Levy Limit Law") on June 24, 2011, all the taxable real property within the Village had been subject to the levy of ad valorem taxes to pay the bonds and notes of the Village and interest thereon without limitation as to rate or amount. However, the Tax Levy Limit Law, as amended, imposes a tax levy limitation upon the Village for any fiscal year commencing after January 1, 2012 continuing through June 15, 2020, as extended, or later as provided in the Tax Levy Limit Law, without providing an exclusion for debt service on obligations issued by the Village. As a result, the power of the Village to levy real estate taxes on all the taxable real property within the Village to pay the bonds and notes of the Village and interest thereon is subject to statutory limitations set forth in Tax Levy Limit Law.

The following is a brief summary of certain relevant provisions of Tax Levy Limit Law. The summary is not complete and the full text of the Tax Levy Limit Law should be read in order to understand the details and implications thereof. The Tax Levy Limit Law imposes a limitation on increases in the real property tax levy of the Village, subject to certain exceptions. The Tax Levy Limit Law permits the Village to increase its overall real property tax levy over the tax levy of the prior year by no more than the "Allowable Levy Growth Factor", which is the lesser of one and two-one hundredths or the sum of one plus the Inflation Factor; provided, however that in no case shall the levy growth factor be less than one. The "Inflation Factor" is the quotient of: (i) the average of the 20 National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the coming fiscal year minus the average of the National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the prior fiscal year, divided by: (ii) the average of the National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the prior fiscal year, with the result expressed as a decimal to four places. The Village is required to calculate its tax levy limit for the upcoming year in accordance with the provision above and provide all relevant information to the New York State Comptroller prior to adopting its budget. The Tax Levy Limit Law sets forth certain exclusions to the real property tax levy limitation of the Village, including exclusions for certain portions of the expenditures for retirement system contributions and tort judgments payable by the Village. The Village Board is authorized to adopt a budget that exceeds the tax levy limit for the coming fiscal year, only if the Village Board first enacts, by a vote of at least sixty percent of the total voting power of the governing board of the Village, a local law to override such limit for such coming fiscal year.

The Tax Levy Limit Law does not contain an exception from the levy limitation for the payment of debt service on either outstanding general obligation bonds or notes of the Village or such indebtedness incurred after the effective date of the Tax Levy Limit Law. As such, there can be no assurances that the Tax Levy Limit Law will not come under legal challenge for violating (i) Article VIII, Section 12 of the State Constitution for not providing an exception for debt service on obligations issued prior to the enactment of the Tax Levy Limit Law, (ii) Article VIII, Section 10 of the State Constitution by effectively eliminating the exception for debt service to general real estate tax limitations, and (iii) Article VIII, Section 2 of the State Constitution by limiting the pledge of its faith and credit by a municipality or school district for the payment of debt service on obligations issued by such municipality or school district.

Tax Limit

The Constitution limits the amount that may be raised by the Village ad valorem tax levy on real estate in any fiscal year to two per centum (2%) of the five-year average full valuation of taxable real estate of the Village plus (1) the amounts required for principal and interest on all capital indebtedness, and (2) current appropriations for certain capital purposes. The tax limit for the Village for the 2016-2017 fiscal year is as follows:

Five-year Average Full Valuation	\$351,011,169
Tax Limit - 2% thereof	7,020,223
Tax Levy for General Village Purposes	3,791,253
Less: Exclusions	<u>568,827</u>
Tax Levy Subject to Tax Limit	\$3,222,426
Constitutional Tax Margin	<u><u>\$3,797,797</u></u>

Tax Levies, Collection Records and Tax Rates

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Tax Levy	\$3,188,228	\$3,466,254	\$3,624,653	\$3,791,253	\$3,998,924
Percent Collected	100%	100%	100%	100%	100%
Taxes Rate per \$100 of Assessed Valuation	\$8.83	\$9.52	\$9.90	\$10.33	\$10.83

Selected Listing of Large Taxable Properties^a
2016-2017 Assessment Roll

<u>Name</u>	<u>Type</u>	<u>Assessed Valuation</u>
PSEGLI	Utility	\$ 66,055
Levine, Harvey	Resident	43,627
781-785 Evergreen Corp.	Commercial	40,046
935 Bay Walk, LLC	Commercial	31,655
780 Bay Walk Land Co. Inc.	Commercial	29,797
44th Street Photo	Commercial	29,671
CLZ Realty Corp.	Commercial	27,081
Estate of Eugene Clegg	Resident	25,688
Palms Holdings, Inc.	Commercial	25,527
Fire Island Sandpiper, Inc.	Commercial	23,940
		<hr/>
		\$343,087

a. Represents 0.93% of the most recently available Total Taxable Assessed Valuation.

Tax Certiorari Claims

In common with other municipalities, there are a number of tax certiorari proceedings pending involving properties that are subject to the levy of Village taxes. The plaintiffs in these matters have asserted that their properties are over-assessed and are seeking assessment reductions. A refund of excess taxes is also generally requested. Historically, certiorari claims have been settled through negotiations, resulting in amounts, at times, substantially less than originally claimed. Many settlements provide for future adjustments with no direct outlay of money. There are no significant claims filed by the larger taxpayers at this time.

LITIGATION

In common with other villages, the Village from time to time receives notices of claim and is party to litigation. In the opinion of the Village, after consultation with its attorney, unless otherwise set forth herein and apart from matters provided for by applicable insurance coverage, there are no significant claims or actions pending in which the Village has not asserted a substantial and adequate defense, nor which, if determined against the Village, would have an adverse material effect on the financial conditions of the Village.

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, 2018, which could affect future operating budgets of the Village. (See “*Tax Certiorari Claims*,” herein.)

Edward Carter, et al vs. Incorporated Village of Ocean Beach (“OBPD”), et al, NYS Supreme Court, Suffolk County

The Village and a number of Village employees are named parties in a pending lawsuit seeking compensatory and punitive damages that are not covered by insurance. The insurance coverage has been exhausted by defense legal costs. This lawsuit seeks redress by the plaintiffs for violations by the defendants (Village of Ocean Beach and various Village personnel) of New York Civil Service Law § 75-b, Deformation per se and negligent retention of an unfit employee. Depositions have been completed and the Village has filed a Motion for Summary Judgment, which was returnable to the court on June 1, 2017 and is now fully submitted and awaiting the decision of the court. It is the intent of the Village to vigorously defend this lawsuit. The ultimate outcome of this case is presently uncertain. The accompanying financial statements do not include any adjustments that might be necessary should these cases result in an unfavorable outcome, but it is at least reasonably possible that a liability could result in the near term.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Village, under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Notes is excluded from gross income for Federal income tax purposes pursuant to Section 103 of Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. The Tax Certificate of the Village (the “Tax Certificate”), which will be delivered concurrently with the delivery of the Notes will contain provisions and procedures relating to compliance with applicable requirements of the Code. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Village in connection with the Notes, and Bond Counsel has assumed compliance by the Village with certain ongoing provisions and procedures set forth in the Tax Certificate relating to compliance with applicable requirements of the Code to assure the exclusion of interest on the Notes from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the Village, under existing statutes, interest on the Notes is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York.

Bond Counsel expresses no opinion regarding any other Federal or state tax consequences with respect to the Notes. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion after the issue date to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to its attention, or changes in law or in interpretations thereof that may hereafter occur, or for any other reason. Bond Counsel expresses no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for Federal income tax purposes of interest on the Notes, or under state and local tax law.

Certain Ongoing Federal Tax Requirements and Certifications

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Notes in order that interest on the Notes be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Notes, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the Federal government. Noncompliance with such requirements may cause interest on the Notes to become included in gross income for Federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Village, in executing the Tax Certificate, will certify to the effect that the Village will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure the exclusion of interest on the Notes from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral Federal income tax matters with respect to the Notes. It does not purport to address all aspects of Federal taxation that may be relevant to a particular owner of a Note. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the Notes.

Prospective owners of the Notes should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for Federal income tax purposes. Interest on the Notes may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a Note (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity means the first price at which a substantial amount of the Notes of that maturity was sold (excluding sales to bond houses, brokers, or similar persons acting in the capacity as underwriters, placement agents, or wholesalers). In general, the issue price for each maturity of Notes is expected to be the initial public offering price set forth in this Official Statement. Bond Counsel further is of the opinion that, for any Notes having OID (a “Discount Note”), OID that has accrued and is properly allocable to the owners of the Discount Notes under Section 1288 of the Code is excludable from gross income for Federal income tax purposes to the same extent as other interest on the Notes. In general, under Section 1288 of the Code, OID on a Discount Note accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Note. An owner’s adjusted basis in a Discount Note is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Discount Note. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Note even though there will not be a corresponding cash payment.

Owners of Discount Notes should consult their own tax advisors with respect to the treatment of original issue discount for Federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Notes.

Note Premium

In general, if an owner acquires a Note for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Note after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “note premium” on that Note (a “Premium Note”). In general, under Section 171 of the Code, an owner of a Premium Note must amortize the note premium over the remaining term of the Premium Note, based on the owner’s yield over the remaining term of the Premium Note, determined based on constant yield principles (in certain cases involving a Premium Note callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such note). An owner of a Premium Note must amortize the note premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the note premium allocable to that period. In the case of a tax-exempt Premium Note, if the note premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Note may realize a taxable gain upon disposition of the Premium Note even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any Premium Note should consult their own tax advisors regarding the treatment of note premium for Federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of note premium on, sale, exchange, or other disposition of Premium Notes.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest on tax-exempt obligations, including the Notes. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Note through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Series B Notes from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Notes under Federal or state law or otherwise prevent beneficial owners of the Notes from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Notes.

Prospective purchasers of the Notes should consult their own tax advisors regarding the foregoing matters.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Notes will be subject to the final approving opinion of the law firm of Hawkins Delafield & Wood LLP, Bond Counsel to the Village with respect to the Notes, which will be available at the time of delivery of the Notes, substantially as set forth in Appendix C.

DISCLOSURE UNDERTAKING

In order to assist the purchasers of the Notes in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), the Village will execute an Undertaking to Provide Notices of Events, the form of which is attached hereto as "Appendix D".

RATING

The Notes are not rated.

S&P Global Ratings has assigned a rating of "AAA" to the outstanding bonds of the Village. This rating reflects only the view of the rating agency furnishing the same, and an explanation of the significance of this rating may be obtained only from the rating agency. There is no assurance such rating will continue for any given period of time, or that such rating will not be revised or withdrawn by such rating agency, if in its judgment, circumstances so warrant. Any such action could have an adverse effect on the market for and market price of the Notes.

MUNICIPAL ADVISOR

Munistat Services, Inc. (the “Municipal Advisor”), is a Municipal Advisor, registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Municipal Advisor serves as independent municipal advisor to the Village on matters relating to debt management. The Municipal Advisor is a municipal advisory and consulting organization and is not engaged in the business of underwriting, marketing, or trading municipal securities or any other negotiated instruments. The Municipal Advisor has provided advice as to the plan of financing and the structuring of the Notes and has reviewed and commented on certain legal documents, including this Official Statement. The advice on the plan of financing and the structuring of the Notes was based on materials provided by the Village and other sources of information believed to be reliable. The Municipal Advisor has not audited, authenticated, or otherwise verified the information provided by the Village or the information set forth in this Official Statement or any other information available to the Village with respect to the appropriateness, accuracy, or completeness of disclosure of such information and no guarantee, warranty, or other representation is made by the Municipal Advisor respecting the accuracy and completeness of or any other matter related to such information and this Official Statement.

ADDITIONAL INFORMATION

Additional information may be obtained upon request from the office of Steven W. Brautigam, Village Clerk/Treasurer, Village of Ocean Beach, PO Box 457, Ocean Beach, NY 11770, Phone (631) 583-5940, Fax (631) 583-7597 and email: sbrautigam@villageofoceanbeach.org, or from the office of Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776, telephone number 631/331-8888 and website: <http://www.munistat.com>.

Munistat Services, Inc. may place a copy of this Official Statement on its website at www.munistat.com. Unless this Official Statement specifically indicates otherwise, no statement on such website is included by specific reference or constitutes a part of this Official Statement. Munistat Services, Inc. has prepared such website information for convenience, but no decisions should be made in reliance upon that information. Typographical or other errors may have occurred in converting original source documents to digital format, and neither the Village nor Munistat Services, Inc. assumes any liability or responsibility for errors or omissions on such website. Further, Munistat Services, Inc. and the Village disclaim any duty or obligation either to update or to maintain that information or any responsibility or liability for any damages caused by viruses in the electronic files on the website. Munistat Services, Inc. and the Village also assume no liability or responsibility for any errors or omissions or for any updates to dated website information.

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be, in fact, realized. This Official Statement is not to be construed as a contract or agreement between the Village and the original purchasers or owners of any of the Notes.

The preparation and distribution of this Official Statement has been authorized by various resolutions of the Village which delegates to the Village Treasurer the power to sell and issue the Notes.

By: s/s STEVEN W. BRAUTIGAM
Village Clerk/Treasurer
Village of Ocean Beach
Ocean Beach, New York

October , 2017

APPENDIX A

FINANCIAL INFORMATION

Statement of Revenues, Expenditures and Fund Balances
General Fund

	Fiscal Year Ending May 31:				
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Revenues:					
Real Property Taxes	\$ 2,293,855	\$ 2,379,785	\$ 2,687,205	\$ 2,957,552	\$ 2,897,880
Other Tax Items	422,068	430,379	440,318	447,310	460,388
Non-Property Taxes	12,390	12,463	13,271	15,274	17,979
Departmental Income	317,878	302,664	272,207	330,105	321,753
Intergovernmental Charges	494,087	510,609	537,944	557,661	610,237
Use of Money and Property	787,137	863,940	879,350	928,998	1,017,776
Licenses & Permits	250,518	272,214	293,338	247,627	311,222
Fines & Forfeitures	62,231	64,788	60,109	66,995	138,367
Sale of Property & Compensation for Loss	11,887	974,573	77,422	14,646	17,132
Miscellaneous	42,214	56,643	80,447	23,364	26,167
State Aid	88,999	67,887	48,681	35,583	197,300
Federal Aid	140,370	192,005	880,224	122,521	789,977
Total Revenues	<u>4,923,634</u>	<u>6,127,950</u>	<u>6,270,516</u>	<u>5,747,636</u>	<u>6,806,178</u>
Expenditures:					
General Government Support	1,054,190	1,111,594	2,097,631	1,446,684	1,696,582
Public Safety	1,149,196	1,421,816	1,345,957	1,310,741	1,302,036
Health	4,851	4,069	5,280	4,429	5,486
Building and Street Maintenance	140,387	177,742	153,451	265,038	163,170
Culture and Recreation	549,443	862,224	301,550	453,829	955,261
Home and Community Services	436,880	635,666	444,218	464,968	474,210
Employee Benefits	756,358	840,485	945,591	810,228	775,969
Debt Service	333,580	329,809	363,533	158,674	147,423
Total Expenditures	<u>4,424,885</u>	<u>5,383,405</u>	<u>5,657,211</u>	<u>4,914,591</u>	<u>5,520,137</u>
Other Financing Sources (Uses):					
Proceeds From:					
Transfers In		56,179			
Transfers Out			(75,000)	(350,000)	(403,372)
Total Other Financing Sources (Uses)	<u>0</u>	<u>56,179</u>	<u>(75,000)</u>	<u>(350,000)</u>	<u>(403,372)</u>
Excess (Deficiency) of Revenues & Expenditures & Other Uses	498,749	800,724	538,305	483,045	882,669
Fund Balance Beginning of Year	1,682,390	2,181,139	2,981,863	3,520,168	4,003,213
Prior Period Adjustment					
Fund Balance End of Year	<u>\$ 2,181,139</u>	<u>\$ 2,981,863</u>	<u>\$ 3,520,168</u>	<u>\$ 4,003,213</u>	<u>\$ 4,885,882</u>

Source: Audited Annual Financial Reports of the Village (2012-2016)

NOTE: This Schedule NOT audited.

Statement of Revenues, Expenditures and Fund Balances
Water Fund

	Fiscal Year Ending May 31:				
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Revenues:					
Real Property Taxes	\$ 202,278	\$ 232,267	\$ 260,078	\$ 239,974	\$ 240,065
Departmental Income	355,456	406,736	406,020	402,742	409,021
Federal Aid		284,285	148,582		59,157
Use of Money and Property	<u>483</u>	<u>876</u>	<u>385</u>	<u>284</u>	<u>507</u>
Total Revenues	<u>558,217</u>	<u>924,164</u>	<u>815,065</u>	<u>643,000</u>	<u>708,750</u>
Expenditures:					
Home and Community Services	239,285	525,251	418,318	232,805	230,813
General Government Support		56,953	33,805	39,873	39,923
Employee Benefits	104,723	117,861	123,017	149,452	135,986
Debt Service	<u>141,456</u>	<u>148,369</u>	<u>87,449</u>	<u>114,325</u>	<u>128,169</u>
Total Expenditures	<u>485,464</u>	<u>848,434</u>	<u>662,589</u>	<u>536,455</u>	<u>534,891</u>
Other Financing Sources (Uses):					
Proceeds From:					
Transfers In					
Transfers Out				(200,000)	(118,707)
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>(200,000)</u>	<u>(118,707)</u>
Excess (Deficiency) of Revenues & Other Financing Sources Over Expenditures & Other Uses	72,753	75,730	152,476	(93,455)	55,152
Fund Balance Beginning of Year	<u>253,226</u>	<u>325,979</u>	<u>401,709</u>	<u>554,185</u>	<u>460,730</u>
Fund Balance End of Year	<u>\$ 325,979</u>	<u>\$ 401,709</u>	<u>\$ 554,185</u>	<u>\$ 460,730</u>	<u>\$ 515,882</u>

Source: Audited Annual Financial Reports of the Village (2012-2016)

NOTE: This Schedule NOT audited.

Statement of Revenues, Expenditures and Fund Balances
Sewer Fund

	Fiscal Year Ending May 31:				
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Revenues:					
Real Property Taxes	\$ 182,565	\$ 182,552	\$ 238,354	\$ 267,234	\$ 486,685
Departmental Income	366,200	402,016	401,900	401,900	402,400
Use of Money and Property	488	909	821	403	668
Sale of Property and Compensation for Loss		27,733	162,584		499,126
Miscellaneous	<u>28,017</u>	<u>28,017</u>	<u>28,017</u>	<u>28,017</u>	<u>28,467</u>
 Total Revenues	 <u>577,270</u>	 <u>641,227</u>	 <u>831,676</u>	 <u>697,554</u>	 <u>1,417,346</u>
Expenditures:					
General Government Support					66,539
Home and Community Services	328,244	361,773	436,925	671,728	326,861
Employee Benefits	<u>117,562</u>	<u>133,092</u>	<u>142,994</u>	<u>164,708</u>	<u>157,755</u>
 Total Expenditures	 <u>445,806</u>	 <u>494,865</u>	 <u>579,919</u>	 <u>836,436</u>	 <u>551,155</u>
Other Financing Sources (Uses):					
Proceeds From:					
Transfers In			75,000		
Transfers Out		<u>(150,067)</u>		<u>(200,000)</u>	<u>(506,809)</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>(150,067)</u>	<u>75,000</u>	<u>(200,000)</u>	<u>(506,809)</u>
 Excess (Deficiency) of Revenues & Other Financing Sources Over Expenditures & Other Uses	 131,464	 (3,705)	 326,757	 (338,882)	 359,382
 Fund Balance Beginning of Year	 <u>350,390</u>	 <u>481,854</u>	 <u>478,149</u>	 <u>804,906</u>	 <u>466,024</u>
Fund Balance End of Year	\$ <u><u>481,854</u></u>	\$ <u><u>478,149</u></u>	\$ <u><u>804,906</u></u>	\$ <u><u>466,024</u></u>	\$ <u><u>825,406</u></u>

Source: Audited Annual Financial Reports of the Village (2012-2016)

NOTE: This Schedule NOT audited.

Balance Sheet-General Fund
Fiscal Year Ending May 31:

	<u>2015</u>	<u>2016</u>
Assets:		
Cash and Investments	\$ 4,105,279	\$ 5,199,502
Taxes Receivable	0	7,239
Account Receivable	185,185	272,057
Due from State and Federal	21,381	59,125
Due from Other Funds	198,319	176,298
Due from Other Governments	30,728	8,181
Inventory	<u>22,402</u>	<u>42,317</u>
	<u>\$ 4,563,294</u>	<u>\$ 5,764,719</u>
Total Assets:		
Liabilities:		
Accounts Payable	\$ 92,933	\$ 291,170
Accrued Liabilities	66,581	99,628
Due to Other Funds	0	1,237
Due to Employees Retirement System	35,028	40,089
Deferred Revenue	<u>365,539</u>	<u>446,713</u>
Total Liabilities and Deferred Revenues	<u>560,081</u>	<u>878,837</u>
Fund Equity:		
Nonspendable	22,402	42,317
Restricted	76,179	76,179
Assigned	1,584,578	1,764,357
Unassigned	<u>2,320,054</u>	<u>3,003,029</u>
Total Fund Equity	<u>4,003,213</u>	<u>4,885,882</u>
Total Liabilities, Deferred Revenues and Fund Equity	<u>\$ 4,563,294</u>	<u>\$ 5,764,719</u>

Sources: Audited Annual Financial Reports of the Village (2015-2016)

BUDGET SUMMARIES**General Fund**

	<u>2016-2017</u>	<u>2017-2018</u>
Revenues:		
Real Property Taxes	\$ 3,655,762	\$ 3,965,704
Other Tax Items	12,000	15,000
Departmental Income	4,500	5,500
Use of Money and Property	863,644	882,439
Licenses & Permits	270,500	307,500
Fines & Forfeitures	91,000	96,500
Recreation	299,000	307,000
Community Services	615,221	647,019
Miscellaneous	16,100	21,000
State Aid	41,037	44,137
Federal Aid	185,000	444,206
Appropriated Surplus	<u>500,000</u>	<u></u>
Total Revenues	\$ <u>6,553,764</u>	\$ <u>6,736,005</u>
Expenditures:		
General Government Support	\$ 2,001,993	\$ 2,308,038
Public Safety	1,660,417	1,502,813
Public Works & Highways	318,841	273,600
Public Health	5,201	5,000
Culture and Recreation	383,900	387,350
Home and Community Services	467,700	524,899
Employee Benefits	1,024,098	1,030,500
Interfund Transfers	300,000	
Debt Service	<u>391,614</u>	<u>703,805</u>
Total Expenditures	\$ <u>6,553,764</u>	\$ <u>6,736,005</u>

Source: Adopted Budgets of the Village

VILLAGE OF OCEAN BEACH

APPENDIX B

**AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MAY 31, 2016**

NOTE: SUCH FINANCIAL REPORT AND OPINIONS WERE
PREPARED AS OF THE DATE THEREOF AND HAVE NOT
BEEN REVIEWED AND/OR UPDATED IN CONNECTION
WITH THE PREPARATION AND DISSEMINATION OF
THIS OFFICIAL STATEMENT

INCORPORATED VILLAGE OF OCEAN BEACH
May 31, 2016

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CULLEN & DANOWSKI, LLP
CERTIFIED PUBLIC ACCOUNTANTS

VINCENT D. CULLEN, CPA
(1950 - 2013)

JAMES E. DANOWSKI, CPA
PETER F. RODRIGUEZ, CPA
JILL S. SANDERS, CPA
DONALD J. HOFFMANN, CPA
CHRISTOPHER V. REINO, CPA
ALAN YU, CPA

INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements (regulatory basis) of the Incorporated Village of Ocean Beach, as of and for the year ended May 31, 2016, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the New York State Office of the State Comptroller, as stated in Note 1, to meet the reporting requirements of New York State. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statements are prepared by the Incorporated Village of Ocean Beach on the basis of the financial reporting provisions of the New York State Office of the State Comptroller, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the New York State Office of the State Comptroller. The effect on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Incorporated Village of Ocean Beach, as of May 31, 2016, and the respective changes in its financial position for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred above present fairly, in all material respects, the respective financial position of the governmental funds, fiduciary fund and account group of the Incorporated Village of Ocean Beach as of May 31, 2016, and the respective changes in financial position for the year then ended in accordance with the financial reporting provisions of the New York State Office of the State Comptroller as described in Note 1.

Changes in Accounting Principles

As discussed in Note 2 to the financial statements, "Changes in Accounting Principles", the Village has adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an Amendment of GASB Statement No. 68*, as of May 31, 2016. Our opinion is not modified with respect to this matter.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Incorporated Village of Ocean Beach's basic financial statements. The other supplementary information on pages 25 thru 31 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2016, on our consideration of the Incorporated Village of Ocean Beach's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Incorporated Village of Ocean Beach's internal control over financial reporting and compliance.

Cullen & Danowski, LLP

November 4, 2016

INCORPORATED VILLAGE OF OCEAN BEACH
BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
May 31, 2016

	Governmental Funds				Total Governmental Funds
	General	Water	Sewer	Capital Projects	
ASSETS					
Cash					
Unrestricted	\$ 5,123,323	\$ 622,218	\$ 821,995	\$ 2,127,707	\$ 8,695,243
Restricted	76,179			3,396,591	3,472,770
Accounts receivable	272,057	1,500			273,557
Taxes receivable	7,239				7,239
Due from state and federal	59,125		123,702		182,827
Due from other governments	8,181				8,181
Due from other funds	176,298	1,236			177,534
Inventory	42,317				42,317
Service award program assets					-
Capital assets					-
Amounts to be provided for long term debt					-
Total Assets	5,764,719	624,954	945,697	5,524,298	12,859,668
DEFERRED OUTFLOWS OF RESOURCES					
Pension					-
Total Assets and Deferred Outflows of Resources	\$ 5,764,719	\$ 624,954	\$ 945,697	\$ 5,524,298	\$ 12,859,668
LIABILITIES					
Accounts payable	\$ 291,170	\$ 20,298	\$ 44,501	\$ 539,262	\$ 895,231
Accrued liabilities	99,628	14,000			113,628
Due to other funds	1,237	69,114	70,130	37,006	177,487
Due to employees' retirement systems	40,089	5,660	5,660		51,409
Compensated absences					-
Other liabilities				62,456	62,456
Collections in advance	446,713				446,713
Bond anticipation notes payable				4,000,000	4,000,000
Bonds payable					-
Capital lease payable					-
Net pension liability - proportionate share					-
Total Liabilities	878,837	109,072	120,291	4,638,724	5,746,924
DEFERRED INFLOWS OF RESOURCES					
Pension					-
FUND BALANCE					
Investment in non-current governmental assets					-
Nonspendable: Inventory	42,317				42,317
Restricted for:					
Retirement contribution	20,000				20,000
Debt service	56,179				56,179
Unspent bond proceeds				144,063	144,063
Assigned:					
Appropriated	500,000				500,000
Unappropriated:					
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		515,882	825,406	741,511	2,082,799
Unassigned: Fund balance	3,003,029				3,003,029
Total Fund Balance	4,885,882	515,882	825,406	885,574	7,112,744
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 5,764,719	\$ 624,954	\$ 945,697	\$ 5,524,298	\$ 12,859,668

INCORPORATED VILLAGE OF OCEAN BEACH
BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS - (Continued)
May 31, 2016

	Total Governmental Funds	Fiduciary Funds Trust and Agency	Account Groups		Total
			Non-Current Governmental Assets	Liabilities	
ASSETS					
Cash					
Unrestricted	\$ 8,695,243	\$ 15,802	\$	\$	\$ 8,711,045
Restricted	3,472,770				3,472,770
Accounts receivable	273,557				273,557
Taxes receivable	7,239				7,239
Due from state and federal	182,827				182,827
Due from other governments	8,181				8,181
Due from other funds	177,534				177,534
Inventory	42,317				42,317
Service award program assets		526,025			526,025
Capital assets			16,962,404		16,962,404
Amounts to be provided for long term debt				4,184,723	4,184,723
Total Assets	12,859,668	541,827	16,962,404	4,184,723	34,548,622
DEFERRED OUTFLOWS OF RESOURCES					
Pension			1,508,099		1,508,099
Total Assets and Deferred Outflows of Resources	<u>\$ 12,859,668</u>	<u>\$ 541,827</u>	<u>\$ 18,470,503</u>	<u>\$ 4,184,723</u>	<u>\$ 36,056,721</u>
LIABILITIES					
Accounts payable	\$ 895,231	\$	\$	\$	\$ 895,231
Accrued liabilities	113,628				113,628
Due to other funds	177,487	47			177,534
Due to employees' retirement systems	51,409				51,409
Compensated absences				33,947	33,947
Other liabilities	62,456	541,780			604,236
Collections in advance	446,713				446,713
Bond anticipation notes payable	4,000,000				4,000,000
Bonds payable				2,160,000	2,160,000
Capital lease payable				152,679	152,679
Net pension liability - proportionate share				1,464,803	1,464,803
Total Liabilities	5,746,924	541,827	-	3,811,429	10,100,180
DEFERRED INFLOWS OF RESOURCES					
Pension				373,294	373,294
FUND BALANCE					
Investment in non-current governmental assets			18,470,503		18,470,503
Nonspendable: Inventory	42,317				42,317
Restricted for:					
Retirement contribution	20,000				20,000
Debt service	56,179				56,179
Unspent bond proceeds	144,063				144,063
Assigned:					
Appropriated	500,000				500,000
Unappropriated:					
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	2,082,799				2,082,799
Unassigned: Fund balance	3,003,029				3,003,029
Total Fund Balance	7,112,744	-	18,470,503	-	25,583,247
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 12,859,668</u>	<u>\$ 541,827</u>	<u>\$ 18,470,503</u>	<u>\$ 4,184,723</u>	<u>\$ 36,056,721</u>

- See Notes to Financial Statements -

INCORPORATED VILLAGE OF OCEAN BEACH
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
For The Year Ended May 31, 2016

	Governmental Funds				Total Governmental Funds
	General	Water	Sewer	Capital Projects	
REVENUES					
Real property taxes	\$ 2,897,880	\$ 240,065	\$ 486,685	\$	\$ 3,624,630
Other tax items	460,388				460,388
Non-property tax items	17,979				17,979
Departmental income	321,753	409,021	402,400		1,133,174
Intergovernmental income	610,237				610,237
Use of money and property	1,017,776	507	668		1,018,951
Licenses and permits	311,222				311,222
Fines and forfeitures	138,367				138,367
Sale of property and compensation for loss	17,132				17,132
Miscellaneous	26,167		28,467		54,634
State aid	197,300	49,202			246,502
Federal aid	789,977	9,955	499,126		1,299,058
Total Revenues	6,806,178	708,750	1,417,346	-	8,932,274
EXPENDITURES					
General government support	1,696,582	39,923	66,539		1,803,044
Public safety	1,302,036				1,302,036
Health	5,486				5,486
Transportation	163,170			791,889	955,059
Culture and recreation	955,261			722,473	1,677,734
Home and community services	474,210	230,813	326,861	264,036	1,295,920
Employee benefits	775,969	135,986	157,755		1,069,710
Debt service					
Principal	120,871	100,000			220,871
Interest	26,552	28,169			54,721
Total Expenditures	5,520,137	534,891	551,155	1,778,398	8,384,581
Excess (Deficiency) of Revenues Over Expenditures	1,286,041	173,859	866,191	(1,778,398)	547,693
OTHER SOURCES AND USES					
Operating transfers in				1,028,888	1,028,888
Operating transfers out	(403,372)	(118,707)	(506,809)		(1,028,888)
Total Other Sources and Uses	(403,372)	(118,707)	(506,809)	1,028,888	-
NET CHANGE IN FUND BALANCE	882,669	55,152	359,382	(749,510)	547,693
Fund Balance - Beginning of year	4,003,213	460,730	466,024	1,635,084	6,565,051
Fund Balance - End of year	\$ 4,885,882	\$ 515,882	\$ 825,406	\$ 885,574	\$ 7,112,744

INCORPORATED VILLAGE OF OCEAN BEACH
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Incorporated Village of Ocean Beach (Village), as of and for the year ended May 31, 2016, have been prepared in accordance with the financial reporting provisions of the New York State Office of the State Comptroller, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard setting body for establishing GAAP for governmental units. The financial statements of the Village have been prepared using only the modified accrual basis of accounting. This method differs from GAAP, which requires the preparation of additional financial statements using the accrual basis of accounting. The accrual basis financial statements require the capitalization and depreciation of property and equipment and the recording of long-term liabilities. Under the modified accrual basis of accounting, property and equipment are recorded as an expenditure when purchased and the proceeds of long-term debt are reported as other financing sources and the payment of long-term debt and other long-term liabilities are recognized to the extent that the liabilities mature during the year. In addition, GAAP requires the financial statements to be prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. GASB 34 financial statements require the presentation of government-wide financial statements and management's discussion and analysis. The accounting practices used to prepare these financial statements do not require compliance with GASB 34.

The significant accounting policies of the Village are described below:

a) Financial Reporting Entity

The Village is governed by Village Law and other general laws of the State of New York. The Board of Trustees is the legislative body responsible for overall operations, the Mayor serves as chief executive officer and the Treasurer serves as chief fiscal officer.

The basic services that the Village provides are general support, public safety, health, transportation, economic assistance and opportunity, culture and recreation, and home and community service.

The financial reporting entity consists of (a) the primary government, which is the Village, (b) organizations, which are determined to be includable in the financial reporting entity based on legal standing, fiscal dependence and financial accountability, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete as set forth by GASB. Based on the application of these criteria, there are no other entities which would be included in the Village's reporting entity.

b) Basis of Presentation

The accounts of the Village are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. These funds and account groups are based upon the requirements of GAAP for local governmental units as prescribed by the GASB as well as the financial reporting provisions of the New York State Office of the State Comptroller. The operations of each fund are accounted for within a separate set of self-balancing accounts that comprise its assets, liabilities, deferred inflows of resources, fund balance, revenues, and expenditures. Governmental resources are allocated to and accounted for in individual funds segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The various funds are grouped in the financial statements in the following fund types and account groups:

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

i) **Governmental 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 measurement focus of the governmental funds is based upon the determination of financial position and changes in financial position. The following are the Village's governmental fund types:

General Fund - the general fund is the principal operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – are used to account for the proceeds of specific revenue sources 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 - the capital projects fund is used to account for and report financial resources to be used for the acquisition, construction or renovation of major capital facilities or equipment.

ii) **Fiduciary Fund Types**

Fiduciary funds are used to account for assets held by the Village in a trustee or custodial capacity.

Trust and Agency Fund - the trust and agency fund is used by the Village to account for money and/or property received and held by the Village in the capacity of trustee, custodian or agent. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

iii) **Account Groups**

Account groups are used to establish accounting control and accountability for the Village's general fixed assets and general long-term obligations. The account groups are not funds. They are concerned only with the measurement of financial position and not with the results of operations.

Non-Current Governmental Assets Account Group - is used to account for land, construction in progress, buildings and improvements, and machinery and equipment of the Village. Also included are deferred outflows of resources related to pensions.

Non-Current Governmental Liabilities Account Group - is used to account for long-term obligations of the Village including bonds, most obligations under lease/purchase and other financing arrangements, compensated absences, and other long-term obligations, as well as deferred inflows of resources related to pensions.

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

c) Measurement Focus and Basis of Accounting

The 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 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 debt, claims and judgments, pension costs, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

d) Use of Estimates

The preparation of the financial statements in conformity with a comprehensive basis of accounting other than 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 contingent assets and liabilities at the date of the financial statements and the reported revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

e) 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 1, and an additional 1% is assessed each month on taxes paid after July. Unpaid Village taxes are collected through tax lien sales.

f) Special Assessment Business "C" District

Due to an excess of garbage, rubbish and refuse generated by properties during the summer season in this business district, an extra day of garbage collection is needed. The Village imposes the cost of this additional day of service on the properties within business "C" district by special assessment.

g) 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 the transfer of expenditures and revenues to provide financing or other services.

The governmental funds report all interfund transactions as originally recorded. Interfund receivables and payables are netted on the accompanying 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, expenditures, and revenues is provided subsequently in these Notes to Financial Statements.

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

h) Cash

Cash consists of cash on hand, demand deposits and short-term investments with original maturities 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) 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.

j) 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 identification.

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

k) Capital Assets

Capital assets are recorded at cost as expenditures in the respective funds when purchased. Donated items are valued at estimated fair market value when given. Capital assets are accounted for in the non-current governmental assets account group and removed when an asset is sold or retired.

No depreciation has been provided on capital assets nor has interest on capital assets construction in progress been capitalized.

	<u>Capitalization Threshold</u>	<u>Estimated Useful Life</u>
Building 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

l) Deferred Outflows of Resources

Deferred outflows of resources 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. Deferred outflows of resources, consists of pension related amounts, including changes in the net pension liability not included in pension expense and Village pension contributions subsequent to the measurement date of the net pension liability.

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

m) 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.

n) Deferred Inflows of Resources

Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Village has one item that qualifies for reporting in this category, which is related to pensions. This represents the effect of the net change in the Village's proportion of the collective net pension liability, the difference during the measurement periods between the Village's contributions and its proportionate share of total contributions to the pension system, and the net difference between projected and actual earnings on pension plan investments..

o) Employee Benefits – Compensated Absences

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.

Sick leave eligibility and accumulation is specified in collective bargaining agreements and in individual employment contracts. Upon retirement, resignation, or death, employees may be eligible to receive the value of unused accumulated sick leave.

The compensated absences liability is recorded in the long-term debt account group.

p) Other Benefits

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

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

In addition to providing pension benefits, the Village provides health insurance coverage and survivor benefits for certain retired employees and their survivors. Collective bargaining agreements determine if certain Village employees are eligible for these benefits if they reach normal retirement age while working for the Village. Health care benefits and survivors benefits are provided through an insurance company whose premiums are based on the benefits paid during the year. The Village recognizes the cost of providing benefits by recording its share of insurance premiums as an expenditure in the year paid.

q) 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 the notes. State law requires the BANs issued for capital purposes be converted to long-term financing within five years after the original issue date.

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

r) Equity Classifications

The governmental 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 relates to the inventory.

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. Fund balance classified as restricted by the Village include the following:

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. 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.

Debt Service

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

Unspent Bond Proceeds

Unspent bond proceeds are recorded as restricted fund balance because they are subject to external constraints contained in the bond 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 includes an amount appropriated to partially fund the subsequent year's budget. Assigned fund balance also includes 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 only to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted or assigned.

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

Fund Balance Classification

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

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

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

2. CHANGES IN ACCOUNTING PRINCIPLES

GASB Statements No. 68 and 71

For the fiscal year ended May 31, 2016, the Village implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an Amendment of GASB Statement No. 68*. The implementation of the Statements requires the Village to report as a liability its portion of the collective net pension liability in the New York State and Local Employees' Retirement System and Police and Fire Retirement System. The implementation of the Statements also requires the Village to report a deferred outflow and/or inflow for the effect of the net change in the Village's proportion of the collective net pension liability and difference during the measurement period between the Village's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. Also included as deferred outflows, are the Village's contributions to the pension systems subsequent to the measurement date.

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The Village's administration submits a proposed budget for approval by the Board of Trustees for the general fund, the only fund with a legally adopted budget. Budgets are adopted annually on a basis consistent with GAAP. The tentative budget includes proposed expenditures and the proposed means of financing for the general fund. A public hearing is held on the tentative budget by April 15. After completion of the budget hearing, the Board of Trustees may further change the tentative budget. Such budget, as so revised, shall be adopted by resolution no later than May 1. All subsequent modifications of the budget must be approved by the Board of Trustees.

Appropriations established by the 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

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

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. A summary of the general fund budget is as follows:

Budget adopted by Village Board	\$ 6,260,329
Prior year encumbrances	<u>20,221</u>
Original Budget	<u>\$ 6,280,550</u>

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 restricted or assigned fund balance 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 satisfied.

4. 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's deposits may not be returned to it. GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance and the deposits are either:

- 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.

None of the Village's aggregate bank balances, not covered by depository insurance, were exposed to custodial credit risk as described above 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.

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

5. ACCOUNTS RECEIVABLE

Accounts receivable at May 31, 2016, consisted of the following:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	Ferry rental payments	\$ 267,390
General	PSEG - Land lease	4,667
Water	Water rents	1,500
		<u>\$ 273,557</u>

6. DUE FROM STATE AND FEDERAL

The Village is owed \$59,125 in Federal Emergency Management Aid for storm damages in the General Fund and \$123,702 in the Sewer Fund.

7. DUE FROM OTHER GOVERNMENTS

Due from other governments at May 31, 2016, consisted of the following:

General Fund	
Fire Protection Charges - ambulance contracts	<u>\$ 8,181</u>

8. INTERFUND TRANSACTIONS

Interfund balances at May 31, 2016 are as follows:

	<u>Interfund</u>			
	<u>Receivable</u>	<u>Payable</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 176,298	\$ 1,237	\$	\$ 403,372
Water Fund	1,236	69,114		118,707
Sewer Fund		70,130		506,809
Capital Projects Fund		37,006	1,028,888	
Trust & Agency Fund		47		
Total	<u>\$ 177,534</u>	<u>\$ 177,534</u>	<u>\$ 1,028,888</u>	<u>\$ 1,028,888</u>

9. COLLECTIONS IN ADVANCE

Collections in advance at May 31, 2016 consisted of the following:

General Fund	
Fire protection	\$ 376,713
Substation rental	70,000
	<u>\$ 446,713</u>

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

10. CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance May 31, 2015	Additions	Deletions	Balance May 31, 2016
Land	\$ 225,326	\$	\$	\$ 225,326
Construction work in progress	-	1,355,868		1,355,868
Buildings and Improvements	1,832,293	465,321		2,297,614
Machinery and Equipment	2,087,710	88,478		2,176,188
Infrastructure	7,462,611	2,908,781		10,371,392
Capital Leases - fire trucks	536,016			536,016
Total	<u>\$ 12,143,956</u>	<u>\$ 4,818,448</u>	<u>\$ -</u>	<u>\$ 16,962,404</u>

11. SHORT-TERM DEBT

Transactions in short-term debt for the year are summarized below:

	Maturity	Stated Interest Rate	Balance May 31, 2015	Issued	Redeemed	Balance May 31, 2016
BAN	4/13/2017	2.0%	<u>\$</u>	<u>\$ 4,000,000</u>	<u>\$</u>	<u>\$ 4,000,000</u>

The BAN issuance is for improvements to Windswept for \$1,500,000 and sewer treatment plant improvements of \$1,725,000 both of which are part of bond authorizations that were approved in the current year and are described elsewhere in the notes. The remaining \$775,000 was for road improvements approved in August of 2011.

12. LONG-TERM LIABILITIES

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

	Balance May 31, 2015	Additions	Reductions	Balance May 31, 2016	Amounts Due Within One Year
Long-Term Debt:					
Bonds payable	\$ 2,355,000	\$	\$ (195,000)	\$ 2,160,000	\$ 205,000
Other Long-Term Liabilities:					
Capital lease payable	178,551		(25,872)	152,679	27,314
Compensated absences	34,114		(167)	33,947	
	<u>\$ 2,567,665</u>	<u>\$</u>	<u>\$ (221,039)</u>	<u>\$ 2,346,626</u>	<u>\$ 232,314</u>

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

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

The following is a statement of the Villages bond issues with corresponding maturity schedule:

Description	Issue Date	Final Maturity	Interest Rate	Outstanding at May 31, 2016
Serial bond - sidewalks	12/13/2012	7/1/2027	1.25 - 2.25%	\$ 1,045,000
Serial bond - water pipes	12/13/2012	7/1/2027	1.25 - 2.25%	315,000
Serial bond - Village hall improvements	12/13/2012	7/1/2027	1.25 - 2.25%	720,000
Serial bond - Bayberry	12/13/2012	7/1/2027	1.25 - 2.25%	80,000
				<u>\$ 2,160,000</u>

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

Fiscal Year Ending May 31,	Principal	Interest	Total
2017	\$ 205,000	\$ 41,494	\$ 246,494
2018	210,000	37,344	247,344
2019	220,000	33,043	253,043
2020	225,000	28,594	253,594
2021	235,000	23,994	258,994
2022 - 2026	865,000	57,868	922,868
2027 - 2028	200,000	3,859	203,859
Total	<u>\$ 2,160,000</u>	<u>\$ 226,196</u>	<u>\$ 2,386,196</u>

Interest on long-term debt for the year was \$54,721.

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	\$ 179,150
Less: Amount representing interest	<u>(26,471)</u>
Present value of minimum lease payments	<u>\$ 152,679</u>

Scheduled maturities of future minimum lease payments at May 31, 2016, are as follows:

2017	\$ 27,315
2018	28,838
2019	30,446
2020	32,144
2021	<u>33,936</u>
Total	<u>\$ 152,679</u>

13. DEBT LIMIT

The Village's outstanding serial bonds and BAN's payable represent approximately 25.07% of the Village's debt limit at May 31, 2016.

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

14. 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 \$1,325,000 in bonds for walkways and roadways and \$375,000 in bonds for the replacement of water lines. Therefore, \$1,300,000 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. No bonds have been issued, therefore, \$8,000,000 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. This amount remains authorized and unissued.

15. PENSION PLANS

New York State and Local Retirement Systems

A. Plan Description

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), collectively known as NYSLRS. These are cost-sharing multiple-employer retirement systems. The systems offer a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death, and disability.

Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). 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. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the NYSLRS and for the custody and control of its funds. 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 Village also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. 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 at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

B. Funding Policy

The NYSLRS are noncontributory except for employees who joined the New York State and Local Employees' Retirement System 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. Under the authority of the NYSRSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the NYSLRS' fiscal year ending March 31.

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

The Villages share of the required contributions, based on each year's covered payroll, for the current year and two preceding years was:

	ERS	PFRS
2016	\$ 176,336	\$ 106,155
2015	140,138	115,359
2014	189,978	215,288

C. Pension Liabilities, Pension Expense, Deferred Outflows of Resources Related to Pensions

At May 31, 2016, the Village reported the following liabilities for its proportionate share of the net pension liability for the NYSLRS. The net pension liability was measured as of March 31, 2016 for both 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 NYSLRS relative to the projected contributions of all participating members, actuarially determined. This information was provided by the NYSLRS in reports provided to the Village.

	ERS	PFRS
Measurement date	March 31, 2016	March 31, 2016
Village's proportionate share of the net pension asset/(liability)	\$ (551,764)	\$ (913,039)
Village's portion of the Plan's total net pension asset/(liability)	0.0034377%	0.0308377%

For the year ended May 31, 2016, the Village recognized pension expense of \$176,336 for ERS and \$106,155 for PFRS. At May 31, 2016, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	PFRS	ERS	PFRS
Differences between expected and actual experience	\$ 2,788	\$ 8,189	\$ 65,402	\$ 138,041
Changes of assumptions	147,139	393,608		
Net difference between projected and actual earnings on pension plan investment	327,337	511,685		
Changes in proportion and differences between the Village's contributions and proportionate share of contributions	52,237	13,706		169,851
Village's contributions subsequent to the measurement date	28,302	23,108		
Total	\$ 557,803	\$ 950,296	\$ 65,402	\$ 307,892

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

Actuarial Assumptions

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

	<u>NYSLRS</u>
Measurement date	March 31, 2016
Actuarial valuation date	April 1, 2015
Interest rate	7.0%
Salary scale	3.8%
Decrement tables	April 1, 2010 - March 31, 2015 System's Experience
Inflation rate	2.5%

Annuitant mortality rates are based on April 1, 2010 – March 31, 2015 NYSLRS' experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014. The actuarial assumptions used in the April 1, 2015 valuation are 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 in accordance with Actuarial Standard of Practice (ASOP) No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class, as well as historical investment data and plan performance.

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

	<u>NYSLRS</u>	
	<u>Target</u>	<u>Long-term</u>
	<u>Allocation</u>	<u>Expected Rate</u>
		<u>of Return</u>
Measurement date		March 31, 2016
Asset type		
Domestic equity	38.0%	7.30%
International equity	13.0%	8.55%
Real estate	8.0%	8.25%
Alternative investments	19.0%	6.75-11.00%
Bonds and mortgages	18.0%	4.00%
Cash	2.0%	2.25%
Inflation indexed bonds	2.0%	4.00%
	<u>100.0%</u>	

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

Discount Rate

The discount rate used to calculate the total pension liability for the NYSLRS 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 NYSLRS' 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 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 :

ERS	1% Decrease (6.00)%	Current Assumption (7.00)%	1% Increase (8.00)%
Village's proportionate share of the net pension asset (liability)	\$ (1,244,187)	\$ 551,764	\$ 33,304

PFRS	1% Decrease (6.00)%	Current Assumption (7.00)%	1% Increase (8.00)%
Village's proportionate share of the net pension asset (liability)	\$ (2,039,369)	\$ 913,039	\$ 31,069

Pension Plan Fiduciary Net Position

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

	ERS	PFRS
	<u>(Dollars in Thousands)</u>	
Measurement date	March 31, 2016	March 31, 2016
Employers' total pension liability	\$ (172,303,544)	\$ (30,347,727)
Plan fiduciary net position	156,253,265	27,386,940
Employers' net pension liability	<u>\$ (16,050,279)</u>	<u>\$ (2,960,787)</u>
Ratio of plan fiduciary net position to the employers' total pension liability	90.68%	90.24%

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

Prepayments to the Pension Plan

For ERS and PFRS, employer contributions are paid annually based on the NYSLRS' fiscal year, which ends on March 31st. Accrued retirement contributions as of May 31, 2016, represent the projected employer contributions for the period April 1, 2016 through May 31, 2016, based on prepaid NYSLRS covered wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of May 31, 2016, amounted to \$51,410 of employer contributions. Employee contributions are remitted monthly.

D. LENGTH OF SERVICE AWARD PROGRAM

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 the active volunteer firefighter members of the Ocean Beach Volunteer Fire Department. The program was established pursuant to Article 11-A of the 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.

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 firefighter activities in accordance with a system established by the sponsor on the basis of a statutory list of activities and point values. A participant may also receive credit for five (5) years of active volunteer firefighting service rendered prior to the establishment of the program as an active volunteer firefighter member of the Ocean Beach Volunteer Fire Department.

Benefits

A participant's benefit under the program is his or her program account balance paid upon attainment of the entitlement age in a lump sum to the participant. 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

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

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 Fire Trustees.

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

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

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

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

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

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

Program Financial Condition

Assets and Liabilities

Assets Available for Benefits at May 31, 2016

	<u>% of total</u>	
Sponsor contributions receivable	5.86%	\$ 30,800
Capital appreciation fund	8.68%	45,683
Rochester fund	29.86%	157,065
Equity fund	14.29%	75,157
Senior floating rate fund	6.23%	32,796
Oppenheimer corporate bond fund	12.94%	68,076
Oppenheimer international bond fund	5.07%	26,665
Limited-term government fund A	13.54%	71,243
Cash reserves	3.52%	18,540
Total Net Assets Available for Benefits		<u>\$ 526,025</u>

Receipts and Disbursements

Plan Net Assets at June 1, 2015 \$ 529,660

Changes during the year

+ Plan contributions	\$ 34,257
+ Investment income earned	28,401
+/- Changes in fair market value of investments	(31,905)
- Investment expense	(124)
- Plan benefit withdrawals	(30,807)
- Change in sponsor contributions receivable	(3,457)
	<u>(3,635)</u>

Plan Net Assets at May 31, 2016 \$ 526,025

Contributions

Amount of sponsor's contribution recommended by actuary:	\$ 34,257
Amount of sponsor's actual contribution:	<u>\$ 34,257</u>

Administration Fees

Fees paid to administrative/actuarial services provider	\$ 4,090
Fees paid for investment management	<u>\$ 1,800</u>

16. POSTEMPLOYMENT HEALTHCARE BENEFITS

The Village paid \$66,329 in postemployment benefits for six retirees.

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

17. COMMITMENTS AND CONTINGENCIES

A. Risk Financing and Related Insurance

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; natural disasters, etc. 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.

B. Certiorari Proceedings

From time to time, the Village is involved in certiorari proceedings under which taxpayers seek reduction in the assessed value of property upon which taxes are measured. A reduction in assessed valuation may result in a refund of real property taxes previously paid by the claimant. It is not possible to estimate the amount of refunds, if any, that the Village may be required to make for taxes collected through May 31, 2016, which could affect future operating budgets of the Village.

C. Litigation

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

D. Contingency

During the year ended May 31, 2016, the Village was informed by the Federal Emergency Management Agency (FEMA) of a potential clawback of \$1,750,000 in Federal Superstorm Sandy Funds. It is not known when, or if, the clawback will occur, or if the clawback will be applied to future expected funding. As a result, no liability for the contingency has been reflected in the accompanying financial statements.

18. SUBSEQUENT EVENTS

The Village has evaluated subsequent events through November 4, 2016, 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, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Real Property Taxes	\$ 2,891,893	\$ 2,891,893	\$ 2,897,880	\$ 5,987
Other Tax Items				
Refuse residential	294,660	294,660	277,995	(16,665)
Refuse commercial	158,000	158,000	163,045	5,045
Interest and penalties on real property taxes	18,000	18,000	19,348	1,348
Total Other Real Property Tax Items	470,660	470,660	460,388	(10,272)
Non-Property Tax Items				
Utilities gross receipts tax	12,000	12,000	17,979	5,979
Total Non-Property Tax Items	12,000	12,000	17,979	5,979
Departmental Income				
Clerk fees	1,000	1,000	1,922	922
C.O. applications	3,500	3,500	6,200	2,700
Tennis fees	11,000	11,000	7,615	(3,385)
Seasonal boat basin fee	165,000	165,000	175,713	10,713
Daily marina rentals	112,000	112,000	116,690	4,690
Jet ski fees	1,000	1,000	1,500	500
Zoning board fees	7,000	7,000	12,113	5,113
Total Departmental Income	300,500	300,500	321,753	21,253
Intergovernmental Charges				
Fire protection services, other governments	597,409	597,409	610,237	12,828
Total Intergovernmental charges	597,409	597,409	610,237	12,828
Use of Money and Property				
Interest and earnings	5,000	5,000	38,420	33,420
Rental of real property	772,519	772,519	979,356	206,837
Total Use of Money and Property	777,519	777,519	1,017,776	240,257
Licenses and Permits				
Permits	259,500	259,500	311,222	51,722
Total Licenses and Permits	259,500	259,500	311,222	51,722
Fines and Forfeitures				
Fines and forfeited bail	60,000	60,000	138,367	78,367
Total Fines and Forfeitures	60,000	60,000	138,367	78,367

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, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Sale of Property and Compensation for Loss				
Insurance recoveries	\$ 30,000	\$ 30,000	\$ 17,132	\$ (12,868)
Total Sale of Property and Compensation for Loss	30,000	30,000	17,132	(12,868)
Miscellaneous				
Gifts and donations	1,000	1,000	3,800	2,800
Unclassified revenues	100	100	5,934	5,834
Ferry tickets	20,000	20,000	16,433	(3,567)
Total Miscellaneous	21,100	21,100	26,167	5,067
State Aid				
Revenue sharing	4,449	4,449	4,549	100
Mortgage tax	30,000	30,000	44,601	14,601
Sales tax revenue sharing	6,588	6,588	7,588	1,000
Other		-	140,562	140,562
Total State Aid	41,037	41,037	197,300	156,263
Federal Aid				
Federal aid (FEMA)	357,992	357,992	789,977	431,985
Total Federal Aid	357,992	357,992	789,977	431,985
Total Revenues	5,819,610	5,819,610	6,806,178	\$ 986,568
APPROPRIATED FUND BALANCE				
Prior years' surplus	420,498	420,498		
Prior Year's Encumbrances	20,221	20,221		
Total Appropriated Fund Balance	440,719	440,719		
Total Revenues and Appropriated Fund Balance	\$ 6,260,329	\$ 6,260,329		

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, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES				
General Government Support				
Legislative board				
Personal services	\$ 48,000	\$ 48,000	\$ 45,829	\$ 2,171
Contractual services	6,101	6,432	5,768	664
Municipal court				
Personal services	41,500	31,613	29,162	2,451
Equipment	1,000	9,718	9,718	-
Contractual services	9,050	11,988	9,888	2,100
Administration				
Personal services	156,616	156,616	156,616	-
Contractual services	4,400	4,400	4,025	375
Mayor				
Personal services	48,000	48,000	46,289	1,711
Contractual services	9,000	9,000	7,991	1,009
Auditor				
Contractual services	35,000	43,000	42,888	112
Treasurer				
Personal services	268,501	267,768	254,850	12,918
Equipment	4,000	4,622	4,622	-
Contractual services	33,100	37,580	34,843	2,737
Assessment				
Personal services	10,500	10,662	10,581	81
Attorney				
Personal services	85,000	85,000	66,000	19,000
Contractual services	100,700	47,521	41,483	6,038
Engineer				
Contractual services	98,000	26,432	24,652	1,780
Elections				
Personal services	1,500	1,500	1,293	207
Contractual services	1,900	1,898	1,790	108
Buildings				
Equipment	10,000	9,990	9,990	-
Contractual services	222,200	376,003	342,183	33,820
Shared services				
Contractual services	20,000	21,788	21,702	86
Central data processing				
Contractual services	62,000	40,749	40,281	468
Unallocated insurance				
Contractual services	294,150	443,030	439,823	3,207
Municipal association dues				
Contractual services	5,000	5,000	4,627	373
Judgments and claims				
Contractual services	12,000	14,275	14,275	-
Ferry				
Contractual services	35,000	4,026	4,026	-
Payment of MTA payroll tax				
Contractual services	7,000	6,179	6,085	94
Contingent account				
Contractual services	150,000	15,302	15,302	-
Total General Government Support	1,779,218	1,788,092	1,696,582	91,510

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, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES				
Public Safety				
Police				
Personal services	\$ 747,329	\$ 727,339	\$ 718,751	\$ 8,588
Equipment	63,000	56,098	54,899	1,199
Contractual services	98,900	109,889	104,022	5,867
Fire protection				
Personal services	48,500	46,500	42,201	4,299
Equipment	102,432	88,432	78,199	10,233
Contractual services	231,393	249,712	217,931	31,781
Safety inspections				
Personal services	66,450	84,101	84,101	-
Contractual services	3,600	2,171	1,932	239
Total Public Safety	<u>1,361,604</u>	<u>1,364,242</u>	<u>1,302,036</u>	<u>62,206</u>
Health				
Equipment	500	500	216	284
Contractual services	4,400	5,270	5,270	-
Total Health	<u>4,900</u>	<u>5,770</u>	<u>5,486</u>	<u>284</u>
Transportation				
Street maintenance				
Personal services	132,500	134,235	134,235	-
Equipment	15,000	2,000	566	1,434
Contractual services	30,750	27,114	24,598	2,516
Street lighting				
Contractual services	19,000	9,163	3,771	5,392
Total Transportation	<u>197,250</u>	<u>172,512</u>	<u>163,170</u>	<u>9,342</u>
Culture and Recreation				
Parks				
Equipment	5,000	13,619	11,630	1,989
Contractual services	40,955	27,577	24,092	3,485
Beach				
Personal services	198,000	215,244	215,244	-
Equipment	4,284	2,284	1,489	795
Contractual services	29,450	26,720	24,326	2,394
Tennis				
Equipment	500	500	-	500
Contractual services	4,150	608	391	217
Recreation				
Personal services	4,000	4,000	3,877	123
Equipment	2,000	682	592	90
Contractual services	1,200	1,486	1,241	245
Celebrations				
Contractual services	3,000	3,000	2,143	857
Other culture and recreation (Marina & Docks)				
Personal services	36,750	30,750	29,489	1,261
Equipment	3,500	2,238	2,177	61
Contractual services	457,073	683,068	638,570	44,498
Total Culture and Recreation	<u>789,862</u>	<u>1,011,776</u>	<u>955,261</u>	<u>56,515</u>

For The Year Ended May 31, 2016

Fund Balance - End of Year

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, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Real property taxes	\$ 240,078	\$ 240,078	\$ 240,065	\$ (13)
Departmental income	409,050	409,050	409,021	(29)
Use of money and property	300	300	507	207
Miscellaneous	400,000		-	-
State aid			49,202	49,202
Federal aid - FEMA	90,000	90,000	9,955	(80,045)
Total Revenues	1,139,428	739,428	708,750	\$ (30,678)
APPROPRIATED FUND BALANCE				
Appropriation of fund balance				
Total Revenues and Appropriated Fund Balance	\$ 1,139,428	\$ 739,428		
EXPENDITURES				
General government support	64,923	\$ 64,923	39,923	\$ 25,000
Home and community services	304,213	285,213	230,813	54,400
Employee benefits	142,123	142,123	135,986	6,137
Debt service				
Principal	100,000	100,000	100,000	-
Interest	28,169	28,169	28,169	-
Total Expenditures	639,428	620,428	534,891	85,537
OTHER FINANCING USES				
Operating transfers out	500,000	119,000	118,707	293
Total Expenditures	\$ 1,139,428	\$ 739,428	653,598	\$ 85,830
Net Change in Fund Balance			55,152	
Fund Balance - Beginning of year			460,730	
Fund Balance - End of year			\$ 515,882	

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, 2016

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Real property taxes	\$ 486,682	\$ 486,682	\$ 486,685	\$ 3
Departmental income	401,900	401,900	402,400	500
Use of money and property	500	500	668	168
Miscellaneous local sources	118,017	28,017	28,467	450
Federal aid	200,000	403,439	499,126	95,687
Total Revenues	1,207,099	1,320,538	1,417,346	96,808
APPROPRIATED FUND BALANCE				
Appropriation of fund balance			-	-
Total Revenues and Appropriated Fund Balance	\$ 1,207,099	\$ 1,320,538	1,417,346	\$ 96,808
EXPENDITURES				
General government support	\$ 91,539	\$ 91,539	66,539	\$ 25,000
Home and community services	876,613	533,244	326,861	206,383
Employee benefits	188,947	188,947	157,755	31,192
Total Expenditures	1,157,099	813,730	551,155	262,575
OTHER SOURCES				
Operating transfers out	50,000	506,808	506,809	1
Total Expenditures and Other Sources	\$ 1,207,099	\$ 1,320,538	1,057,964	\$ 262,576
Net Change in Fund Balance			359,382	
Fund Balance - Beginning of year			466,024	
Fund Balance - End of year			\$ 825,406	

CULLEN & DANOWSKI, LLP
CERTIFIED PUBLIC ACCOUNTANTS

VINCENT D. CULLEN, CPA
(1950 - 2013)

JAMES E. DANOWSKI, CPA
PETER F. RODRIGUEZ, CPA
JILL S. SANDERS, CPA
DONALD J. HOFFMANN, CPA
CHRISTOPHER V. REINO, CPA
ALAN YU, CPA

**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 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 Incorporated Village of Ocean Beach (Village), as of and for the year ended May 31, 2016, and the related notes to financial statements, as listed in the table of contents, which collectively comprise the Village's basic financial statements and have issued our report thereon dated November 4, 2016. As described more fully in Note 1, the Incorporated Village of Ocean Beach has prepared these financial statements in accordance with the financial reporting provisions of the New York State Office of the State Comptroller, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 November 4, 2016.

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

November 4, 2016

APPENDIX C

FORM OF BOND COUNSEL OPINION

FORM OF BOND COUNSEL OPINION

October 24, 2017

The Board of Trustees of the
Village of Ocean Beach, in the
County of Suffolk, New York

Ladies and Gentlemen:

We have acted as Bond Counsel to the Village of Ocean Beach (the “Village”), in the County of Suffolk, a municipal corporation of the State of New York, and have examined a record of proceedings relating to the authorization, sale and issuance of the \$3,500,000 Bond Anticipation Notes – 2017 Series D (the “Notes”) of the Village dated and delivered on the date hereof.

In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity with originals of all documents submitted to us as copies thereof.

Based upon and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Notes is a valid and legally binding general obligation of the Village for which the Village has validly pledged its faith and credit and, unless paid from other sources, all the taxable real property within the Village is subject to the levy of ad valorem real estate taxes to pay the Notes and interest thereon, subject to certain statutory limitations imposed by Chapter 97 of the New York Laws of 2011, as amended. The enforceability of rights or remedies with respect to such Notes may be limited by bankruptcy, insolvency, or other laws affecting creditors’ rights or remedies heretofore or hereafter enacted.

2. Under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Notes is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax imposed on individuals and corporations under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations.

The Code establishes certain requirements that must be met subsequent to the issuance of the Notes in order that the interest on the Notes be and remain excludable from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of proceeds of the Notes, restrictions on the investment of proceeds of the Notes prior to expenditure and the requirement that certain earnings be rebated to the federal government. Noncompliance with such requirements may cause the interest on the Notes to become subject to federal income taxation retroactive to the date of issuance thereof, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of issuance of the Notes, the Village will execute a Tax Certificate relating to the Notes containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Certificate, the Village represents that it will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure that the interest on the Notes will, for federal income tax purposes, be excluded from gross income.

In rendering the opinion in this paragraph 2, we have relied upon and assumed (i) the material accuracy of the Village's certifications, statements of intention and reasonable expectations, and certifications of fact contained in the Tax Certificate with respect to matters affecting the status of the interest on the Notes, and (ii) compliance by the Village with the procedures and certifications set forth in the Tax Certificate as to such tax matters.

3. Under existing statutes, interest on the Notes is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York.

Except as stated in paragraphs 2 and 3 above, we express no opinion as to any other federal, state or local tax consequences with respect to the Notes or the ownership or disposition thereof. Further, we express no opinion herein as to the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel on the exclusion from gross income for federal income tax purposes of the interest on the Notes, or under state and local tax law.

We render our opinion under existing statutes and court decisions as of the date of issuance of the Notes, and we assume no obligation to update, revise or supplement this opinion after the issue date to reflect any action hereafter taken or not taken, or any facts or circumstances, or any change in law or in interpretations thereof, or otherwise, that may hereafter arise or occur, or for any other reason.

We give no assurances as to the accuracy, sufficiency or completeness of the Preliminary or Final Official Statement or any proceedings, reports, correspondence, financial statements or other documents, containing financial or other information relative to the Village which have been or may hereafter be furnished or disclosed to purchasers of said Notes.

Very truly yours,

APPENDIX D

FORM OF UNDERTAKING TO PROVIDE NOTICES OF EVENTS

UNDERTAKING TO PROVIDE NOTICES OF EVENTS

Section 1. Definitions

“EMMA” shall mean the Electronic Municipal Market Access System implemented by the MSRB.

“GAAP” shall mean generally accepted accounting principles as in effect from time to time in the United States.

“Holder” shall mean any registered owner of the Securities and any beneficial owner of Securities within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934.

“Issuer” shall mean the Village of Ocean Beach, in the County of Suffolk, a municipal corporation of the State of New York.

“MSRB” shall mean the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934.

“Purchaser” shall mean the financial institution referred to in the Certificate of Determination, executed by the Village Treasurer as of October 24, 2017.

“Rule 15c2-12” shall mean Rule 15c2-12 under the Securities Exchange Act of 1934, as amended through the date of this Undertaking, including any official interpretations thereof.

“Securities” shall mean the Issuer’s \$3,500,000 Bond Anticipation Note – 2017 Series D, dated October 24, 2017, maturing on April 12, 2018, and delivered on the date hereof.

Section 2. Obligation to Provide Notices of Events. (a) The Issuer hereby undertakes, for the benefit of Holders of the Securities, to provide or cause to be provided either directly or through Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776 to the Electronic Municipal Market Access (“EMMA”) System implemented by the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of such Board contemplated by the Undertaking, in a timely manner, not in excess of ten (10) business days after the occurrence of any such event, notice of any of the following events with respect to the Securities:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;

- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Securities, or other events affecting the tax status of the Securities;
- (7) modifications to rights of Securities holders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution, or sale of property securing repayment of the Securities, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the Issuer;

Note to clause (12): For the purposes of the event identified in clause (12) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer;

- (13) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (14) appointment of a successor or additional trustee or the change of name of a trustee, if material.

(b) Nothing herein shall be deemed to prevent the Issuer from disseminating any other information in addition to that required hereby in the manner set forth herein or in any other manner. If the Issuer disseminates any such additional information, the Issuer shall have no obligation to update such information or include it in any future materials disseminated hereunder.

(c) Nothing herein shall be deemed to prevent the Issuer from providing notice of the occurrence of certain other events, in addition to those listed above, if the Issuer determines that any such other event is material with respect to the Securities; but the Issuer does not undertake to commit to provide any such notice of the occurrence of any event except those events listed above.

Section 3. Remedies. If the Issuer shall fail to comply with any provision of this Undertaking, then any Holder of Securities may enforce, for the equal benefit and protection of all Holders similarly situated, by mandamus or other suit or proceeding at law or in equity, this Undertaking against the Issuer and any of the officers, agents and employees of the Issuer, and may compel the Issuer or any such officers, agents or employees to perform and carry out their duties under this Undertaking; provided that the sole and exclusive remedy for breach of this Undertaking shall be an action to compel specific performance of the obligations of the Issuer hereunder and no person or entity shall be entitled to recover monetary damages hereunder under any circumstances. Failure to comply with any provision of this Undertaking shall not constitute an event of default on the Securities.

Section 4. Parties in Interest. This Undertaking is executed to assist the Purchaser to comply with (b)(5) of the Rule and is delivered for the benefit of the Holders. No other person shall have any right to enforce the provisions hereof or any other rights hereunder.

Section 5. Amendments. Without the consent of any holders of Securities, the Issuer at any time and from time to time may enter into any amendments or changes to this Undertaking for any of the following purposes:

- (a) to comply with or conform to any changes in Rule 15c2-12 (whether required or optional);
- (b) to add a dissemination agent for the information required to be provided hereby and to make any necessary or desirable provisions with respect thereto;
- (c) to evidence the succession of another person to the Issuer and the assumption of any such successor of the duties of the Issuer hereunder;
- (d) to add to the duties of the Issuer for the benefit of the Holders, or to surrender any right or power herein conferred upon the Issuer;
- (e) to cure any ambiguity, to correct or supplement any provision hereof which may be inconsistent with any other provision hereof, or to make any other provisions with respect to matters or questions arising under this Undertaking which, in each case, comply with Rule 15c2-12 or Rule 15c2-12 as in effect at the time of such amendment or change;

provided that no such action pursuant to this Section 5 shall adversely affect the interests of the Holders in any material respect. In making such determination, the Issuer shall rely upon an opinion of nationally recognized bond counsel.

Section 6. Termination. This Undertaking shall remain in full force and effect until such time as all principal, redemption premiums, if any, and interest on the Securities shall have been paid in full or the Securities shall have otherwise been paid or legally defeased in accordance with their terms. Upon any such legal defeasance, the Issuer shall provide notice of such defeasance to the EMMA System. Such notice shall state whether the Securities have been defeased to maturity or to redemption and the timing of such maturity or redemption.

Section 7. Undertaking to Constitute Written Agreement or Contract. This Undertaking shall constitute the written agreement or contract for the benefit of Holders of Securities, as contemplated under Rule 15c2-12.

Section 8. Governing Law. This Undertaking shall be governed by the laws of the State of New York determined without regard to principles of conflict of law.

IN WITNESS WHEREOF, the undersigned has duly authorized, executed and delivered this Undertaking as of October 24, 2017.

VILLAGE OF OCEAN BEACH

By _____
Village Treasurer