

INCORPORATED VILLAGE OF BAYVILLE
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
AS OF MAY 31, 2010
TOGETHER WITH AUDITORS' REPORTS

INCORPORATED VILLAGE OF BAYVILLE
TABLE OF CONTENTS

		<u>PAGE</u>
Independent Auditors' Report On Financial Statements And Supplementary Information		1
Management's Discussion And Analysis		3
Financial Statements:		
Village-Wide Financial Statements -		
Statement Of Net Assets		11
Statement Of Activities And Changes In Net Assets		12
Fund Financial Statements -		
Balance Sheet - Governmental Funds		13
Reconciliation Of Governmental Funds Balance Sheet To The Statement Of Net Assets		14
Fund Financial Statements -		
Statement Of Revenues, Expenditures And Changes In Fund Equity (Deficit) - Governmental Funds		15
Reconciliation Of Governmental Funds Statement Of Revenues, Expenditures And Changes In Fund Equity (Deficit) To The Statement Of Activities		16
Fund Financial Statements -		
Statement Of Fiduciary Net Assets - Fiduciary Funds		17
Statement Of Changes In Fiduciary Net Assets - Fiduciary Funds		18
Notes To Financial Statements		19
	<u>SUPPLEMENTARY</u>	
	<u>SCHEDULE</u>	
Supplementary Information:		
Schedule Of Revenues, Expenditures And Changes In Fund Equity (Deficit) - Budget To Actual - Governmental Funds	1	35
Capital Projects Fund -		
Schedule Of Appropriations, Ongoing Projects And Cumulative Expenditures	2	36
Schedule Of Non-Current Governmental Liabilities	3	37
Schedule Of Cash Receipts And Disbursements - Justice Court	4	38
Schedule Of Funding Progress For The Retiree Health Plan	5	39
Independent Auditors' 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		40



Nawrocki Smith LLP
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**To the Board of Trustees of the
Incorporated Village of Bayville:**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Incorporated Village of Bayville (the "Village"), as of and for the year ended May 31, 2010, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's administration. 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 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the administration, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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 Bayville as of May 31, 2010, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated July 16, 2010, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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 the administration about the methods of preparing the information and comparing the information for consistency with the administration'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.

Nawrocki Smith LLP

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Incorporated Village of Bayville's financial statements as a whole. The accompanying supplemental information as listed in the table of contents is presented for the purpose for additional analysis and not a required part of the financial statements. The supplemental information is the responsibility of the administration and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The 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 financial statements of to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Melville, New York
July 16, 2010

Nawrocki Smith LLP

INCORPORATED VILLAGE OF BAYVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED MAY 31, 2010

The following is a discussion and analysis of the Incorporated Village of Bayville's (the "Village") financial performance for the fiscal year ended May 31, 2010. The section is a summary of the Village's financial activities based on currently known facts, decisions or conditions. It is also based on both the Village-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the Village's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- As of May 31, 2010, the Village had total assets of \$15,068,542, total liabilities of \$9,652,645 and net assets of \$5,415,897.
- Total revenues for the year ended May 31, 2010 were \$6,653,868 and total expenses were \$8,728,600 resulting in a deficiency of revenues under expenditures of \$2,074,732.
- As of May 31, 2010, the Village's General Fund had fund deficit totaling \$153,076.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis (this section), the financial statements and required supplementary information. The financial statements include two kinds of statements that present different views of the Village:

- The first two statements are *Village-wide financial statements* that provide both *short-term* and *long-term* information about the Village's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the Village, reporting the Village's operations in *more detail* than the Village-wide statements.
- The *governmental funds statements* tell how programs were financed in the *short-term* as well as what remains for future spending.
- *Fiduciary funds statements* provide information about the financial relationships in which the Village acts solely as a *trustee* or *agent* for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the Village's budget for the year.

Table A-1 summarizes the major features of the Village's financial statements, including the portion of the Village's activities they cover and the types of information they contain. The remainder of this overview section of Management's Discussion and Analysis highlights the structure and contents of each of the statements.

Table A-1: Major Features of the Village-Wide and Fund Financial Statements			
	Village-Wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire Village (except fiduciary funds)	The activities of the Village that are not proprietary or fiduciary	Instances in which the Village administers resources on behalf of someone else
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of Activities and Changes in Net Assets 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Equity (Deficit) 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Assets • Statement of Changes in Fiduciary Net Assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Village-Wide Statements

The Village-wide statements report information about the Village as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the Village's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two Village-wide statements report the Village's net assets and how they have changed. Net assets, the difference between the Village's assets and liabilities, is one way to measure the Village's financial health or *position*.

- Over time, increases or decreases in the Village's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the Village's overall health, you need to consider additional non-financial factors such as availability of state and federal funding and the condition of buildings and other facilities.

In the Village-wide financial statements, the Village's activities are shown as *governmental activities*; most of the Village's basic services are included here. Property taxes and charges for services finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the Village's funds, focusing on its most significant or "major" funds - not the Village as a whole. Funds are accounting devices the Village uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The Village establishes other funds to control and to manage money for particular purposes or to show that it is properly using certain revenues (such as federal grants).

The Village has two kinds of funds:

- **Governmental funds:** Most of the Village's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. Because this information does not encompass the additional long-term focus of the Village-wide statements, reconciliations of the Village-wide and governmental funds statements are provided which explain the relationship (or differences) between them.
- **Fiduciary funds:** The Village is the trustee or fiduciary, for assets that belong to others. The Village is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The Village excludes these activities from the Village-wide financial statements because it cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

The Village's net assets decreased by 27.7% from the year before to \$5,415,897 as detailed in Tables A-2 and A-3.

Table A- 2: Condensed Statements of Net Assets - Governmental Activities

	<u>5/31/09</u>	<u>5/31/10</u>	<u>% Change</u>
Current and other assets	\$ 1,978,716	\$ 3,072,368	55.3
Capital assets, net	<u>12,750,479</u>	<u>11,996,174</u>	(5.9)
Total assets	<u>\$ 14,729,195</u>	<u>\$ 15,068,542</u>	2.3
Current liabilities	\$ 2,043,345	\$ 4,228,697	106.9
Long-term liabilities	<u>5,195,221</u>	<u>5,423,948</u>	4.4
Total liabilities	<u>\$ 7,238,566</u>	<u>\$ 9,652,645</u>	33.4
Net assets:			
Investment in capital assets, net of related debt	\$ 7,185,890	\$ 4,100,380	(42.9)
Restricted	204,649	-	(100.0)
Unrestricted	<u>100,090</u>	<u>1,315,517</u>	1,214.3
Total net assets	<u>\$ 7,490,629</u>	<u>\$ 5,415,897</u>	(27.7)

Changes in Net Assets

The Village's fiscal year 2010 revenues totaled \$6,653,868, which is 6.7% higher than fiscal year 2009 (see Table A-3). Property taxes, other tax items and charges for services accounted for 75% of total revenues (see Table A-4). The remainder came from state sources, operating grants and other miscellaneous sources.

- Real property taxes increased by 4.2% as a result of an increase of Village-wide property values as calculated/assessed by Nassau County.
- Operating grants increased 68.6% as a result of the Village collecting funding under the CCAP grant which was sponsored by the New York State Dormitory Authority.

The Village's fiscal year 2010 expenses totaled \$8,728,600, which is 73.6% more than fiscal year 2009 (see Table A-3). These expenses (90%) are predominately related to general government support, public safety, culture and recreation and home and community services (see Table A-5).

Table A-3: Changes in Net Assets from Operating Results - Governmental Activities Only

	<u>5/31/09</u>	<u>5/31/10</u>	<u>% Change</u>
Revenues			
Program revenues:			
Charges for services	\$ 929,479	\$ 925,445	(0.4)
Operating grants	544,402	917,605	68.6
General revenues:			
Real property taxes	3,609,737	3,760,651	4.2
Other tax items	258,238	281,853	9.1
State sources	216,833	177,188	(18.3)
Use of money and property	390,219	394,523	1.1
Miscellaneous	<u>285,657</u>	<u>196,603</u>	(31.2)
Total revenues	<u>\$ 6,234,565</u>	<u>\$ 6,653,868</u>	6.7

Table A-3 (Continued)

	<u>5/31/09</u>	<u>5/31/10</u>	<u>% Change</u>
Expenses			
General government support	\$ 966,760	\$ 1,741,340	80.1
Public safety	868,933	1,171,100	34.8
Transportation	680,827	581,713	(14.6)
Culture and recreation	1,046,534	1,197,824	14.5
Home and community services	1,285,097	3,768,940	193.3
Debt service - interest	<u>180,621</u>	<u>267,683</u>	48.2
Total expenses	<u>5,028,772</u>	<u>8,728,600</u>	73.6
Increase (decrease) in net assets	<u>\$ 1,205,793</u>	<u>\$ (2,074,732)</u>	(272.1)

Table A-4: Sources of Revenues for Fiscal Year 2010

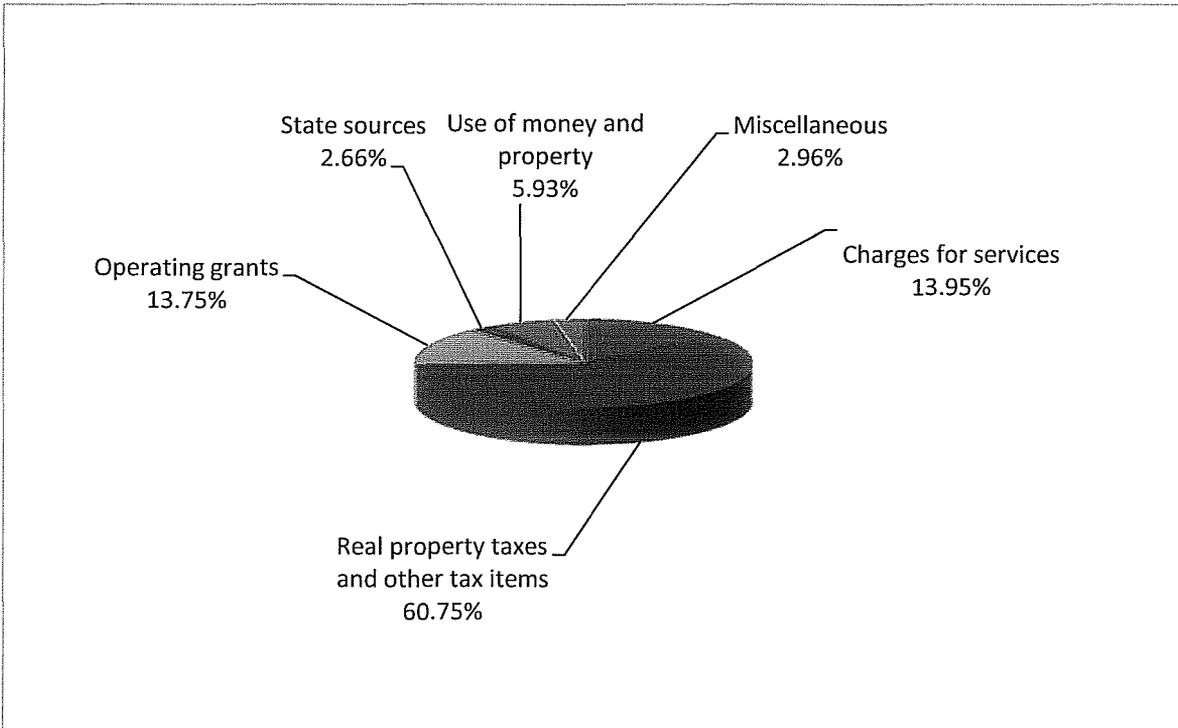
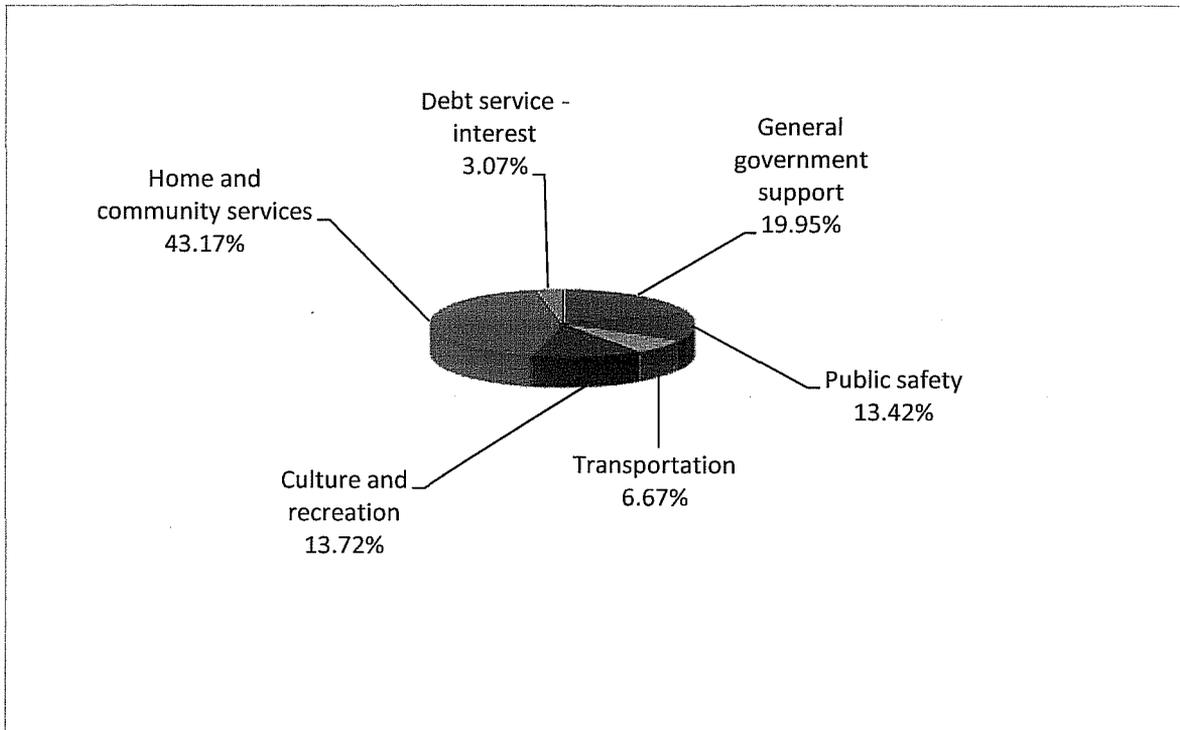


Table A-5: Expenses for Fiscal Year 2010



Governmental Activities

Revenues for the Village's governmental activities were consistent with the Village-wide operating results. Governmental expenditures exceed Village-wide expenditures due principally to payment of long-term debt and construction costs.

The primary program activities of the Village included:

- Water service
- Refuse disposal
- Street maintenance
- Street lighting
- Snow removal
- Recreational activities

Substantially all of the Village's revenues are generated through real property taxes and charges for services.

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

Variations between years for the governmental fund financial statements are not the same as variations between years for the Village-wide financial statements. The Village's governmental funds are presented on the current financial resources measurement focus and the modified accrual basis of accounting. Based on this presentation, governmental funds do not include long-term debt liabilities for the funds' projects and capital assets purchased by the funds. Governmental funds will include the proceeds received from the issuance of debt, the current payments for capital assets and the current payments for debt.

The Village's governmental fund financial statements show the following significant variations:

- Total assets increased from \$2,608,698 in 2009 to \$3,921,130 in 2010. The increase is primarily due to the increase in cash.
- Total liabilities increased from \$2,250,649 in 2009 to \$4,637,866 in 2010. The increase is primarily due to the issuance of a bond anticipation note.

No other significant variances are reflected in the governmental fund financial statements for fiscal 2010.

General Fund Budgetary Highlights

Reference is made to Supplemental Schedule 1 on page 35 which presents budget and actual results for the Village's governmental funds.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

By the end of 2010, the Village had invested \$11,996,174, net of depreciation, in a broad range of capital assets, including land, land improvements, buildings, furniture and equipment.

Table A-6: Capital Assets (net of depreciation)

<u>Category</u>	<u>5/31/09</u>	<u>5/31/10</u>	<u>% Change</u>
Land	\$ 5,713,291	\$ 5,713,291	-
Land improvements	1,226,317	1,043,769	(14.9)
Buildings and building improvements	5,223,258	4,884,734	(6.5)
Furniture and equipment	<u>587,613</u>	<u>354,380</u>	(39.7)
Totals	<u>\$ 12,750,479</u>	<u>\$ 11,996,174</u>	(5.9)

Long-Term Debt

At year-end, the Village had \$5,863,541 in general obligation bonds and other long-term debt. During the year, the Village paid down its debt by retiring \$300,000 of outstanding bonds.

The Village's net bonded indebtedness may not exceed ten percent of the full valuation of the taxable real estate of the Village. The Village's net bonded indebtedness currently represents approximately 17% of the Village's debt limit.

Table A-7: Outstanding Long-Term Debt

<u>Category</u>	<u>5/31/09</u>	<u>5/31/10</u>	<u>% Change</u>
General obligation bonds	\$ 5,290,000	\$ 4,990,000	(5.7)
Other post-employment benefits	-	525,043	100.0
Installment purchase debt payable	24,589	13,334	(45.8)
Judgment and claims payable	39,100	50,600	29.4
Compensated absences	190,183	215,015	13.1
Unfunded accrued pension liability	39,473	12,758	(67.7)
Accrued interest payable	<u>34,553</u>	<u>56,791</u>	64.4
Totals	<u>\$ 5,617,898</u>	<u>\$ 5,863,541</u>	4.4

FACTORS BEARING ON THE FUTURE OF THE VILLAGE

At the time these financial statements were prepared and audited, the Village was aware of the following existing circumstances that could significantly affect its financial health in the future:

- The future success of the Village and its programs are generally dependent on the ability to collect real property taxes.

CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT

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

Incorporated Village of Bayville
Village Hall
34 School Street
Bayville, New York 11709
(516) 628-1439

INCORPORATED VILLAGE OF BAYVILLE
STATEMENT OF NET ASSETS
MAY 31, 2010

ASSETS

Current assets:	
Cash	\$ 2,036,297
Receivables:	
Tax sale certificates	36,898
Water rents receivable	47,497
Current taxes receivable	83,755
State aid receivable	584,001
Accounts receivable	5,367
Due from other governments	240,710
Prepaid expenses	<u>37,843</u>
Total current assets	3,072,368
Noncurrent assets:	
Capital assets, net of accumulated depreciation of \$7,116,226	<u>11,996,174</u>
Total assets	<u>\$ 15,068,542</u>

LIABILITIES

Current liabilities:	
Payables:	
Cash overdraft	\$ 150,389
Accounts payable and accrued liabilities	152,805
Accrued interest payable	56,791
Due to other governments	33,334
Notes payable:	
Bond anticipation	2,892,460
Deferred revenue	560,116
Unfunded accrued pension liability	12,758
Long-term liabilities, due within one year:	
Bonds payable	315,000
Installment purchase debt payable	4,444
Judgment and claims payable	<u>50,600</u>
Total current liabilities	4,228,697
Noncurrent liabilities:	
Long-term liabilities, due after one year:	
Bonds payable	4,675,000
Other post-employment benefits	525,043
Installment purchase debt payable	8,890
Compensated absences	<u>215,015</u>
Total noncurrent liabilities	5,423,948
Total liabilities	<u>9,652,645</u>

NET ASSETS

Investment in capital assets	4,100,380
Unrestricted	<u>1,315,517</u>
Total net assets	5,415,897
Total liabilities and net assets	<u>\$ 15,068,542</u>

The accompanying notes are an integral
part of this statement.

INCORPORATED VILLAGE OF BAYVILLE
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED MAY 31, 2010

		Program Revenues		Net (Expense)
	Expenses	Charges For Services	Operating Grants	Revenue and Changes in Net Assets
Functions and programs:				
General government support	\$ 1,741,340	\$ -	\$ -	\$ (1,741,340)
Public safety	1,171,100	-	-	(1,171,100)
Transportation	581,713	-	-	(581,713)
Culture and recreation	1,197,824	186,230	-	(1,011,594)
Home and community services	3,768,940	739,215	917,605	(2,112,120)
Debt service - interest	267,683	-	-	(267,683)
Total functions and programs	\$ 8,728,600	\$ 925,445	\$ 917,605	(6,885,550)
General revenues:				
Real property taxes				3,760,651
Other tax items				281,853
Use of money and property				394,523
Licenses and permits				93,319
Fines and forfeitures				64,875
Sale of property and compensation for loss				17,137
Miscellaneous				21,272
State sources				177,188
Total general revenues				4,810,818
Change in net assets				(2,074,732)
Total net assets, beginning of year				7,490,629
Total net assets, end of year				\$ 5,415,897

The accompanying notes are an integral
part of this statement.

INCORPORATED VILLAGE OF BAYVILLE
BALANCE SHEET - GOVERNMENTAL FUNDS
MAY 31, 2010

	Special Revenue				Capital Projects	Total Governmental Funds
	General	Water	Recreation	Special Grant		
ASSETS						
Cash	\$ -	\$ 19,508	\$ 19,051	\$ 5,679	\$ 1,992,059	\$ 2,036,297
Tax sale certificates	36,898	-	-	-	-	36,898
Water rents receivable	-	47,497	-	-	-	47,497
Current taxes receivable	83,755	-	-	-	-	83,755
State aid receivable	9,072	-	-	-	574,929	584,001
Accounts receivable	5,367	-	-	-	-	5,367
Due from other funds	278,237	231,423	-	-	339,102	848,762
Due from other governments	3,952	-	-	-	236,758	240,710
Prepaid expenses	33,948	3,895	-	-	-	37,843
Total assets	<u>\$ 451,229</u>	<u>\$ 302,323</u>	<u>\$ 19,051</u>	<u>\$ 5,679</u>	<u>\$ 3,142,848</u>	<u>\$ 3,921,130</u>
LIABILITIES						
Cash overdraft	\$ 150,389	\$ -	\$ -	\$ -	\$ -	\$ 150,389
Accounts payable and accrued liabilities	43,097	18,188	2,740	-	88,780	152,805
Bond anticipation notes payable	-	-	-	-	2,892,460	2,892,460
Due to other funds	400,138	182,026	67,047	-	199,551	848,762
Due to other governments	3,900	-	-	5,679	23,755	33,334
Deferred revenue	6,781	-	-	-	553,335	560,116
Total liabilities	<u>604,305</u>	<u>200,214</u>	<u>69,787</u>	<u>5,679</u>	<u>3,757,881</u>	<u>4,637,866</u>
FUND EQUITY (DEFICIT)						
Unreserved:						
Unappropriated	<u>(153,076)</u>	<u>102,109</u>	<u>(50,736)</u>	<u>-</u>	<u>(615,033)</u>	<u>(716,736)</u>
Total fund equity (deficit)	<u>(153,076)</u>	<u>102,109</u>	<u>(50,736)</u>	<u>-</u>	<u>(615,033)</u>	<u>(716,736)</u>
Total liabilities and fund equity (deficit)	<u>\$ 451,229</u>	<u>\$ 302,323</u>	<u>\$ 19,051</u>	<u>\$ 5,679</u>	<u>\$ 3,142,848</u>	<u>\$ 3,921,130</u>

The accompanying notes are an integral
part of this balance sheet.

INCORPORATED VILLAGE OF BAYVILLE
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
MAY 31, 2010

	Total Governmental Funds	Long-term Assets, Liabilities	Reclassifications and Eliminations	Statement of Net Assets Totals
ASSETS				
Cash	\$ 2,036,297	\$ -	\$ -	\$ 2,036,297
Tax sale certificates	36,898	-	-	36,898
Water rents receivable	47,497	-	-	47,497
Current taxes receivable	83,755	-	-	83,755
State aid receivable	584,001	-	-	584,001
Accounts receivable	5,367	-	-	5,367
Due from other funds	848,762	-	(848,762)	-
Due from other governments	240,710	-	-	240,710
Prepaid expenses	37,843	-	-	37,843
Capital assets, net	-	11,996,174	-	11,996,174
Total assets	<u>\$ 3,921,130</u>	<u>\$ 11,996,174</u>	<u>\$ (848,762)</u>	<u>\$ 15,068,542</u>
LIABILITIES				
Cash overdraft	\$ 150,389	\$ -	\$ -	\$ 150,389
Accounts payable and accrued liabilities	152,805	-	-	152,805
Bond anticipation notes payable	2,892,460	-	-	2,892,460
Accrued interest payable	-	56,791	-	56,791
Due to other funds	848,762	-	(848,762)	-
Due to other governments	33,334	-	-	33,334
Deferred revenue	560,116	-	-	560,116
Other post-employment benefits	-	525,043	-	525,043
Unfunded accrued pension liability	-	12,758	-	12,758
Bonds payable	-	4,990,000	-	4,990,000
Installment purchase debt payable	-	13,334	-	13,334
Judgment and claims payable	-	50,600	-	50,600
Compensated absences	-	215,015	-	215,015
Total liabilities	<u>4,637,866</u>	<u>5,863,541</u>	<u>(848,762)</u>	<u>9,652,645</u>
FUND EQUITY (DEFICIT)/NET ASSETS				
Fund equity (deficit)/net assets	<u>(716,736)</u>	<u>6,132,633</u>	<u>-</u>	<u>5,415,897</u>
Total liabilities and fund equity (deficit)/net assets	<u>\$ 3,921,130</u>	<u>\$ 11,996,174</u>	<u>\$ (848,762)</u>	<u>\$ 15,068,542</u>

The accompanying notes are an integral
part of this statement.

INCORPORATED VILLAGE OF BAYVILLE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY (DEFICIT)
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MAY 31, 2010

	Special Revenue				Capital Projects	Total Governmental Funds
	General	Water	Recreation	Special Grant		
REVENUES						
Real property taxes	\$ 3,760,651	\$ -	\$ -	\$ -	\$ -	\$ 3,760,651
Other tax items	36,670	-	-	-	-	36,670
Non-property tax items	245,183	-	-	-	-	245,183
Departmental income	69,311	669,904	186,230	-	-	925,445
Use of money and property	388,451	-	-	-	6,072	394,523
Licenses and permits	93,319	-	-	-	-	93,319
Fines and forfeitures	64,875	-	-	-	-	64,875
Sales of property and compensation for loss	17,137	-	-	-	-	17,137
Miscellaneous	21,272	-	-	-	-	21,272
State sources	177,188	-	-	-	768,524	945,712
Federal sources	-	-	-	13,020	136,061	149,081
Total revenues	4,874,057	669,904	186,230	13,020	910,657	6,653,868
EXPENDITURES						
General government support	1,297,489	18,539	-	-	-	1,316,028
Public safety	721,518	-	-	-	163,548	885,066
Transportation	439,633	-	-	-	-	439,633
Culture and recreation	717,977	-	187,286	-	-	905,263
Home and community services	655,180	458,559	-	13,020	1,724,014	2,850,773
Employee benefits	692,851	82,338	-	-	-	775,189
Debt service - Principal	202,455	69,079	39,721	-	-	311,255
Interest	164,739	51,241	29,465	-	-	245,445
Total expenditures	4,891,842	679,756	256,472	13,020	1,887,562	7,728,652
Deficiency of revenues under expenditures	(17,785)	(9,852)	(70,242)	-	(976,905)	(1,074,784)
OTHER FINANCING SOURCES (USES)						
Proceeds from borrowings	-	-	-	-	62,500	62,500
Payment of BAN principal	(62,500)	-	-	-	-	(62,500)
Interfund transfers in	-	88,246	10,000	-	94,723	192,969
Interfund transfers out	(192,969)	-	-	-	-	(192,969)
Total other financing sources (uses)	(255,469)	88,246	10,000	-	157,223	-
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	(273,254)	78,394	(60,242)	-	(819,682)	(1,074,784)
Fund equity, beginning of year	120,178	23,715	9,506	-	204,649	358,048
Fund equity (deficit), end of year	\$ (153,076)	\$ 102,109	\$ (50,736)	\$ -	\$ (615,033)	\$ (716,736)

The accompanying notes are an integral
part of this statement.

INCORPORATED VILLAGE OF BAYVILLE
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND EQUITY (DEFICIT) TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2010

	Total Governmental Funds	Long-term Revenues, Expenses	Capital Related Items	Long-term Debt Transactions	Reclassifications and Eliminations	Statement of Activities Totals
REVENUES						
Real property taxes	\$ 3,760,651	\$ -	\$ -	\$ -	\$ -	\$ 3,760,651
Other tax items	36,670	-	-	-	-	36,670
Non-property tax items	245,183	-	-	-	-	245,183
Departmental income	925,445	-	-	-	(925,445)	-
Use of money and property	394,523	-	-	-	-	394,523
Licenses and permits	93,319	-	-	-	-	93,319
Fines and forfeitures	64,875	-	-	-	-	64,875
Sales of property and compensation for loss	17,137	-	-	-	-	17,137
Miscellaneous	21,272	-	-	-	-	21,272
State sources	945,712	-	-	-	(768,524)	177,188
Federal sources	149,081	-	-	-	(149,081)	-
Charges for services	-	-	-	-	925,445	925,445
Operating grants	-	-	-	-	917,605	917,605
Total revenues	6,653,868	-	-	-	-	6,653,868
EXPENDITURES						
General government support	1,316,028	-	-	110,644	314,668	1,741,340
Public safety	885,066	-	-	74,411	211,623	1,171,100
Transportation	439,633	-	-	36,962	105,118	581,713
Culture and recreation	905,263	-	-	76,109	216,452	1,197,824
Home and community services	2,850,773	-	-	236,534	681,633	3,768,940
Employee benefits	775,189	-	-	-	(775,189)	-
Depreciation	-	-	754,305	-	(754,305)	-
Debt service - Principal	311,255	-	-	(311,255)	-	-
Interest	245,445	-	-	22,238	-	267,683
Total expenditures	7,728,652	-	754,305	245,643	-	8,728,600
Deficiency of revenues under expenditures	(1,074,784)	-	(754,305)	(245,643)	-	(2,074,732)
OTHER FINANCING SOURCES (USES)						
Proceeds from borrowings	62,500	-	-	(62,500)	-	-
Payment of BAN principal	(62,500)	-	-	62,500	-	-
Interfund transfers in	192,969	-	-	-	(192,969)	-
Interfund transfers out	(192,969)	-	-	-	192,969	-
Total other financing sources (uses)	-	-	-	-	-	-
Deficiency of revenues and other sources under expenditures and other uses	(1,074,784)	-	(754,305)	(245,643)	-	(2,074,732)
Fund equity, beginning of year	358,048	-	12,750,479	(5,617,898)	-	7,490,629
Fund equity (deficit), end of year	\$ (716,736)	\$ -	\$ 11,996,174	\$ (5,863,541)	\$ -	\$ 5,415,897

The accompanying notes are an integral
part of this statement.

INCORPORATED VILLAGE OF BAYVILLE
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
MAY 31, 2010

	Expendable Trusts	Agency Funds
ASSETS		
Cash	\$ 50	\$ 45,099
Service award program assets	-	696,510
Total assets	\$ 50	\$ 741,609
LIABILITIES		
Accounts payable and accrued liabilities	\$ -	\$ 2,356
Service award program liabilities	-	696,510
Justice Court	-	8,755
Agency liabilities	-	33,988
Total liabilities	-	\$ 741,609
NET ASSETS		
Reserved for:		
Expendable trusts	50	
Total net assets	50	
Total liabilities and net assets	\$ 50	

The accompanying notes are an integral
part of this statement.

INCORPORATED VILLAGE OF BAYVILLE
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED MAY 31, 2010

	Expendable Trusts
ADDITIONS	
Gifts and donations	\$ 8,064
Total additions	8,064
DEDUCTIONS	
Home and community services	14,412
Total deductions	14,412
Change in net assets	(6,348)
Net assets, beginning of year	6,398
Net assets, end of year	\$ 50

The accompanying notes are an integral
part of this statement.

INCORPORATED VILLAGE OF BAYVILLE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MAY 31, 2010

(1) Summary of certain significant accounting policies

The fund financial statements of the Incorporated Village of Bayville (the "Village") have been prepared in conformity with accounting principles generally accepted in the United States of America (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 Village's accounting policies are described below.

A. Financial reporting entity

The Village of Bayville, which was incorporated in 1919, is governed by its Charter, the General Municipal Law, Village Law, other general laws of the State of New York and various local laws. The Board of Trustees is the legislative body responsible for overall operations; the Mayor serves as chief executive officer and the Village Administrator serves as chief fiscal officer.

The Village provides water service, refuse disposal, street maintenance and lighting, snow removal and recreational activities for its residents.

All governmental activities and functions performed for the Incorporated Village of Bayville 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 Incorporated Village of Bayville, (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, The Financial Reporting Entity.

B. Basis of presentation

1. Village-wide statements

The Statement of Net Assets and the Statement of Activities present financial information about the Village's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, State aid, intergovernmental revenues, and other exchange and nonexchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The Statement of Activities presents a comparison between program expenses and revenues for each function of the Village's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund statements

The fund statements provide information about the Village's funds, including fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

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

Fund categories

- a. 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 the determination of financial position and changes in financial position (the sources, uses and balances of current financial resources). The following are the Village's governmental fund types:

General Fund - the principal operating fund which includes all operations not required to be recorded in other funds.

Special Revenue Funds - used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The following Special Revenue Funds are utilized:

- i. Water - used to account for revenues derived from the operation of a water supply system.
- ii. Recreation - used to account for the expenditure of all fees received specifically to maintain the recreational facilities of the Village.
- iii. Special Grant - used to account for funds received as Community Development Block Grants pursuant to the Community Development Act of 1974, Public Law 93-383.

Capital Projects Fund - used to account for financial resources to be used for the acquisition or construction of major capital facilities.

- b. 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 the capacity of trustee, custodian or agent.

Private-Purpose Trust Funds - accounts for all other trust arrangements under which principal and income benefit individuals, private organizations or other governments.

C. Basis of accounting/Measurement focus

The Village-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the Village gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, 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 a reasonable period of time after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, 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. Property taxes

Real property taxes are levied annually no later than June 1, and become a lien on July 2. Taxes are collected during the period from June 1 to the fourth Tuesday of July of the subsequent year.

In accordance with Real Property Tax Law, Section 1454, all unpaid taxes on the fourth Tuesday of July of the subsequent year, are enforced by tax sale. In all cases where no bid is made on a parcel of land offered for sale for an amount sufficient to pay tax, interest and charges, the premises are deemed to have been sold to and purchased by the Village.

E. Budgetary data

1. Budget policies

- a. No later than March 31, the Village Administrator 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 for all funds.
- b. After public hearings are conducted to obtain taxpayer comments, no later than May 1, the Board of Trustees adopts the budget.

c. All modifications of the budget must be approved by the Board of Trustees.

2. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded for budgetary control purposes to reserve that portion of the applicable appropriations, is employed in the governmental funds. Encumbrances are reported as reservations of fund balances since they do not constitute expenditures or liabilities. Expenditures for such commitments are recorded in the period in which the liability is incurred.

3. Budget basis of accounting

Budgets are adopted annually on a basis consistent with accounting principles generally accepted in the United States of America. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

F. Investments

Investments are stated at cost, which approximates market.

G. 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 loss can be reasonably estimated.

H. Compensated absences

Employees accrue vacation leave based primarily on the number of years employed up to a maximum rate of 30 days a year. Upon separation from service, employees are paid up to 30 days.

Employees accrue sick leave at the rate of 8 days per year and may accumulate such credits up to a total of 96 days. Employees who terminate are paid up to 72 days, at the employees existing regular rate of pay.

Vested vacation and sick leave is recorded in governmental funds as a fund liability and expenditures, if payable from current resources. The liability for compensated absences increased by \$24,832 during the year to \$215,015.

I. Post-employment benefits

In addition to providing pension benefits, the Village provides health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the Village's employees may become 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 expenditures in the year paid. During the year ended May 31, 2010, \$55,271 was paid on behalf of seven retirees and recorded as an expenditure in the General Fund.

J. 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 amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities and useful lives of long-lived assets.

K. Equity classifications

Village-wide statements

In the Village-wide statements there are three classes of net assets:

Invested in capital assets, net of related debt: Consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, construction or improvement of those assets.

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

Unrestricted net assets: Reports all other net assets that do not meet the definition of the above two classifications and are deemed to be available for general use by the Village.

Funds statements

Unreserved fund balance consists of two classifications. A designation of unreserved fund balance indicates the planned use of these resources in the subsequent year's budget. The undesignated portion reports remaining fund balance that has not been designated or reserved.

Fund balance reserves are created to satisfy legal restrictions, plan for future expenditures or relate to resources not available for general use or appropriation. These reserve funds are available to villages within the State of New York and are established through Board action or voter approval. A separate identity must be maintained for each reserve. Earnings on the invested resources become part of the respective reserve funds, however, separate bank accounts are not necessary for each reserve fund.

(2) Stewardship, compliance and accountability

Fund Deficits

Individual funds with total fund deficits as of May 31, 2010 were as follows:

	<u>Fund Deficit Unreserved and Undesignated</u>	<u>Total Fund Balance (Deficit)</u>
General Fund	\$ (153,076)	\$ (153,076)
Recreation Fund	(50,736)	(50,736)
Capital Projects Fund	(615,033)	(615,033)

The General Fund deficit is due to planned reductions in fund balance by designated unreserved fund balance of the prior year to be used as a "revenue source" during the current year. The Board of Trustees is taking steps to eliminate this deficit through the upcoming budget.

The Recreation Fund deficit is due to reduced revenues received during the year and will be eliminated in the upcoming year with increased rates charged.

The Capital Project Fund deficit is due to differences in timing between project expenditures and encumbrances and the recognition of corresponding permanent financing sources. This deficit will be eliminated in the future when the Village issues permanent financing for these projects.

(3) Explanation of certain differences between governmental funds and Village-wide statements

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

A. Total fund balances of governmental funds vs. net assets of governmental activities

Total fund balances of the Village's governmental funds differ from "net assets" of governmental activities reported in the Statement of Net Assets. This difference primarily results from the additional long-term economic focus of the Statement of Net Assets versus the solely current financial resources focus of the governmental funds Balance Sheet.

B. Statement of Revenues, Expenditures and Changes in Fund Equity (Deficit) vs. Statement of Activities

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Equity (Deficit) and the Statement of Activities fall into one of four broad categories. The categories are shown below:

1. Long-term revenue/expense differences

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.

2. Capital related differences

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

3. Long-term debt transaction differences

Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Assets.

4. Reclassifications and eliminations

Reclassifications and eliminations arise because the Statement of Activities reports program revenues (either charges for services or operating grants) net of their direct expenses. All other revenues are categorized as general revenues. Certain expenses have been reclassified so that all identifiable program expenses are accounted for within their proper program, such as the allocation of employee benefits and depreciation expense. Governmental funds account for all revenues and expenses based on their function.

(4) Detail notes on all funds

A. Assets

1. Cash and investments

The Village's investment policies are 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 Administration 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 at 105 percent of all deposits not covered by federal deposit insurance. 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 villages.

The written investment policy requires repurchase agreements to be purchased from banks located within the State and that underlying securities must be obligations of the federal government. Underlying securities must have a market value of at least 105 percent of the cost of the repurchase agreement.

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 at year-end were entirely covered by federal depository insurance or by collateral held by the Village's custodial banks in the Village's name. All deposits, including certificates of deposit, are carried at cost plus accrued interest. They consisted of:

<u>Fund</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>	
General	\$ 146,051	\$ (150,389)	Insured (FDIC) and collateral held by Village's custodial bank.
Special Revenue	32,403	44,238	Insured (FDIC) and collateral held by Village's custodial bank.
Capital Projects	2,016,930	1,992,059	Insured (FDIC) and collateral held by Village's custodial bank.
Trust & Agency	<u>13,923</u>	<u>45,149</u>	Insured (FDIC) and collateral held by Village's custodial bank.
	<u>\$ 2,209,307</u>	<u>\$ 1,931,057</u>	

2. Property taxes

At May 31, 2010, total real property tax assets were \$120,653, of which \$83,755 represents overdue taxes and \$36,898 represents tax sale certificates issued by the Village.

3. Changes in capital assets

A summary of changes in capital fixed assets follows:

	<u>Balance June 1, 2009</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Balance May 31, 2010</u>
Capital assets that are not depreciated:				
Land	\$ 5,713,291	\$ -	\$ -	\$ 5,713,291
Total nondepreciable historical cost	<u>5,713,291</u>	<u>-</u>	<u>-</u>	<u>5,713,291</u>
Capital assets that are depreciated:				
Land improvements	1,825,488	-	-	1,825,488
Buildings and building improvements	10,155,732	-	-	10,155,732
Furniture and equipment	<u>1,417,889</u>	<u>-</u>	<u>-</u>	<u>1,417,889</u>
Total depreciable historical cost	<u>13,399,109</u>	<u>-</u>	<u>-</u>	<u>13,399,109</u>
Less accumulated depreciation:				
Land improvements	599,171	182,548	-	781,719
Buildings and building improvements	4,932,474	338,524	-	5,270,998
Furniture and equipment	<u>830,276</u>	<u>233,233</u>	<u>-</u>	<u>1,063,509</u>
Total accumulated depreciation	<u>6,361,921</u>	<u>754,305</u>	<u>-</u>	<u>7,116,226</u>
Total historical cost, net	<u>\$ 12,750,479</u>	<u>\$ (754,305)</u>	<u>\$ -</u>	<u>\$ 11,996,174</u>

Depreciation expense was charged to governmental functions as follows:

General government support	\$ 155,186
Public safety	104,367
Transportation	51,841
Culture and recreation	106,748
Home and community services	<u>336,163</u>
	<u>\$ 754,305</u>

B. Liabilities

1. Pension plans

New York State and Local Employees' Retirement System (ERS) and the Public Employees' Group Life Insurance Plan (Systems)

The Incorporated Village of Bayville participates in the New York State and Local Employees' Retirement System (ERS) and the Public Employees' Group Life Insurance Plan (Systems). These are cost-sharing multiple-employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits. 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 sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, NY 12244.

The Systems are noncontributory except for employees who joined ERS after July 27, 1976 who contribute 3% of their salary for the first ten years of membership. Under the authority of the NYSRSSL, the Comptroller annually certifies the rates used in computing the employers' contributions. The required contributions for the current year and two preceding years were:

2010	\$ 99,633
2009	97,075
2008	109,425

Chapter 49 of the Laws of 2003 of the State of New York was enacted which made the following changes to the Systems:

- a. Requires minimum contributions by employers of 4.5% of payroll every year, including years in which the investment performance would make a lower contribution possible.
- b. Changes the cycle of annual billing such that the contribution for a given fiscal year will be based on the value of the pension fund on the prior April 1st (i.e. billings due February 2010 would be based on the pension value as of March 31, 2009).

Chapter 260 of the Laws of 2004 of the State of New York was enacted which allows local employers to bond or amortize a portion of their retirement bill for up to 10 years in accordance with the following schedule:

- a. For State fiscal year ("SFY") 2004-2005, the amount in excess of 7 percent of the employees' covered pensionable salaries, with the first payment of those pension costs not due until the fiscal year succeeding that fiscal year in which the bonding/amortization was instituted.
- b. For SFY 2005-06, the amount in excess of 9.5 percent of the employees' covered pensionable salaries.
- c. For SFY 2006-07, the amount in excess of 10.5 percent of the employees' covered pensionable salaries.

This law requires participating employers to make payments on a current basis, while bonding or amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 2005 through 2007.

Length of Service Awards Program ("LOSAP or program")

The Village's financial statements are presented for the year ended May 31, 2010. However, the information contained in this note is based on information for the Length of Service Awards Program for the plan year ending on June 30, 2009, which is the most recent plan year for which complete information is available.

The Village established a defined benefit LOSAP for the active volunteer firefighters of the Bayville Fire Company #1, Inc. The program took effect on July 1, 1994. The program was established pursuant to Article 11A of the General Municipal Law. The program provides municipally-funded pension-like benefits to facilitate the recruitment and retention of active volunteer firefighters. The Village is the Sponsor of the program.

Program description:

Participation, vesting and service credit -

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 a service award after being credited with 5 years of firefighting service or upon attaining the program's entitlement age. The program's entitlement age is 65. In general, an active volunteer firefighter is credited with a year of firefighting service for each calendar year after the establishment of the program in which he or she accumulates fifty points. Points are granted for the performance of certain activities in accordance with a system established by the sponsor on the basis of a statutory list of activities and point values. A participant may also receive credit for 5 years of firefighting service rendered prior to the establishment of the program.

Benefits -

A participant's benefit under the program is the actuarial equivalent of a monthly payment for life equal to \$20 multiplied by the person's total number of years of firefighting service. The number of years of firefighting service used to compute the benefit cannot exceed thirty. Except in the case of disability or death, benefits are payable when a participant reaches entitlement age. The program provides statutorily mandated death and disability benefits.

Fiduciary investment and control -

Service credit is determined by the governing board of the sponsor, based on information certified to the governing board by each fire company having members who participate in the program. Each fire company must maintain all required records on forms prescribed by the governing board.

The governing board of the sponsor has retained and designated VFIS to assist in the administration of the program. The designated program administrator's functions include Installation Assistance including: Specimen Adoption Agreement; Specimen Master Plan; Insurance Applications; Participant Enrollment Forms; Explanation of Benefits; Benefit Certificates and Administrative Assistance; Reminder letter to sponsor with Census for current anniversary date provided annually; Participant's benefit calculation at the time of termination or retirement for verification by the Plan Sponsor; Member Census and Premium Analysis Report provided annually; Valuation and recommended deposit provided annually; Summary of required contribution; Actuarial review; and Recommended Program enhancement as appropriate. Disbursements of program assets for the payment of benefits or administrative expenses must be approved. The following is an explanation of the process for approving disbursements:

Payment of benefits -

Entitlement benefits - VFIS prepares and submits to the Sponsor a Verification of Benefits Statement and an Annuity Enrollment Form for participants active at entitlement age and for vested participants upon termination from the Program. Following review for accuracy, the Sponsor signs and returns the paperwork to VFIS authorizing VFIS to disburse entitlement benefits.

Death benefits - Upon notification from the Sponsor of a participant death, VFIS prepares a Verification of Benefits Statement and a Lump Sum Death Benefit Form. Following review for accuracy, the Sponsor signs and returns the paperwork accompanied by a death certificate to VFIS authorizing VFIS to disburse a death benefit.

Disability benefits - Upon notification from the Sponsor of a participant total and permanent disability, VFIS prepares a Verification of Benefits Statement, a Physician Statement Form, and a Lump Sum Disability Benefit Form. Following review for accuracy, the Sponsor signs and returns the paperwork authorizing VFIS to disburse a disability benefit.

Payment of administrative expenses -

Per the executed Service Fee Agreement, the Sponsor agrees to payment as contracted.

Program assets are required to be held in trust by LOSAP legislation, 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. Program assets are held in compliance with GML Article 11A 217(j).

Authority to invest program assets is vested in the Hartford Life Insurance Company. Subject to restrictions in the program document, program assets are invested in accordance with a statutory "prudent person" rule.

The Sponsor is required to retain an actuary to determine the amount of the Sponsor's contributions to the plan. The actuary retained by the Sponsor for this purpose is Gerald R. Shea, Pencert, Ltd. Portions of the following information are derived from a report prepared by the actuary dated July 29, 2010.

Program financial condition -

Actuarial present value of vested benefits	<u>\$ 709,328</u>
Net assets available for benefit	<u>\$ 696,570</u>

Prior service costs -

Prior service costs are being amortized over 20 years at a discount rate of 5.75%.

Receipts and disbursements -

Program net assets, beginning of year		\$	622,981
Changes during the year:			
Plan contributions	\$	179,175	
Investment income earned		34,255	
Cash value - surrendered life policies		4,777	
Plan benefit withdrawals		(129,736)	
Administrative fees		(1,246)	
Life insurance premium		(13,636)	73,589
Program net assets, end of year		\$	<u>696,570</u>

Contributions -

Amount of sponsor's contribution recommended by actuary \$ 105,309

Amount of sponsor's actual contribution \$ 179,175

Funding methodology and actuarial assumptions:

Normal costs -

The actuarial valuation methodology used by the actuary to determine the Sponsor's contribution is entry age normal frozen initial liability. The assumptions used by the actuary to determine the Sponsor's contribution and the actuarial present value of benefits are:

Assumed rate of return on investment 5.75%

Mortality Tables used for:

Pre-retirement	U8400
Post-retirement	U8400
Death (Actives)	None

2. Short-term debt

Liabilities for bond anticipation notes (BANs) and tax anticipation notes (TANs) are generally accounted for in the General Fund and Capital Projects Fund. The notes or renewal thereof may not extend more than two years beyond the original date of issue unless a portion is redeemed within two years and within each 12 month period thereafter.

State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. However, BANs issued for assessable improvement projects may be renewed for periods equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made.

Short-term liability balances and activity for the year are summarized below:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
BAN matured 10/21/09 at 3.30%	\$ 250,000	\$ -	\$ 250,000	\$ -
TAN matured 07/22/09 at 2.00%	750,000	-	750,000	-
BAN matures 10/21/10 at 2.25%	-	187,500	-	187,500
BAN matures 03/25/11 at 2.25%	-	890,460	-	890,460
BAN matures 05/24/11 at 1.50%	-	1,814,500	-	1,814,500
	<u>\$ 1,000,000</u>	<u>\$ 2,892,460</u>	<u>\$ 1,000,000</u>	<u>\$ 2,892,460</u>

3. Long-term debt

- a. Outstanding indebtedness aggregated \$5,003,334. Of this amount, \$4,460,597 was subject to the constitutional debt limit and represented approximately 17% of its debt limit.
- b. Serial bonds - The Village borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities, which are full faith and credit debt of the local government, are recorded in the Schedule of Non-current Governmental Liabilities.
- c. Other long-term debt - In addition to the above long-term debt, the Village had the following non-current liabilities:
 - Other post-employment benefits - represents the amortized portion of the annual required contribution for the Village's cost of health benefits for retirees.
 - Installment purchase debt payable - represents the remaining installments due on the purchase of equipment.
 - Judgment and claims payable - represents the remaining monies due on judgments given on the Village.
 - Compensated absences - represents the value of earned and unused portion of the liability for compensated absences.
- d. Summary long-term liabilities - the following is a summary of changes in long-term liabilities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental activities:					
Bonds payable	\$ 5,290,000	\$ -	\$ 300,000	\$ 4,990,000	\$ 315,000
Other post-employment benefits	-	525,043	-	525,043	-
Installment purchase debt payable	24,589	-	11,255	13,334	4,444
Judgment and claims payable	39,100	11,500	-	50,600	50,600
Compensated absences	190,183	24,832	-	215,015	-
Total long-term liabilities	<u>\$ 5,543,872</u>	<u>\$ 561,375</u>	<u>\$ 311,255</u>	<u>\$ 5,793,992</u>	<u>\$ 370,044</u>

Additions and deletions to compensated absences are shown net since it is impractical to determine these amounts separately.

- e. Long-term debt maturity schedule - the following is a statement of serial bonds with corresponding maturity schedules:

<u>Description of Issue</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding at 5/31/10</u>
Serial Bonds	11/99	11/19	5.5%-5.625%	\$ 1,980,000
Serial Bonds	12/03	12/23	3.0% - 5.0%	<u>3,010,000</u>
				<u>\$ 4,990,000</u>

- f. The following table summarizes the Village's future debt service requirements:

<u>Fiscal Year Ended May 31,</u>	<u>Serial Bonds Principal</u>	<u>Installment Purchase Debt</u>	
		<u>Principal</u>	<u>Interest</u>
2011	\$ 315,000	\$ 4,444	\$ 220,441
2012	330,000	4,674	206,736
2013	345,000	3,461	191,923
2014	365,000	755	176,017
2015	380,000	-	159,406
2016-20	2,215,000	-	511,415
2021-23	1,040,000	-	111,620

C. Interfund balances and activity

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenues</u>	<u>Expenditures</u>
General Fund	\$ 278,237	\$ 400,138	\$ -	\$ 192,969
Special Revenue Funds	231,423	249,073	98,246	-
Capital Projects Fund	339,102	199,551	182,969	88,246
Fiduciary Funds	-	-	-	-
Totals	<u>\$ 848,762</u>	<u>\$ 848,762</u>	<u>\$ 281,215</u>	<u>\$ 281,215</u>

D. Post-employment (health insurance) benefits

Plan description and annual OPEB cost

The Village provides post-employment (health insurance, life insurance etc.) coverage to retired employees in accordance with the provisions of various employment contracts. The benefit levels, employee contributions and employer contributions are governed by the Village's contractual agreements.

The Village has implemented GASB Statement 45, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions. This required the Village to calculate and record a net other post-employment benefit obligation at year-end. The net other post-employment benefit obligation is basically the cumulative difference between the actuarially required contribution and the actual contributions made.

Currently, 7 retired employees receive health benefits from the Village. Retirees contribute 0% for coverage.

The Village recognizes the cost of providing health insurance annually as expenditures in the General Fund of the funds financial statements as payments are made. For the year ended May 31, 2010, the Village recognized \$55,271 for its share of insurance premiums for currently enrolled retirees.

The Village has obtained an actuarial valuation report as of June 1, 2009 which indicates that the total liability for other post-employment benefits is \$5,362,752.

The Village's annual other post-employment benefit (OPEB) cost (expense) for its plan is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Village's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Village's net OPEB obligation:

	For the Year Ended <u>May 31, 2010</u>
Annual required contribution	\$ 580,314
Contributions made	<u>55,271</u>
Increase in net OPEB obligation	525,043
Net OPEB obligation – beginning of year	<u>-</u>
Net OPEB obligation – end of year	<u><u>\$ 525,043</u></u>

The Village's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
5/31/2010	\$580,314	9.52%	\$525,043

Funded status and funding progress

As of June 1, 2009, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$5,362,752 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,362,752. The covered payroll (annual payroll of active employees covered by the plan) was \$1,136,612, and the ratio of the UAAL to the covered payroll was 471.82%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial methods and assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 1, 2009 actuarial valuation, the projected unit actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 10% initially, reduced by decrements to an ultimate rate of 5% after 6 years. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 30 year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at May 31, 2010 was 29 years.

E. Contingencies

Government grants

The Village receives grants which are subject to audit by agencies of the State and federal governments. Such audits may result in disallowances and a request for a return of funds to the State and federal governments. Based on past experience, the Village administration believes disallowances, if any, would be immaterial.

Litigation

On an ongoing basis, the Village is a party to litigation including tax certiorari proceedings. Such proceedings will occasionally result in settlements, whereby the Village will be required to rebate certain real property taxes. Such rebates are recognized in the accounting records, when realized. In the opinion of the Village administration, the ultimate resolution of current legal actions would have no material effect on the financial statements.

(5) Subsequent events

The Village has evaluated subsequent events through July 16, 2010 which is the date these financial statements were available to be issued.

INCORPORATED VILLAGE OF BAYVILLE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND EQUITY (DEFICIT) - BUDGET TO ACTUAL
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MAY 31, 2010

Supplementary
Schedule 1

	Special Revenue Funds											
	General Fund			Water			Recreation			Special Grant		
	Budget	Actual	Variance- Favorable (Unfavorable)	Budget	Actual	Variance- Favorable (Unfavorable)	Budget	Actual	Variance- Favorable (Unfavorable)	Budget	Actual	Variance- Favorable (Unfavorable)
Revenues and Other Sources												
Real property taxes	\$ 3,762,153	\$ 3,760,651	\$ (1,502)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other tax items	36,000	36,670	670	-	-	-	-	-	-	-	-	-
Non-property tax items	243,841	245,183	1,342	-	-	-	-	-	-	-	-	-
Departmental income	73,500	69,311	(4,189)	721,000	669,904	(51,096)	195,000	186,230	(8,770)	-	-	-
Use of money and property	390,500	388,451	(2,049)	1,400	-	(1,400)	485	-	(485)	-	-	-
Licenses and permits	92,000	93,319	1,319	-	-	-	-	-	-	-	-	-
Fines and forfeitures	64,000	64,875	875	-	-	-	-	-	-	-	-	-
Sales of property and compensation for loss	15,500	17,137	1,637	-	-	-	-	-	-	-	-	-
Miscellaneous	23,000	21,272	(1,728)	-	-	-	-	-	-	-	-	-
State sources	175,040	177,188	2,148	-	-	-	-	-	-	-	-	-
Federal sources	-	-	-	-	-	-	-	-	-	175,787	13,020	(162,767)
Total revenues	4,875,534	4,874,057	(1,477)	722,400	669,904	(52,496)	195,485	186,230	(9,255)	175,787	13,020	(162,767)
Other sources:												
Appropriated fund balance	120,178	-	(120,178)	1,660	-	(1,660)	9,507	-	(9,507)	-	-	-
Interfund transfers	-	-	-	-	88,246	88,246	10,000	10,000	-	-	-	-
Total revenues and other sources	4,995,712	4,874,057	(121,655)	724,060	758,150	34,090	214,992	196,230	(18,762)	175,787	13,020	(162,767)
Expenditures and Other Uses												
General government support	1,307,763	1,297,489	10,274	18,750	18,539	211	-	-	-	-	-	-
Public safety	722,262	721,518	744	-	-	-	-	-	-	-	-	-
Transportation	441,739	439,633	2,106	-	-	-	-	-	-	-	-	-
Culture and recreation	722,191	717,977	4,214	-	-	-	145,806	187,286	(41,480)	-	-	-
Home and community services	659,320	655,180	4,140	498,894	458,559	40,335	-	-	-	175,787	13,020	162,767
Employee benefits	694,940	692,851	2,089	86,096	82,338	3,758	-	-	-	-	-	-
Debt service -												
Principal	208,590	202,455	6,135	69,079	69,079	-	39,721	39,721	-	-	-	-
Interest	166,407	164,739	1,668	51,241	51,241	-	29,465	29,465	-	-	-	-
Total expenditures	4,923,212	4,891,842	31,370	724,060	679,756	44,304	214,992	256,472	(41,480)	175,787	13,020	162,767
Other uses:												
Payment of BAN principal	62,500	62,500	-	-	-	-	-	-	-	-	-	-
Interfund transfers	10,000	192,969	(182,969)	-	-	-	-	-	-	-	-	-
Total expenditures and other uses	4,995,712	5,147,311	(151,599)	724,060	679,756	44,304	214,992	256,472	(41,480)	175,787	13,020	162,767
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	\$ -	(273,254)	\$ (273,254)	\$ -	78,394	\$ 78,394	\$ -	(60,242)	\$ (60,242)	\$ -	-	\$ -
Fund equity, beginning of year		120,178			23,715			9,506				
Fund equity (deficit), end of year		\$ (153,076)			\$ 102,109			\$ (50,736)		\$ -		

The accompanying notes to financial statements should be read in conjunction with this schedule.

INCORPORATED VILLAGE OF BAYVILLE
SCHEDULE OF APPROPRIATIONS, ONGOING PROJECTS
AND CUMULATIVE EXPENDITURES
CAPITAL PROJECTS FUND
MAY 31, 2010

<u>Project Title</u>	<u>Project Number</u>	<u>Appropriations</u>	<u>Cumulative Expenditures</u>	<u>Variance- Favorable (Unfavorable)</u>
Valentines Beach	04-1	\$ 2,744,200	\$ 1,512,616	\$ 1,231,584
Presidents Street drainage	04-3	1,611,800	220,555	1,391,245
Bayville Village street scape	07-2	1,025,000	87,072	937,928
Catch basin	09-3	150,000	76,911	73,089
Water quality #2	07-4	100,000	41,170	58,830
Fire Company Vehicle	10-1	25,000	-	25,000
		<u>\$ 5,656,000</u>	<u>\$ 1,938,324</u>	<u>\$ 3,717,676</u>

The accompanying notes to financial statements should be read in conjunction with this schedule.

INCORPORATED VILLAGE OF BAYVILLE
SCHEDULE OF NON-CURRENT GOVERNMENTAL LIABILITIES
FOR THE YEAR ENDED MAY 31, 2010

	<u>Date of Original Issue</u>	<u>Outstanding June 1, 2009</u>	<u>Interest Rate</u>	<u>Issued</u>	<u>Paid</u>	<u>Outstanding May 31, 2010</u>	<u>Interest Rate</u>	<u>Interest Paid 2009-2010</u>
Serial bonds:								
Public improvement	Nov-99	\$ 2,120,000	5.50-5.625	\$ -	\$ 140,000	\$ 1,980,000	5.50	\$ 113,303
Public improvement	Dec-03	<u>3,170,000</u>	3.00-5.00	<u>-</u>	<u>160,000</u>	<u>3,010,000</u>	4.00	<u>118,685</u>
		<u>\$ 5,290,000</u>		<u>\$ -</u>	<u>\$ 300,000</u>	<u>\$ 4,990,000</u>		<u>\$ 231,988</u>
Installment purchase debt:								
Computers	Sep-04	\$ 7,009	9.04	\$ -	\$ 7,009	\$ -	9.04	\$ 760
Mailing system	Jun-07	4,798	15.14	-	1,238	3,560	15.10	344
Copier	Oct-08	<u>12,782</u>	26.00	<u>-</u>	<u>3,008</u>	<u>9,774</u>	26.00	<u>401</u>
		<u>\$ 24,589</u>		<u>\$ -</u>	<u>\$ 11,255</u>	<u>\$ 13,334</u>		<u>\$ 1,505</u>
Bond anticipation notes:								
Vehicle and equipment	Oct-08	\$ 250,000	3.30	\$ -	\$ 250,000	\$ -	3.30	\$ 8,227
Vehicle and equipment	Oct-09	-	2.25	187,500	-	187,500	2.25	-
Vehicle and equipment	Mar-10	-	2.25	890,460	-	890,460	2.25	-
Vehicle and equipment	May-10	<u>-</u>	1.50	<u>1,814,500</u>	<u>-</u>	<u>1,814,500</u>	1.50	<u>-</u>
		<u>\$ 250,000</u>		<u>\$ 2,892,460</u>	<u>\$ 250,000</u>	<u>\$ 2,892,460</u>		<u>\$ 8,227</u>
Tax anticipation note	Jul-08	<u>\$ 750,000</u>	2.00	<u>\$ -</u>	<u>\$ 750,000</u>	<u>\$ -</u>	2.00	<u>\$ 3,725</u>

The accompanying notes to financial statements
should be read in conjunction with this schedule.

INCORPORATED VILLAGE OF BAYVILLE
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
JUSTICE COURT
FOR THE YEAR ENDED MAY 31, 2010

	<u>Anthony Perri</u>	<u>David Wright</u>	<u>John Kennedy</u>
Balances, June 1, 2009	\$ -	\$ -	\$ -
Receipts:			
Vehicle violations, parking, fines and Village ordinances	42,745	1,170	7,355
New York State surcharge	<u>11,005</u>	<u>620</u>	<u>1,880</u>
Accountability	53,750	1,790	9,235
Disbursements	<u>44,995</u>	<u>1,790</u>	<u>9,235</u>
Balances, May 31, 2010	<u>\$ 8,755</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes to financial statements should be read in conjunction with this schedule.

INCORPORATED VILLAGE OF BAYVILLE
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
FOR THE YEAR ENDED MAY 31, 2010

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/1/2009	\$ -	\$5,362,752	\$5,362,752	0.0%	\$1,136,612	471.82%

The accompanying notes should be read
in conjunction with this schedule.



Nawrocki Smith LLP
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' 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 of
the Incorporated Village of Bayville:**

We have audited the financial statements of the governmental activities and each major fund of the Incorporated Village of Bayville, (the "Village"), as of and for the year ended May 31, 2010, which collectively comprise the Village's basic financial statement and have issued our report thereon dated July 16, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of 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.

Nawrocki Smith LLP

This report is intended solely for the information and use of the Board of Trustees, the administration, others within the Village, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Melville, New York
July 16, 2010

Nawrocki Smith LLP