INCORPORATED VILLAGE OF ASHAROKEN

NORTHPORT, NEW YORK

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MAY 31, 2020

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SKINNON AND FABER
Certified Public Accountants, P.C.

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Incorporated Village of Asharoken
Northport, New York

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Incorporated Village of Asharoken, as of May 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

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

Skinnon and Faber, CPA's, P.C.

SKINNON AND FABER, CPA'S, P.C.
Islandia, New York
September 3, 2020

Management's Discussion and Analysis
(Unaudited)

The Board of Trustees of the Incorporated Village of Asharoken (the Village), would like to offer readers of the Village's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended May 31, 2020. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The Statement of Net Position and the Statement of Activities provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. Fund financial statements report how Village activities were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail by providing information about the Village's most significant funds. The financial statements also include notes that provide additional information about the financial statements and the balances reported. The statements are followed by the required supplementary information, which supports the financial statements with a comparison of the Village's General Fund budget for the year, as well as the schedule of the local government's proportionate share of the net pension liability, the schedule of local government contributions, and the schedule of changes in net OPEB liability and related ratios.

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

Net Position

The Village's total net position decreased by $1,330,974 for the fiscal year ended May 31, 2020. A condensed summary of the Village's Statement of Net Position for the current year is detailed below:

Condensed Statement of Net Position – Governmental Activities

	May 31, 2020	May 31, 2019
Assets		
Current and Other Assets	$ 1,690,459	$ 1,647,416
Capital Assets (net)	1,617,775	1,737,038
Total Assets	3,308,234	3,384,454
Deferred Outflows of Resources	648,533	264,943
Liabilities		
Liabilities	122,487	88,276
Long-Term Liabilities	3,954,937	2,185,097
Total Liabilities	4,077,424	2,273,373
Deferred Inflows of Resources	20,092	185,799
Net Position		
Net Investment in Capital Assets	1,617,775	1,737,038
Unrestricted	(1,758,524)	(546,813)
Total Net Position	$ (140,749)	$ 1,190,225

Net investment in capital assets is the Village's investment in capital assets such as buildings, infrastructure, machinery and equipment, furniture and fixtures, and vehicles, reduced by accumulated depreciation. This figure also includes land, which is not depreciated. More detailed information can be found in the Notes to the Financial Statements.

Change in Net Position

The Statement of Activities reports the result of the current and prior year's operations and the effect on net position in the accompanying financial statements. A summary of changes in net position from operating results is shown below:

Change in Net Position from Operating Results – Governmental Activities

	For The Year Ended	
	May 31, 2020	**May 31, 2019**
Revenues		
Program Revenues:		
Fees, Fines and Charges for Services	$ 126,364	$ 126,459
Operating Grants and Contributions	58,489	58,489
Capital Grants and Contributions	13,533	114,938
General Revenues:		
Property Taxes and Property/Non Property Tax Items	1,707,683	1,709,033
Use of Money and Property	37,360	30,063
State Aid	39,787	36,037
Gifts and Donations	4,000	9,000
Other	56,957	23,324
Total Revenues	2,044,173	2,107,343
Expenses		
Governmental Activities:		
General Government Support	464,327	415,159
Public Safety	2,718,351	1,406,903
Transportation	25,968	22,794
Culture and Recreation	19,700	30,250
Home and Community Services	146,801	129,052
Total Expenses	3,375,147	2,004,158
Change in Net Position	(1,330,974)	103,185
Net Position - Beginning of Year	1,190,225	2,175,920
Beginning Balance Adjustment	-	(1,088,880)
Net Position - Beginning of Year, as Restated	1,190,225	1,087,040
Net Position - End of Year	$ (140,749)	$ 1,190,225

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATION

The Village had an excess of expenses over revenues of $1,330,974. This excess caused a decrease in net position. The Village's long-term liabilities, which consist primarily of Other Post-Employment Benefits, caused a large increase in employee benefit expenses for the year; this was the single largest factor that affected Village operations.

The Village had a net decrease in total revenues of $63,170 as compared to the previous year. This was mainly due to the grant revenue received during the prior fiscal year.

In addition, the Village had a net increase in total expenses of $1,370,989, as compared to the prior year. Overall, most expenses were in line with the prior year. This was mainly due to an increase in Other Post-Employment Benefits of $1,116,976 compared to the prior year.

ANALYSIS OF BALANCES AND TRANSACTIONS OF INDIVIDUAL FUNDS

The fund balance in the General Fund increased by $120,071 to $1,561,632. Of this amount, the Board of Trustees has assigned $216,200 to the subsequent year budget and $1,212,263 for other future obligations including infrastructure, feasibility study, retirement, health insurance, police, marine, sanitation, equipment maintenance, building repair and maintenance costs, and other purposes. A schedule of these assigned amounts is included in the notes to the financial statements.

BUDGETARY ANALYSIS

No significant variations existed between the original budget and the final budget amounts for the General Fund.

The following variances existed between the final budget for the fiscal year ended May 31, 2020 and the actual results:

Revenues:

- Final actual amounts exceeded budgeted revenue by $87,234.
- Licenses and Permits: (increase $50,744) conservative budgeting of this revenue item led to a large variance, as actual fees were much greater than expected, due to increased construction activity in the Village as compared to the prior year.

Expenditures:

- Actual total expenditures were $207,305 less than the final budgeted amounts.
- General Government Support: Most expenditures were in line with expected amounts. Overall, expenditures related to General Government Support were $133,802 less than budgeted amounts. This was primarily due to a contingency amount set up for future expenditures as well as anticipated future legal costs totaling $80,845.
- Public Safety: Expenditures were $38,735 less than the amount budgeted. This was mainly due to police personnel services being under budget due to the effects of COVID-19.

These variations from budgeted amounts are not expected to affect future services or liquidity.

A detailed schedule showing the budgeted amounts compared to the Village's actual financial activity for the General Fund is provided in this report as required supplementary information.

CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

The Village's investment in capital assets as of May 31, 2020 totaled $1,617,775 (net of accumulated depreciation). The decrease in net capital assets for the year was $119,263. During the course of the fiscal year, the Village acquired various capital assets totaling $15,187. The acquisitions were capitalized and are being depreciated, where applicable, using the straight-line method of depreciation. The Village had no long-term debt activity.

INFRASTRUCTURE ASSETS

There were no significant changes in the assessed condition of eligible infrastructure assets.

CURRENTLY KNOWN FACTS, DECISIONS AND CONDITIONS

The economic conditions of the Village mirror those of the rest of the region. The Village faces increasing costs and shrinking revenues from non property tax revenue. The administration has been diligent in controlling expenses while continuing to provide efficient services to the residents.

CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT

This financial report is designed to provide the reader with a general overview of the Village's finances and to demonstrate the Village's accountability for the funds it receives. If you have any questions about this report, or need additional financial information, contact:

Incorporated Village of Asharoken
Nancy Rittenhouse, Village Clerk
1 Asharoken Avenue
Northport, New York 11768

INCORPORATED VILLAGE OF ASHAROKEN
Statement of Net Position
May 31, 2020

ASSETS		
Cash and Cash Equivalents	$	1,596,228
Accounts Receivable		7,312
State and Federal Aid Receivable		22,486
Prepaid Expenses		64,433
Capital Assets (net)		1,617,775
Total Assets		3,308,234
DEFERRED OUTFLOWS OF RESOURCES		648,533
LIABILITIES		
Accounts Payable		122,487
Long-Term Liabilities:		
Net Pension Liability:		
Due Within One Year		-
Due in More than One Year		839,029
Other Post-Employment Benefits:		
Due Within One Year		-
Due in More than One Year		2,861,278
Compensated Absences:		
Due Within One Year		25,463
Due in More than One Year		229,167
Total Liabilities		4,077,424
DEFERRED INFLOWS OF RESOURCES		20,092
NET POSITION		
Net Investment in Capital Assets		1,617,775
Unrestricted		(1,758,524)
Total Net Position	$	(140,749)

See Notes to the Financial Statements

INCORPORATED VILLAGE OF ASHAROKEN
Statement of Activities
For the Year Ended May 31, 2020

Functions/Programs	Expenses	Program Revenues: Fees, Fines and Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) / Revenue
Governmental Activities:					
General Government Support	$ 464,327	$ 74,201	$ -	$ -	$ (390,126)
Public Safety	2,718,351	47,433	58,489	445	(2,611,984)
Transportation	25,968	-	-	13,088	(12,880)
Culture and Recreation	19,700	2,530	-	-	(17,170)
Home and Community Services	146,801	2,200	-	-	(144,601)
Total Governmental Activities	$ 3,375,147	$ 126,364	$ 58,489	$ 13,533	(3,176,761)
General Revenues:					
Real Property Taxes and Related Tax Items					1,675,257
Non Property Tax Items					32,426
Use of Money and Property					37,360
State Aid					39,787
Gifts and Donations					4,000
Compensation for Loss					38,877
Other Revenues					18,080
Total General Revenues					1,845,787
Change in Net Position					(1,330,974)
Net Position - Beginning of Year					1,190,225
Net Position - End of Year					$ (140,749)

See Notes to the Financial Statements

INCORPORATED VILLAGE OF ASHAROKEN
Balance Sheet
May 31, 2020

	General
Assets	
Cash and Cash Equivalents	$ 1,596,228
Accounts Receivable	7,312
State and Federal Aid Receivable	22,486
Total Assets	$ 1,626,026
Liabilities and Fund Balance	
Liabilities:	
Accounts Payable	$ 64,394
Total Liabilities	64,394
Fund Balance:	
Assigned - Appropriated	216,200
Assigned - Other	1,212,263
Unassigned	133,169
Total Fund Balance	1,561,632
Total Liabilities and Fund Balance	$ 1,626,026

See Notes to the Financial Statements

INCORPORATED VILLAGE OF ASHAROKEN
Reconciliation of the Governmental Fund Balance Sheet
to the Statement of Net Position
As of May 31, 2020

Total Fund Balance - Total Governmental Fund	$ 1,561,632
This amount differs from the amount of net position shown in the Statement of Net Position due to the following:	
Amounts for prepaid expenses are included in the government-wide financial statements as assets and are added.	64,433
Deferred inflows of resources and deferred outflows of resources are not due and payable in the current period and, accordingly, are not reported as fund liabilities and are added.	628,441
Capital assets are included as assets in the government-wide financial statements and are added, net of accumulated	1,617,775
Liabilities that do not require the use of current financial resources are included in the government-wide financial statements and are deducted.	(58,093)
Long-term liabilities do not require the use of current financial resources and, accordingly, are not reported in the governmental funds. These liabilities are, however, included in the government-wide financial statements and are deducted.	
Net Pension Liability	(839,029)
Other Post-Employment Benefits	(2,861,278)
Compensated Absences	(254,630)
Total Net Position	$ (140,749)

INCORPORATED VILLAGE OF ASHAROKEN
Statement of Revenues, Expenditures and Change in Fund Balance
For the Year Ended May 31, 2020

	General
Revenues:	
Real Property Taxes	$ 1,671,766
Real Property Tax Items	3,491
Non Property Tax Items	32,426
Departmental Income	5,187
Use of Money and Property	37,360
Licenses and Permits	73,744
Fines and Forfeitures	47,433
Sale of Property and Compensation For Loss	38,877
Miscellaneous Local Sources	22,080
State Aid	111,809
Total Revenues	2,044,173
Expenditures:	
General Government Support	309,518
Public Safety	1,036,417
Transportation	20,515
Culture and Recreation	25,013
Home and Community Services	106,995
Employee Benefits	425,644
Total Expenditures	1,924,102
Net Change in Fund Balance	120,071
Fund Balance at Beginning of Year	1,441,561
Fund Balance at End of Year	$ 1,561,632

See Notes to the Financial Statements

INCORPORATED VILLAGE OF ASHAROKEN
Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balance of the Governmental Fund to the Statement of Activities
For the Year Ended May 31, 2020

Net Change in Fund Balance Shown for Total Governmental Fund		$ 120,071
This amount differs from the change in net position shown in the Statement of Activities because of the following:		
Capital outlays for acquisition of capital assets are recorded in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital expenditures	15,187	
Depreciation expense	(132,288)	
Disposition of capital asset	(2,162)	(119,263)
Expenditures for insurance premiums and service contracts are recorded in the Governmental Funds when the payments are due. In the Statement of Activities, these costs are allocated over the policy period that they pertain to. This is the amount by which the current period expenditures exceed the total costs allocated over the applicable periods.		94
Deferred inflows of resources and deferred outflows of resources are not due and payable in the current period and, accordingly, are not reported as fund liabilities.		439,657
Most expenditures are recorded in the Governmental Funds when payments are due. In the Statement of Activities, these costs are allocated over the period that they pertain to.		(1,693)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund.		
Other Post-Employment Benefits	(1,116,976)	
Net Pension Liability	(634,311)	
Compensated Absences	(18,553)	(1,769,840)
Change in Net Position of Governmental Activities Shown in the Statement of Activities		$ (1,330,974)

INCORPORATED VILLAGE OF ASHAROKEN
Statement of Fiduciary Net Position
For the Year Ended May 31, 2020

		Agency
ASSETS		
Cash and Cash Equivalents	$	1,410
Total Assets		1,410
LIABILITIES		
Due to Other Governments		1,410
Total Liabilities	$	1,410

See Notes to the Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Village have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. FINANCIAL REPORTING ENTITY

The Incorporated Village of Asharoken (the Village), which was established in 1925, is governed by Village Law, General Laws of the State of New York, and various local laws. The Board of Trustees is the legislative body responsible for overall operations, the Mayor serves as chief executive officer and the Treasurer serves as chief fiscal officer. The Village operates under a Board of Trustees form of government and provides the following services as authorized by its charter: general government, public safety, contracted fire services, refuse collection and road maintenance.

All governmental activities and functions performed for the Incorporated Village of Asharoken are its direct responsibility. No other governmental organizations have been included or excluded from the reporting entity.

The financial reporting entity consists of: (a) the primary government which is the Village, (b) organizations for which the primary government is financially accountable, 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 in GASB statement 14, 39 and 61.

The decision to include a potential component unit in the Village's reporting entity is based on several criteria set forth in GASB 14, 39 and 61 including legal standing, fiscal dependency, and financial accountability. No other organizations have been included or excluded from the reporting entity.

B. BASIS OF PRESENTATION

1. <u>Government-Wide Financial Statements:</u>

   The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all of the activities of the Village. Fiduciary activities of the Village are not included in these statements.

   These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the Village's assets and liabilities, including capital and infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the Village are reported in three categories: 1) fees, fines, and charges for services, 2) operating grants and contributions and 3) capital grants and contributions.

Certain eliminations (as necessary) have been made as prescribed by GASB Statement No. 34 in regard to interfund activities, payables and receivables. All interfund balances in the Statement of Net Position have been eliminated (where applicable).

2. Fund Financial Statements:

The Village uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts.

The Village records its transactions in the fund types described below.

Fund Categories

GOVERNMENTAL FUNDS - 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 upon determination of financial position and changes in financial position. The following are the Village's governmental fund types.

General Fund – the principal operating fund and includes all operations not accounted for and reported in another fund.

FIDUCIARY FUNDS – used to account for assets held by the local government in a trustee or custodial capacity.

Agency Funds – used to account for money (and/or property) received and held in a purely custodial capacity of trustee, custodian, or agent.

3. Equity Classifications:

Government-Wide Financial Statements

Equity is classified as net position and displayed in three components:

a. Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

b. Restricted net position – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

c. Unrestricted net position – All other net assets that do not meet the definition of "restricted" or "net investment in capital assets."

Fund Financial Statements

In 2011, the Village implemented Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54). GASB 54 changed the classification of fund balance to focus on the constraints imposed on resources in governmental funds, instead of the previous focus on availability for appropriation.

Fund balance is now broken down into five different classifications: nonspendable, restricted, committed, assigned, and unassigned.

a. Nonspendable - Consists of assets that are inherently nonspendable in the current period either because of their form or because they must be maintained intact, including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and principal of endowments.

b. 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.

c. Committed - Consists of amounts that are subject to a purpose constraint imposed by a formal action of the government's highest level of decision-making authority before the end of the fiscal year, and that require the same level of formal action to remove the constraint. The Board is the decision-making authority that can, by resolution prior to the end of the fiscal year, commit fund balance.

d. Assigned - Consists of amounts that are subject to a purpose constraint that represents an intended use established by the government's highest level of decision-making authority, or by their designated body or official. The purpose of the assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, the assigned fund balance represents the residual amount of the fund balance.

e. Unassigned - Represents the residual classification for the government's general fund, and could report a surplus or deficit. In funds other than the general fund, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

When resources are available from multiple classifications, the Village spends funds in the following order: restricted, committed, assigned, unassigned.

C. BASIS OF ACCOUNTING/MEASUREMENT FOCUS

Basis of accounting refers to when revenues and expenditures/expenses and the related assets, deferred outflows, liabilities and deferred inflows are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus. Measurement focus is the determination of what is measured, i.e. expenditures or expenses.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities are included on the Statement of Net Position and the operating statements present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recognized at the time the liability is incurred.

Modified Accrual Basis **–** Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting.

Under this basis of accounting, revenues are recorded when measurable and available. Available means collectible within the current period or soon enough, thereafter, to be used to pay liabilities of the current period. Revenues are considered available if collected within 60 days of the end of the current fiscal year.

Material revenues that are accrued include real property taxes, State and Federal Aid, sales tax and certain other charges. If expenditures are the prime factor for determining eligibility, revenue from Federal and State grants are accrued when the expenditure is made, all other grant requirements have been met, and the resources are available. Expenditures are recorded when a liability is incurred except that:

- Expenditures for prepaid items and inventory-type items are recognized at the time of purchase.
- Principal and interest on indebtedness are recognized as an expenditure when payment is due.
- Compensated absences, such as vacation and sick leave, which vests or accumulates, are charged as an expenditure when payment is due.
- Other post-employment benefits are charged as expenditures when payment is due.

D. PROPERTY TAXES

Village real property taxes are levied annually no later than May 15 and become a lien on the first day of the levy year. Taxes are collected during the period June 1 to July 1 without penalty or interest. Penalty and interest are imposed pursuant to the Real Property Tax Law.

General Municipal Law Section 3-c established a tax levy limit for local governments in New York State effective June 24, 2011. This law generally limits the amount by which local governments can increase property tax levies to 2 percent or the rate of inflation, whichever is less. The law does provide exclusions for certain specific costs and allows the governing board to override the tax levy limit with a supermajority vote.

E. BUDGETARY DATA

1. Budget Policies - The budget policies are as follows:

   a. No later than March 20, the budget officer submits a tentative budget to the Board of Trustees for the fiscal year commencing the following June 1. The tentative budget includes proposed expenditures and the proposed means of financing the General Fund.
   b. A public hearing is conducted by the Board of Trustees to obtain comments, no later than May 1, the Board of Trustees adopts the budget.
   c. All modifications to the budget must be approved by the Board of Trustees. However, the Treasurer is authorized to transfer certain budget amounts within departments.
   d. Budgets are adopted annually on a basis consistent with generally accepted accounting principles applicable to municipalities.
   e. Appropriations in all budgeted funds lapse at the end of the fiscal year, except that outstanding encumbrances are re-appointed in the subsequent year.

F. CAPITAL ASSETS

Capital assets, which include buildings, infrastructure, machinery and equipment, furniture and fixtures, vehicles, and land, are reported in the government-wide financial statements. The capital assets are reported at original cost. Depreciation has been recorded using the straight-line method over 25 years for infrastructure, 5 to 10 years for machinery and equipment and furniture and fixtures, and 7 to 10 years for vehicles. Construction in progress and land are not depreciated. The Village capitalizes all fixed assets with a cost of $500 or more.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

The costs associated with the acquisition or construction of capital assets are shown as capital outlay expenditures in governmental funds. Capital assets are not shown on governmental fund balance sheets.

G. COMPENSATED ABSENCES

Village police officers are granted vacation pay, sick leave and other compensatory hours in varying amounts. Estimated vacation pay, sick leave and other compensatory hours accumulated by police officers have been recorded in the government-wide financial statements. Payment of this estimated liability is dependent upon many factors, therefore, timing of future payments is not readily determinable. However, management believes that sufficient resources will be made available for the payment of these obligations when such payment becomes due. At May 31, 2020, the Village has an estimated liability of $254,630 for compensated absences.

H. OTHER POST-EMPLOYMENT BENEFITS

In addition to providing pension benefits, the Village provides health insurance coverage and survivor benefits for retired employees and their survivors. Currently, only members of the Village's Police Department are eligible for these benefits.

Healthcare benefits and survivor's 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 governmental funds in the year paid. The liability for these other post-employment benefits payable is recorded as a long-term debt in the government-wide financial statements. The debt is estimated based on the most recent actuarial valuation in accordance with the parameters of GASB Statement No. 75.

I. INSURANCE

The Village assumes the liability for most risk including, but not limited to, property damage and personal injury liability. Judgments and claims are recorded when it is probable that an asset has been impaired or a liability has been incurred and the amount of the loss can be reasonably estimated.

J. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results may differ from those estimates.

K. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* and GASB Statement No. 65, *Items*

Previously Reported as Assets and Liabilities, defined and classified deferred outflows of resources and deferred inflows of resources. A deferred outflow of resources is a consumption of net assets that applies to future period(s), and as such, will not be recognized as an outflow of resources (expense/expenditure) until that time. A deferred inflow of resources is an acquisition of net assets that applies to future period(s), and as such, will not be recognized as an inflow of resources (revenue) until that time.

II. DETAIL NOTES ON ALL FUNDS

A. ASSETS

1. Cash and Investments:

The Village investment policy is governed by State statutes. In addition, the Village has its own written investment policy. Village monies must be deposited in FDIC-insured commercial banks or trust companies located within the State. The Village Treasurer is authorized to use demand accounts and certificates of deposit. 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 deposits and certificates of deposit as provided for by law of all deposits not covered by federal deposit insurance (FDIC). Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and school districts.

For purposes of reporting cash flow, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and near their maturity.

Deposits and investments at year-end were entirely covered by federal depository insurance or by collateral held by the Village's custodial bank in the Village's name. They consisted of:

Deposits: All deposits, including certificates of deposit, are carried at cost plus accrued interest.

Bank balances for the Village's deposits with financial institutions as of May 31, 2020 totaled $1,641,132 and are covered by FDIC insurance or third-party collateral as follows:

Checking - Demand and Interest Bearing	$ 1,641,132
Total Balances	$ 1,641,132
Amount FDIC - Insured	$ 455,285
Collateral Held by Village's Letter of Credit	1,390,983
Total Balances	$ 1,846,268

2. Changes in Capital Assets:

A summary of changes in capital assets follows:

Capital Assets	Balance May 31, 2019	Additions	Reductions	Balance May 31, 2020
Buildings	$ 1,165,685	$ -	$ -	$ 1,165,685
Infrastructure	872,077	-	-	872,077
Machinery and Equipment	170,983	15,187	-	186,170
Furniture and Fixtures	43,428	-	-	43,428
Vehicles	313,322	-	(30,266)	283,056
Land	85,930	-	-	85,930
	2,651,425	15,187	(30,266)	2,636,346
Accumulated Depreciation				
Buildings	(175,246)	(54,462)	-	(229,708)
Infrastructure	(345,773)	(34,884)	-	(380,657)
Machinery and Equipment	(125,716)	(11,787)	-	(137,503)
Furniture and Fixtures	(36,274)	(5,892)	-	(42,166)
Vehicles	(231,378)	(25,263)	28,104	(228,537)
Land	-	-	-	-
	(914,387)	(132,288)	28,104	(1,018,571)
Totals				
Buildings	990,439	(54,462)	-	935,977
Infrastructure	526,304	(34,884)	-	491,420
Machinery and Equipment	45,267	3,400	-	48,667
Furniture and Fixtures	7,154	(5,892)	-	1,262
Vehicles	81,944	(25,263)	(2,162)	54,519
Land	85,930	-	-	85,930
Capital Assets (net)	$ 1,737,038	$ (117,101)	$ (2,162)	$ 1,617,775

Depreciation expense was charged as a direct expense to programs of the primary government as follows:

Governmental Activities

General Government Support	$ 86,653
Public Safety	40,182
Transportation	5,453
Total Depreciation Expense-Governmental Activities	$ 132,288

B. LIABILITIES

1. Pension Plan:

Plan Description

The Village of Asharoken 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), which are collectively referred to as the New York State and Local Retirement System (the System). These are cost-sharing, multiple-employer defined retirement systems. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in fiduciary net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides the 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 System is included in the State's financial report as a pension trust fund. That report may be found at ww.osc.state.ny.us/retire/about_us/financial_statements_index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

Membership Tiers

Pension legislation enacted in 1973, 1976, 1983, 2009 and 2012 established distinct classes of membership. For convenience, the System uses a tier concept to distinguish these groups, generally:

ERS

Tier 1 Those persons who last became members before July 1, 1973.

Tier 2 Those persons who last became members on or after July 1, 1973, but before July 27, 1976.

Tier 3 Generally, those persons who are State correction officers who last became members on or after July 27, 1976, but before January 1, 2010, and all others who last became members on or after July 27, 1976, but before September 1, 1983.

Tier 4 Generally, except for correction officers, those persons who last became members on or after September 1, 1983, but before January 1, 2010.

Tier 5 Those persons who last became members on or after January 1, 2010, but before April 1, 2012.

Tier 6 Those persons who first became members on or after April 1, 2012.

PFRS

Tier 1 Those persons who last became members before July 31, 1973.

Tier 2 Those persons who last became members on or after July 31, 1973, but before July 1, 2009.

Tier 3 Those persons who last became members on or after July 1, 2009, but before January 9, 2010.

Tier 4 N/A

Tier 5 Those persons who last became members on or after January 9, 2010, but before April 1, 2012, or who were previously PFRS Tier 3 members who elected to become Tier 5.

Tier 6 Those persons who first became members on or after April 1, 2012.

Vesting

Members who joined the System prior to January 1, 2010 need five years of service to be 100% vested. Members who joined on or after January 1, 2010 (ERS) or January 9, 2010 (PFRS) require ten years of service credit to be 100% vested.

Employer Contributions

Participating employers are required under the RSSL to contribute to the System at an actuarially determined rate adopted annually by the Comptroller. The average contribution rate for ERS for the fiscal year ended March 31, 2020 was approximately 14.6 percent of covered employee payroll. The average contribution rate for PFRS for the fiscal year ended March 31, 2020 was approximately 23.5 percent of covered employee payroll. Delinquent annual bills for employer contributions accrue interest at the actuarial rate applicable during the year. For the fiscal year ended March 31, 2020, the applicable interest rate was 7 percent.

Member Contributions

Generally, Tier 3, 4, and 5 members must contribute 3% of their salary to the System. As a result of Article 19 of the RSSL, eligible Tier 3 and 4 employees, with a membership date on or after July 27, 1976, who have ten or more years of membership or credited service with the System, are not required to contribute. Members cannot be required to begin making contributions or to make increased contributions beyond what was required when membership began. For Tier 6 members, the contribution rate varies from 3% to 6% depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service.

Contributions for the current year and two preceding years were equal to 100 percent of the contributions required, and were as follows:

2019-20	$	152,805
2018-19		172,099
2017-18		164,937

Benefits

Tiers 1 & 2

Eligibility: Tier 1 members, with the exception of those retiring under special retirement plans, must be at least 55 to be eligible to collect a retirement benefit. There is no minimum service requirement for Tier 1 members. Tier 2 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. The age at which full benefits may be collected for Tier 1 is 55, and the full benefit age for Tier 2 is 62.

Benefit Calculation: Generally, the benefit is 1.67% of final average salary for each year of service if the member retires with less than 20 years. If the member retires with 20 or more years of service, the benefit is 2% of final average salary for each year of service. Tier 2 members with five or more years of service can retire as early as age 55 with reduced benefits. Tier 2 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. As a result of Article 19 of the RSSL, Tier 1 and Tier 2 members who worked continuously from April 1, 1999 through October 1, 2000 received an additional month of service credit for each year of credited service they have at retirement, up to a maximum of 24 additional months.

Final average salary is the average of the wages earned in the three highest consecutive years of employment. For Tier 1 members who joined on or after June 17, 1971, each year used in the final average salary calculation is limited to no more than 20% greater than the previous year. For Tier 2 members, each year of final average salary is limited to no more than 20% greater than the average of the previous two years.

Tier 3, 4, and 5

Eligibility: Tier 3 and 4 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. Tier 5 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tiers 3, 4, and 5 is 62.

Benefit Calculation: Generally, the benefit is 1.67% of final average salary for each year of service if the member retires with less than 20 years. If a member retires with between 20 and 30 years of service, the benefit is 2% of final average salary for each year of service. If a member retires with more than 30 years of service, an additional benefit of 1.5% of final average salary is applied for each year of service over 30 years. Tier 3 and 4 members with five or more years of service and Tier 5 members with ten or more years of service can retire as early as age 55 with reduced benefits. Tier 3 and 4 members age 55 or older with 30 or more years of service can retire with no reduction in benefits.

Final average salary is the average of the wages earned in the three highest consecutive years of employment. For Tier 3, 4, and 5 members, each year of final average salary calculation is limited to no more than 10% greater than the average of the previous two years.

Tier 6

Eligibility: Tier 6 members, with the exception of those retiring under special retirement plans, must have ten years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 6 is 63 for ERS members and 62 for PFRS members.

Benefit Calculation: Generally, the benefit is 1.67% of final average salary for each year of service if the member retires with less than 20 years. If a member retires with 20 years of service, the benefit is 1.75% of final average salary for each year of service. If a member retires with more than 20 years of service, an additional benefit of 2% of final average salary is applied for each year of service over 20 years. Tier 6 members with ten or more years of service can retire as early as age 55 with reduced benefits.

Final average salary is the average of the wages earned in the five highest consecutive years. For Tier 6 members, each year of final average salary is limited to no more than 10% greater than the average of the previous four years.

Special Plans

The 25-Year Plans allow a retirement after 25 years of service with a benefit of one-half of final average salary, and the 20-Year Plans allow a retirement after 20 years of service with a benefit of one-half of final average salary. These plans are available to certain PFRS members, sheriffs, and correction officers.

Disability Retirement Benefits

Disability retirement benefits are available to ERS and PFRS members unable to perform their job duties because of permanent physical or mental incapacity. There are three general types of disability benefits: ordinary, performance of duty, and accidental disability benefits. Eligibility, benefit amounts, and other rules such as any offsets of other benefits depend on a member's tier, years of service, and plan.

Ordinary Death Benefits

Death benefits are payable upon the death, before retirement, of a member who meets eligibility requirements as set forth by law. The first $50,000 of an ordinary death benefit is paid in the form of group term life insurance. The benefit is generally three times the member's annual salary. For most members, there is also a reduced post-retirement ordinary death benefit available.

Post-Retirement Benefit Increases

A cost-of-living adjustment is provided annually to: (i) all pensioners who have attained age 62 and have been retired for five years; (ii) all pensioners who have attained age 55 and have been retired for ten years; (iii) all disability pensioners, regardless of age, who have been retired for five years; (iv) ERS recipients of an accidental death benefit, regardless of age, who have been receiving such benefit for five years; and (v) the spouse of a deceased retiree receiving a lifetime benefit under an option elected by the retiree at retirement. An eligible spouse is entitled to one-half the cost-of-living adjustment amount that would have been paid to the retiree when the retiree would have met the eligibility criteria. The cost-of-living adjustment is a percentage of the annual retirement benefit of the eligible member as computed on a base benefit amount not to exceed $18,000 of the annual retirement benefit. The cost-of-living percentage shall be 50 percent of the annual Consumer Price Index as published by the U.S. Bureau of Labor, but cannot be less than 1 percent or exceed 3 percent.

<u>Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions</u>

At May 31, 2020, the Village reported a liability of $839,029 for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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 pension plan relative to the projected contributions of all participating members, actuarially determined.

At May 31, 2020, the Village's proportion was 0.0002450 percent for ERS, which was a decrease of .0000124 from its proportion measured at March 31, 2019. The Village's proportion for PFRS was 0.0144840 percent, which was an increase of .0033645 from its proportion measured at March 31, 2019.

For the year ended May 31, 2020, the Village recognized pension expense of $347,459. At May 31, 2020, 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
Differences Between Expected and Actual Experience	$ 55,369	$ 12,967
Changes of Assumptions	67,478	1,128
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	381,883	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	143,803	5,997
Village's Contributions Subsequent to the Measurement Date	-	
	$ 648,533	$ 20,092

There were no amounts reported as deferred outflows of resources related to pensions resulting from the Village contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended March 31:	
2021	$ 143,910
2022	153,154
2023	175,630
2024	141,439
2025	14,308
	$ 628,441

<u>Actuarial Assumptions</u>

The total pension liability at March 31, 2020 measurement date was determined by using an actuarial valuation as of April 1, 2019, with update procedures used to roll forward the total pension liability to March 31, 2020. The actuarial valuation for both ERS and PFRS used the following actuarial assumptions:

INCORPORATED VILLAGE OF ASHAROKEN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2020

	ERS	PFRS
Inflation	2.5%	2.5%
Salary Increases	4.2%	5.0%
Investment Rate of Return, (net of investment expense, including inflation)	6.8%	6.8%
Cost of Living Adjustments	1.3%	1.3%

Annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2018. The previous actuarial valuation as of April 1, 2018 used the Society of Actuaries' Scale MP-2014.

The actuarial assumptions used in the April 1, 2019 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 using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding expected inflation. The previous actuarial valuation as of April 1, 2018 used a long-term expected rate of return of 7.0%.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	36 %	4.05 %
International equity	14	6.15
Private equity	10	6.75
Real estate	10	4.95
Absolute return strategies (1)	2	3.25
Opportunistic portfolio	3	4.65
Real assets	3	5.95
Bonds and mortgages	17	0.75
Cash	1	0.00
Inflation-indexed bonds	4	0.50
	100 %	

The real rate of return is net of the long-term inflation assumptions of 2.5%

(1) Excludes equity-oriented and long-only funds. For investment management purposes, these funds are included in domestic equity and international equity.

Discount Rate

The discount rate used to calculate the total pension liability was 6.8 percent. 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. Based upon those assumptions, the System's 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 Liability to the Discount Rate Assumption

The following presents the Village's proportionate share of the net pension liability calculated using the discount rate of 6.8 percent, 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 (5.8 percent) or 1-percentage-point higher (7.8 percent) than the current rate:

	1% Decrease (5.8%)	Current Assumption (6.8%)	1% Increase (7.8%)
ERS Net Pension Liability (Assets)	$ 119,054	$ 64,870	$ 14,966
PFRS Net Pension Liability (Assets)	1,384,213	774,159	227,843

Pension Plan Fiduciary Net Position

The components of the net pension liability of participating employers as of March 31, 2020 were as follows:

	Employees' Retirement System	Police and Fire Retirement System	Total
		(Dollars in thousands)	
Employers' total pension liability	$ 194,596,261	$ 35,309,017	$ 229,905,278
Plan net position	(168,115,682)	(29,964,080)	(198,079,762)
Employers' net pension liability	$ 26,480,579	$ 5,344,937	$ 31,825,516
Ratio of plan net position to the employers' total pension liability	86.39%	84.86%	86.16%

2. <u>Long-Term Liabilities</u>

a. The Village had the following long-term liabilities:

- Net Pension Liability – Represents the non-current portion of the liability to the various state retirement systems.

- Other Post-Employment Benefits (OPEB) – Represents the non-current portion of the liability to current employees and retirees.

- Compensated Absences – Represents the value of earned and unused portion of the liability for compensated absences.

b. Summary of long-term debt – The following is a summary of long-term liabilities by fund:

	General Fund
Net Pension Liability	$ 839,029
Other Post-Employment Benefits	2,861,278
Compensated Absences	254,630
Total Long-Term Liabilities	$ 3,954,937

c. The following is a summary of changes in long-term liabilities:

	Total	Net Pension Liability	Other Post-Employment Benefits	Compensated Absences
Payable at beginning of fiscal year	$ 2,185,097	$ 204,718	$ 1,744,302	$ 236,077
Additions	1,953,106	634,311	1,300,242	18,553
Reductions	(183,266)	-	(183,266)	-
Payable at end of fiscal year	$ 3,954,937	$ 839,029	$ 2,861,278	$ 254,630

Additions and reductions to unbilled retirement and compensated absences and other post-employment benefits are shown net since it is impractical to determine these amounts separately.

C. FUND BALANCE

The government's fund balance classification policies and procedures are as follows:

1. For committed fund balances:
   a. The government's highest level of decision-making authority resides with the Board of Trustees.
   b. The formal action that is required to be taken to establish (and modify or rescind) a fund balance commitment is through formal resolution by the Board.

2. For assigned fund balances:
   a. The body or official authorized to assign amounts to specific purpose is the Board of Trustees.
   b. The policy established by the governing body pursuant to which the authorization to assign amounts to a specific purpose is given to the Board of Trustees.

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.

The General Fund other assigned fund balance as of May 31, 2020 consisted of the following:

Feasibility Study	$ 361,334
Building Construction/Restoration	254,907
Unpaid Benefits	214,408
Tax Stabilization	126,519
Highway	92,923
Police and Marine Equipment	87,563
Sanitation	58,339
Celebrations	16,270
Total	$ 1,212,263

D. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description. The Village administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The plan provides lifetime healthcare insurance for eligible retirees and their spouses through the Village's group health insurance plan, which covers both active and retired members. The Retiree Health Plan does not issue a publicly available financial report.

Funding Policy. The Village contributes 100% of the cost of current-year premiums for eligible retired plan members and their spouses. For the year ended May 31, 2020, the Village contributed $111,493 to the plan. Plan members receiving benefits make no contribution. The Village recognizes the cost of providing benefits by recording its share of insurance premiums as expenditures in the year paid.

Benefits Provided. As of May 31, 2020, the following employees were covered by the benefit terms:

Active Employees	3
Inactive employees entitled to but not yet receiving benefit payments	-
Inactive employees or beneficiaries currently receiving benefit payments	2
Total	5

Total OPEB Liability. The Village's total OPEB liability of $2,861,278 was calculated using the entry age normal actuarial cost method as of May 31, 2020. For the year ended May 31, 2020, the Village recognized OPEB expense of $1,228,469.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the May 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Bond Yield	2.15%
Discount Rate	2.15%
Projected Salary Increases	2.00%
Percentage Participation	100.00%

Mortality rates were based on the RP2000 Mortality Table for Males and Females Projected 18 years.

Turnover assumption was derived from data maintained by the U.S. Office of Personnel Management regarding the most recent experience of the employee group covered by the Federal Employees Retirement System.

NOL and ADC calculated using the Alternative Measurement Method in accordance with GASB methodology.

Changes in the Total OPEB Liability

Balance at May 31, 2019	$ 1,744,302
Changes for the year:	
Service cost	32,945
Interest	34,393
Changes in benefit terms	1,232,904
Difference between expected and actual experience	-
Changes in assumptions and other inputs	(67,453)
Contributions from employer	(111,493)
Contributions from employee	(4,320)
Net changes	1,116,976
Balance at May 31, 2020	$ 2,861,278

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the Village, as well as what the Village's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.150%) or 1 percentage point higher (3.150%) than the current discount rate:

	1% Decrease (1.15%)	Discount Rate (2.15%)	1% Increase (3.15%)
Total OPEB Liability	$ 3,311,827	$ 2,861,278	$ 2,492,138

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate. The following presents the total OPEB Liability of the Village, as well as what the Village's total OPEB liability would be if were calculated using the healthcare cost trend rate that is 1 percentage point lower (3.6 percent increasing to 3.7 percent) or 1 percentage point higher (5.6 percent increasing to 5.7 percent) than the healthcare cost trend rates:

	1% Decrease (3.6% increasing to 3.7%)	Healthcare Cost Trends Rate (4.6% increasing to 4.7%)	1% Increase (5.6% increasing to 5.7%)
Total OPEB Liability	$ 2,459,337	$ 2,861,278	$ 3,350,447

CONCENTRATIONS OF RISK

The Village maintains all cash and cash equivalents in several depositories. FDIC insurance covers the combined amount of all time and savings accounts up to $250,000 (per official custodian) for demand accounts and time savings accounts separately. All deposits in excess of the FDIC limit are fully collateralized.

E. COMMITMENTS AND CONTINGENCIES

Fire Contract

The Village entered into a five year contract with the Village of Northport for fire protection services on April 3, 2018. During the year ended May 31, 2020, the Village paid $139,423 for these services, recognized as an expenditure in the General Fund.

Feasibility Study

In the fiscal year ended May 31, 2001, a contract for the performance of a feasibility study was entered into between the Army Corps of Engineers and the Village of Asharoken. The total estimated cost of the study was projected to be $1,996,500, of which the portion paid by federal funds was estimated to be $998,250, or 50%, and the balance paid through non-federal in-kind services of $50,000, and state and Village shared funding. The estimated cost of the Village's portion of the liability was $361,334, which has been recorded as an assignment to the General Fund Balance.

The costs for this contract have not yet been incurred and/or invoiced; therefore, no liability has been recorded in the financial statements.

State Grants

The Village is a recipient of a number of State grants. These grants are administered by various agencies. These grants are subject to various compliance and financial audits by the respective agencies administering the grants, which could lead to certain disallowances. The Board believes that they have substantially complied with the rules and regulations as specified under the various grant agreements as well as rules and regulations of the respective agency for each grant.

Tax Certiorari

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 amounts of refunds, if any, that the Village may be required to make for taxes collected through May 31, 2020, which could affect future operating budgets of the Village.

Litigation

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 through independent third parties.

There are no contingencies that the Village is aware of that would have a material impact on the financial statements.

F. SUBSEQUENT EVENTS

The Village has evaluated subsequent events through September 3, 2020, the date that the financial statements are considered available to be issued. On March 13, 2020, President Trump declared a national emergency due to extraordinary circumstances resulting from the coronavirus (COVID 19). The Village is in the process of evaluating the impact that COVID-19 may have on its financial condition for the year ended May 31, 2021.

INCORPORATED VILLAGE OF ASHAROKEN
Required Supplemental Information
For the Year Ended May 31, 2020
(Unaudited)

Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual - General Fund

	Original Budget	Final Budget	Actual
Revenues:			
Real Property Taxes	$ 1,672,988	$ 1,672,988	$ 1,671,766
Real Property Tax Items	2,000	2,000	3,491
Non Property Tax Items	31,000	31,000	32,426
Departmental Income	-	-	5,187
Use of Money and Property	33,800	33,800	37,360
Licenses and Permits	23,000	23,000	73,744
Fines and Forfeitures	40,000	40,000	47,433
Sale of Property and Compensation for	-	-	38,877
Miscellaneous Local Sources	15,700	17,700	22,080
Federal and State Aid	96,489	109,577	111,809
Appropriated Fund Balance	190,000	201,342	-
Total Revenues	2,104,977	2,131,407	2,044,173
Expenditures:			
General Government Support	420,890	443,320	309,518
Public Safety	1,075,152	1,075,152	1,036,417
Transportation	25,500	29,500	20,515
Culture and Recreation	31,000	31,000	25,013
Home and Community Services	110,435	110,435	106,995
Employee Benefits	442,000	442,000	425,644
Total Expenditures	2,104,977	2,131,407	1,924,102
Net Change in Fund Balance	$ -	$ -	120,071
Fund Balance at Beginning of Year			1,441,561
Fund Balance at End of Year			$ 1,561,632

Schedule of the Local Government's Proportionate Share of the Net Pension Liability

NYSLRS Pension Plan

		2020	2019	2018	2017	2016
Village's proportion of the net pension liability (asset)	ERS	0.0002450%	0.0002574%	0.0002777%	0.0002835%	0.0007520%
	PFRS	0.0144840%	0.0111195%	0.0111280%	0.0108032%	0.0112888%
Village's proportionate share of the net pension liability (asset)		$ 839,029	$ 204,718	$ 121,440	$ 250,548	$ 454,943
Village's covered payroll		$ 690,220	$ 745,500	$ 519,519	$ 407,889	$ 407,889
Village's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll		121.56%	27.46%	23.38%	61.43%	111.54%
Plan fiduciary net position as a percentage of the total pension liability		86.16%	96.09%	98.04%	94.50%	90.70%

INCORPORATED VILLAGE OF ASHAROKEN
Required Supplementary Information
For the Year Ended May 31, 2020
(Unaudited)

Schedule of Local Government Contributions

Employees' Retirement System

	2020	2019	2018	2017	2016
Actuarially required contribution	$ 13,702	$ 13,165	$ 13,179	$ 13,159	$ 16,985
Contributions in relation to the contractually required contribution	13,702	13,165	13,179	13,159	16,985
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Village's covered-employee payroll	$ 107,450	$ 111,000	$ 80,785	$ 64,977	$ 66,731
Contributions as a percentage of covered-employee payroll	12.75%	11.86%	16.31%	20.25%	25.45%

Police and Fire Retirement System

	2020	2019	2018	2017	2016
Actuarially required contribution	$ 139,103	$ 158,934	$ 151,758	$ 134,207	$ 129,877
Contributions in relation to the contractually required contribution	139,103	158,934	151,758	134,207	129,877
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Village's covered-employee	$ 582,770	$ 634,500	$ 438,734	$ 342,912	$ 341,158
Contributions as a percentage of covered-employee payroll	23.87%	25.05%	34.59%	39.14%	38.07%

INCORPORATED VILLAGE OF ASHAROKEN
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For the Year Ended May 31, 2020
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Schedule of Changes in Net OPEB Liability and Related Ratios

	2020	2019
Total OPEB Liability		
Service cost	$ 32,945	$ 14,464
Interest	34,393	34,717
Changes of benefit terms	1,232,904	68,790
Difference between expected and actual experience	-	-
Changes in assumptions	(67,453)	(38,430)
Net benefits payments	(115,813)	(112,704)
Net change in total OPEB liability	1,116,976	(33,163)
Total OPEB liability - beginning of year	1,744,302	1,777,465
Total OPEB liability - end of year	$ 2,861,278	$ 1,744,302
Plan fiduciary net position as percentage of the total OPEB liability	0%	0%

The information in this schedule is intended to show 10 years. However, as of May 31, 2020 only two years were available.