

**INCORPORATED VILLAGE OF BAYVILLE**  
**FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**AS OF MAY 31, 2016**  
**TOGETHER WITH AUDITOR'S REPORTS**

**INCORPORATED VILLAGE OF BAYVILLE**  
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## INDEPENDENT AUDITOR'S REPORT

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

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

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information and the fiduciary funds of the Incorporated Village of Bayville (the "Village"), as of and for the year ended May 31, 2016, and the related notes to financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, the aggregate remaining fund information and the fiduciary funds of the Incorporated Village of Bayville, as of May 31, 2016, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

# NawrockiSmith

## ***Change in Accounting Principle***

As discussed in Note 3, as well as Management's Discussion and Analysis ("MD&A"), in fiscal year 2015-16 the Village adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71, *Pension Transition for Contributions Subsequent to the Measurement Date*. The adoption of these statements resulted in a prior period adjustment. Our opinion is not modified with respect to this matter.

## ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of funding progress for the retiree health plan and pension schedules, on pages 3-12 and 46-49 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board ("GASB"), 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 response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village's basic financial statements. The other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2016, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

Melville, New York  
September 12, 2016



**INCORPORATED VILLAGE OF BAYVILLE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED MAY 31, 2016**

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, 2016. This 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, 2016, the Village had total assets and deferred outflows of resources of \$11,826,303, total liabilities and deferred inflows of resources of \$8,640,957 and net position of \$3,185,346 in the Village-wide financial statements.
- Total revenues for the year ended May 31, 2016 were \$7,224,875 and total expenses were \$6,473,009 resulting in a surplus of revenues over expenditures of \$751,866.
- As described in Note 3 to the financial statements, "Changes in Accounting Principles", the Village has implemented the provisions of GASB Statement No. 68, Accounting and Financial Reporting for Pension, and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, for the year ended May 31, 2016. The implementation of these statements resulted in a restatement to the opening net position as of June 1, 2015. Prior year balances in MD&A have been updated for comparison purposes.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

- The first two financial statements are *Village-wide financial statements* that provide both *short-term* and *long-term* information about the Village's *overall* financial status.
- The remaining financial 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 financial statements.
  - The *fund financial statements* tell how programs were financed in the *short-term* as well as what remains for future spending.
  - *Fiduciary fund financial 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 financial statements and provide more detailed data. The financial 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 financial statements.

| <b>Table A-1: Major Features of the Village-Wide and Fund Financial Statements</b>               |   |   |  |
|--|---|---|--|
|  | Village-Wide Financial 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"> <li>• Statement of Net Position</li> <li>• Statement of Activities and Changes in Net Position</li> </ul>    | <ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit)</li> </ul>  | <ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Position</li> <li>• Statement of Changes in Fiduciary Net Position</li> </ul>  |
| 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/deferred outflows of resources/liability/deferred inflows of resources information | All assets, deferred outflows of resources, liabilities and deferred inflows of resources, both financial and capital, short-term and long-term | Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due during the year or soon thereafter; no capital assets or long-term liabilities included | All assets, deferred outflows or resources (if any), liabilities and deferred inflows of resources (if any), 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 Financial Statements**

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

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

- Over time, increases or decreases in the Village's net position 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 fund financial 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 financial statements, reconciliations of the Village-wide and fund financial 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 position increased by 30.9% from the year before to \$3,185,346 as detailed in Tables A-2 and A-3.

| <b>Table A-2: Condensed Statements of Net Position - Governmental Activities</b> |                      |                      |                   |                 |
|--|----------------------|----------------------|-------------------|-----------------|
|  | (As Restated)        |                      |                   |                 |
|  | <u>5/31/15</u>       | <u>5/31/16</u>       | <u>\$ Change</u>  | <u>% Change</u> |
| Current assets   | \$ 1,048,841         | \$ 2,010,083         | \$ 961,242        | 91.6            |
| Noncurrent assets  | 152,588              | 44,976               | (107,612)         | (70.5)          |
| Capital assets, net  | <u>9,116,841</u>     | <u>9,096,291</u>     | <u>(20,550)</u>   | (0.2)           |
| Total assets   | <u>\$ 10,318,270</u> | <u>\$ 11,151,350</u> | <u>\$ 833,080</u> | 8.1             |
| Deferred outflows of resources   | <u>\$ 59,834</u>     | <u>\$ 674,953</u>    | <u>\$ 615,119</u> | 1,028.0         |
| Current and other liabilities  | \$ 1,924,639         | \$ 1,811,920         | \$ (112,719)      | (5.9)           |
| Long-term liabilities  | <u>6,015,941</u>     | <u>6,718,563</u>     | <u>702,622</u>    | 11.7            |
| Total liabilities  | 7,940,580            | 8,530,483            | 589,903           | 7.4             |
| Deferred inflows   | <u>4,044</u>         | <u>110,474</u>       | <u>106,430</u>    | 2,631.8         |
| Total liabilities and deferred inflows of resources                              | <u>\$ 7,944,624</u>  | <u>\$ 8,640,957</u>  | <u>\$ 696,333</u> | 8.8             |
| Net position:  |                      |                      |                   |                 |
| Net investment in capital assets   | \$ 5,130,375         | \$ 5,480,899         | \$ 350,524        | 6.8             |
| Unrestricted (deficit)   | <u>(2,696,895)</u>   | <u>(2,295,553)</u>   | <u>401,342</u>    | 14.9            |
| Total net position   | <u>\$ 2,433,480</u>  | <u>\$ 3,185,346</u>  | <u>\$ 751,866</u> | 30.9            |

**Changes in Net Position**

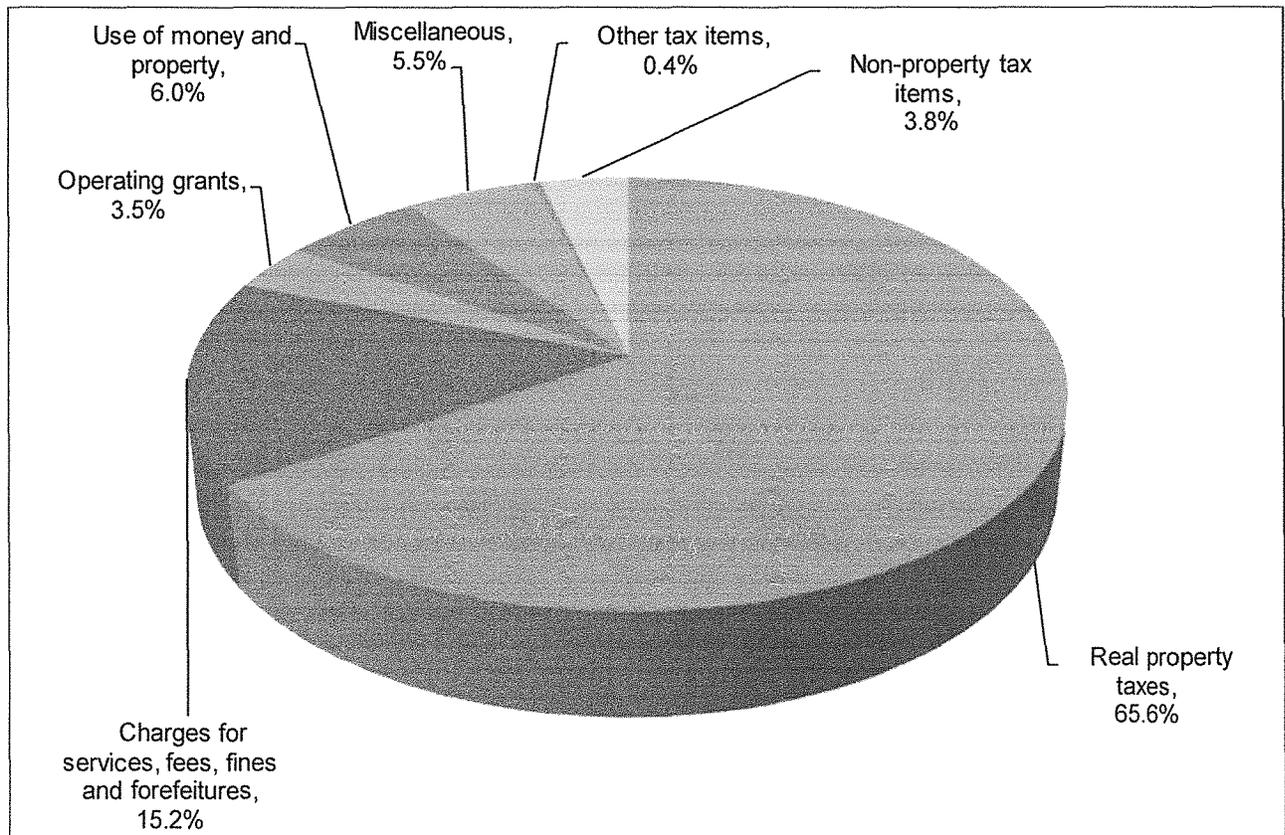
The Village's fiscal year 2016 revenues totaled \$7,224,875 which is 4.2% more than fiscal year 2015 (see Table A-3). Property taxes, non-property tax items and charges for services, fees, fines and forfeitures accounted for 84.6% of total revenues (see Table A-4). The remainder came from State sources, operating grants and other miscellaneous sources.

- Operating grants decreased by 12.4% mainly due to the Village not receiving applications for Community Development grant funding from eligible participants during fiscal year 2016.

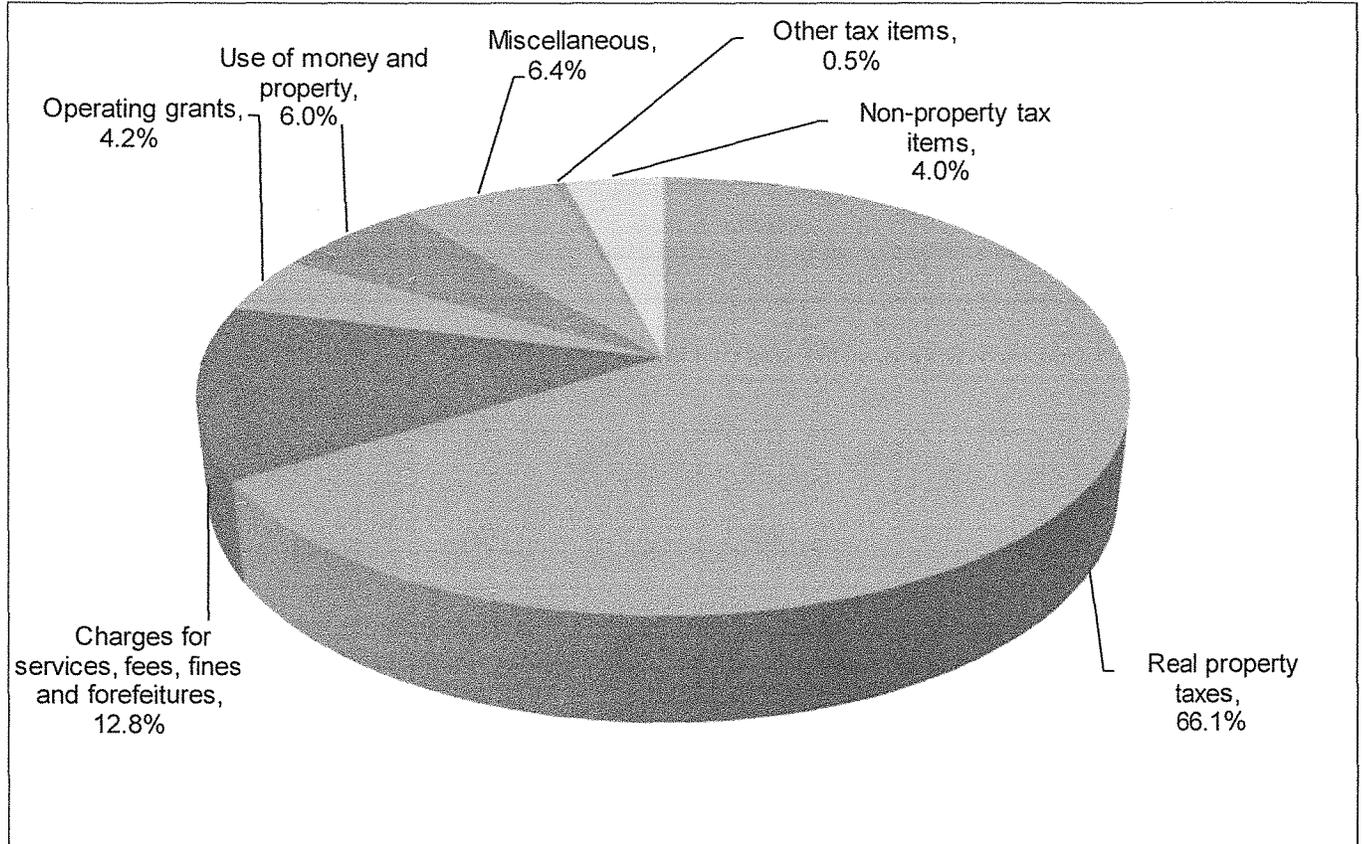
The Village's fiscal year 2016 expenses totaled \$6,473,009, which is 15.9% less than fiscal year 2015 (see Table A-3). These expenses (99.1%) are predominately related to general government support, public safety, transportation, culture and recreation and home and community services (see Table A-6).

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

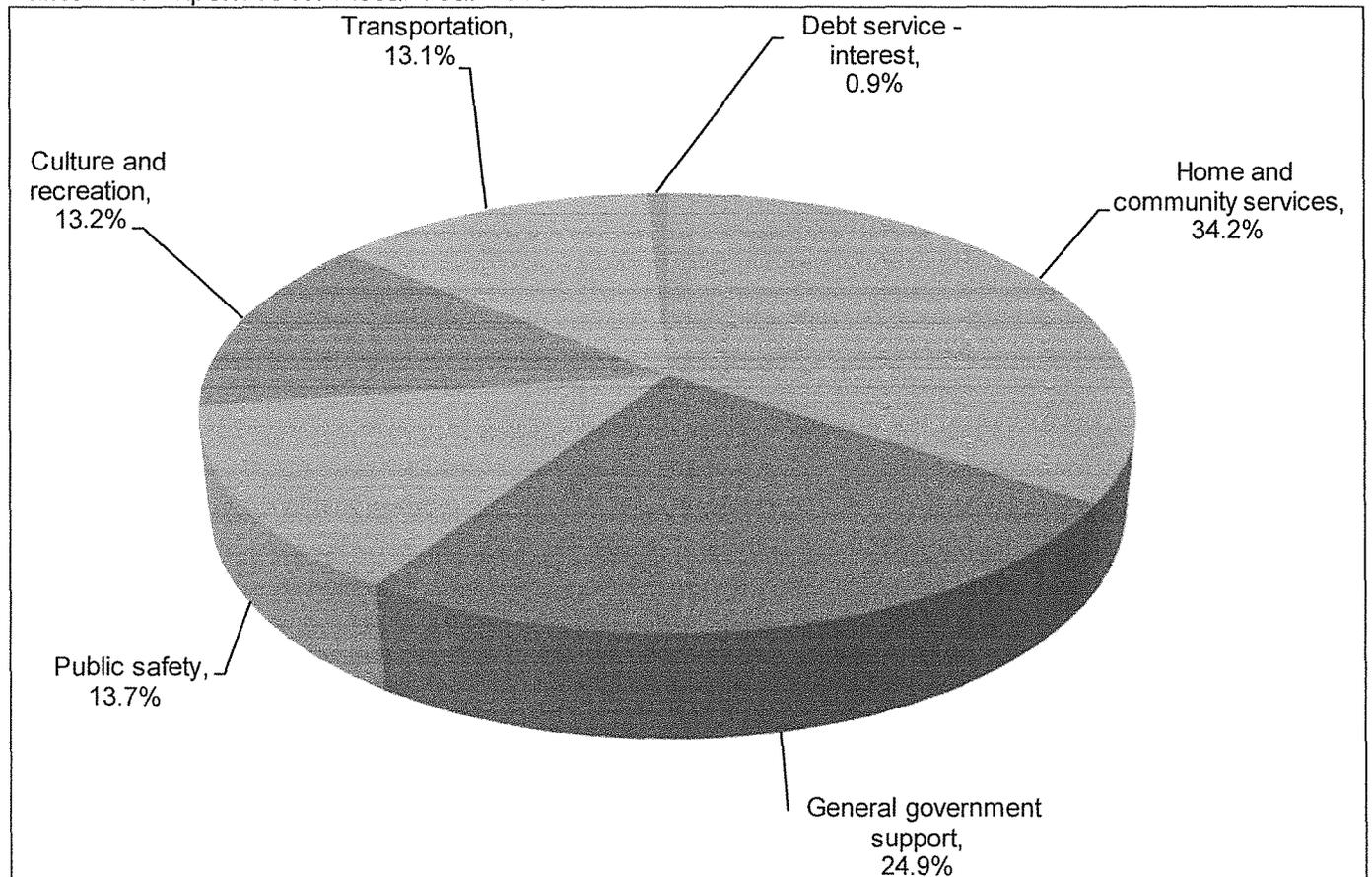
|   | (As Restated)       |                   |                     |                 |
|---|---------------------|-------------------|---------------------|-----------------|
|   | <u>5/31/15</u>      | <u>5/31/16</u>    | <u>\$ Change</u>    | <u>% Change</u> |
| <b>Revenues</b>                                   |                     |                   |                     |                 |
| Program revenues:                                 |                     |                   |                     |                 |
| Charges for services, fees, fines and forfeitures | \$ 888,528          | \$ 1,101,478      | \$ 212,950          | 24.0            |
| Operating grants                                  | 290,982             | 255,002           | (35,980)            | (12.4)          |
| General revenues:                                 |                     |                   |                     |                 |
| Real property taxes                               | 4,587,612           | 4,731,148         | 143,536             | 3.1             |
| Other tax items                                   | 34,449              | 31,520            | (2,929)             | (8.5)           |
| Non-property tax items                            | 273,928             | 273,532           | (396)               | (0.1)           |
| Use of money and property                         | 417,980             | 433,715           | 15,735              | 3.8             |
| Miscellaneous                                     | 440,936             | 398,480           | (42,456)            | (9.6)           |
| Total revenues                                    | <u>6,934,415</u>    | <u>7,224,875</u>  | <u>290,460</u>      | <u>4.2</u>      |
| <b>Expenses</b>                                   |                     |                   |                     |                 |
| General government support                        | 1,772,986           | 1,613,117         | (159,869)           | (9.0)           |
| Public safety                                     | 897,521             | 885,043           | (12,478)            | (1.4)           |
| Transportation                                    | 988,770             | 848,852           | (139,918)           | (14.2)          |
| Culture and recreation                            | 827,369             | 853,789           | 26,420              | 3.2             |
| Home and community services                       | 3,122,939           | 2,214,459         | (908,480)           | (29.1)          |
| Debt service - interest                           | 91,308              | 57,749            | (33,559)            | (36.8)          |
| Total expenses                                    | <u>7,700,893</u>    | <u>6,473,009</u>  | <u>(1,227,884)</u>  | <u>(15.9)</u>   |
| Increase (decrease) in net position               | <u>\$ (766,478)</u> | <u>\$ 751,866</u> | <u>\$ 1,518,344</u> | <u>198.1</u>    |

**Table A-4: Sources of Revenues for Fiscal Year 2016**

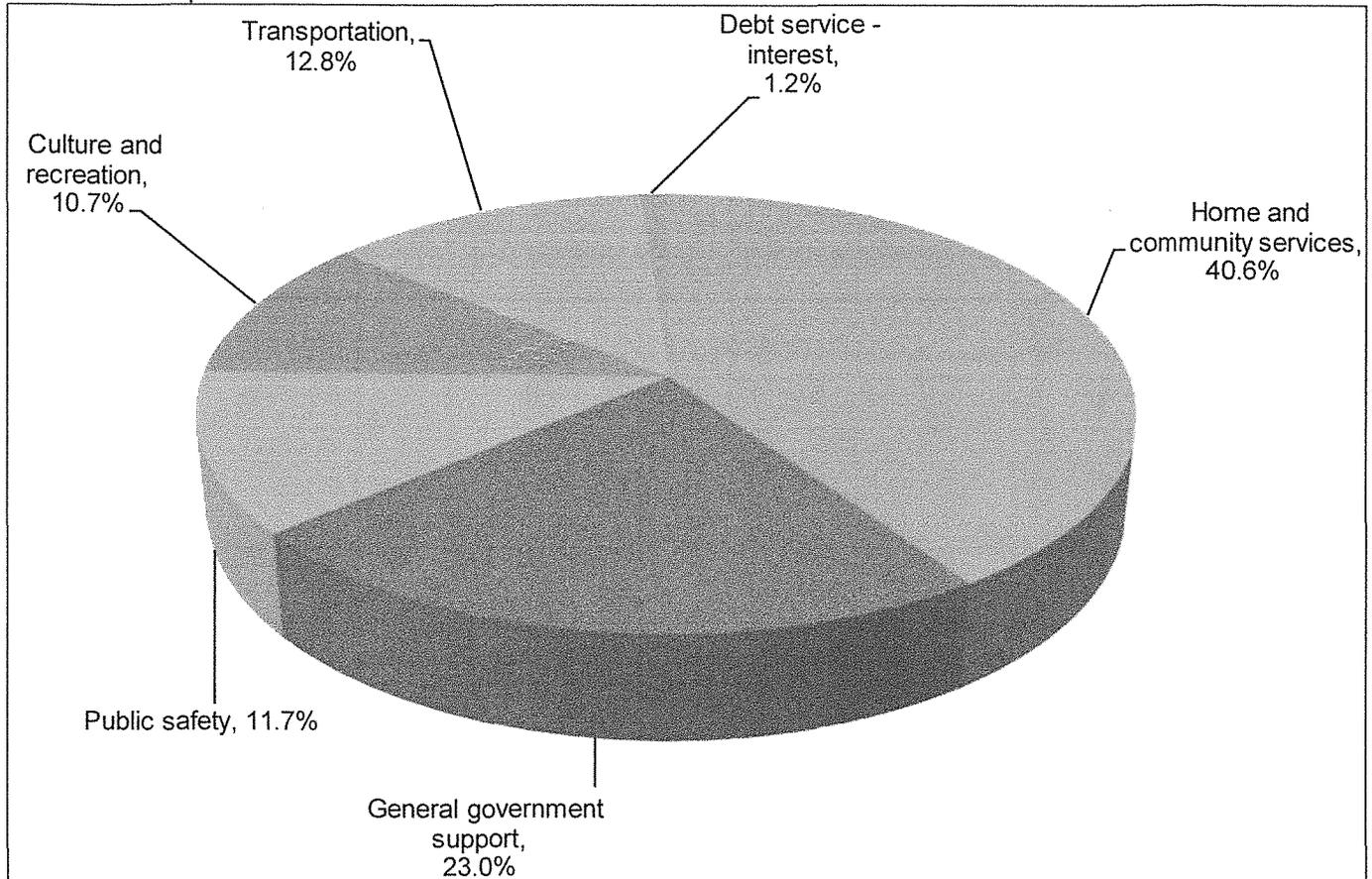
**Table A-5: Sources of Revenues for Fiscal Year 2015**



**Table A-6: Expenses for Fiscal Year 2016**



**Table A-7: Expenses for Fiscal Year 2015**



**Governmental Activities**

Revenues for the Village's governmental activities were consistent with the Village-wide operating results. Village-wide expenditures exceed governmental expenditures due principally to recognition of other post-employment benefits and depreciation.

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 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 fund financial statements show the following significant variations:

- Total assets increased from \$1,654,618 in 2015 to \$2,590,073 in 2016. The increase is primarily due to the increase in cash as a result of reduced debt service payments and an increase in prepaid expenses.
- Total liabilities and deferred inflows of resources increased from \$1,298,162 in 2015 to \$1,381,905 in 2016. The variance is a primary result of increases in interfund payables and advance rent received.

At May 31, 2016, the Village's governmental funds had a combined fund balance of \$1,208,168, which is an increase of \$851,712 from May 31, 2015. Fund balances for the Village's governmental funds for the past two years were distributed as follows:

|                              | <u>5/31/15</u>    | <u>5/31/16</u>      | <u>\$ Change</u>  | <u>% Change</u> |
|------------------------------|-------------------|---------------------|-------------------|-----------------|
| <b>General Fund</b>          |                   |                     |                   |                 |
| Nonspendable:                |                   |                     |                   |                 |
| Prepaid expenses             | \$ 54,505         | \$ 245,116          | \$ 190,611        | 349.7           |
| Assigned:                    |                   |                     |                   |                 |
| Encumbrances                 | 15,840            | 8,611               | (7,229)           | (45.6)          |
| Unassigned                   | <u>1,027,984</u>  | <u>1,602,852</u>    | <u>574,868</u>    | 55.9            |
| Total General Fund           | <u>1,098,329</u>  | <u>1,856,579</u>    | <u>758,250</u>    | 69.0            |
| <b>Water Fund</b>            |                   |                     |                   |                 |
| Nonspendable:                |                   |                     |                   |                 |
| Prepaid expenses             | 3,426             | 18,705              | 15,279            | 446.0           |
| Unassigned                   | <u>(320,271)</u>  | <u>(266,330)</u>    | <u>53,941</u>     | 16.8            |
| Total Water Fund             | <u>(316,845)</u>  | <u>(247,625)</u>    | <u>69,220</u>     | 21.8            |
| <b>Recreation Fund</b>       |                   |                     |                   |                 |
| Assigned:                    |                   |                     |                   |                 |
| Recreation fund              | <u>145,805</u>    | <u>220,811</u>      | <u>75,006</u>     | 51.4            |
| Total Recreation Fund        | <u>145,805</u>    | <u>220,811</u>      | <u>75,006</u>     | 51.4            |
| <b>Capital Projects Fund</b> |                   |                     |                   |                 |
| Unassigned                   | <u>(570,833)</u>  | <u>(621,597)</u>    | <u>(50,764)</u>   | (8.9)           |
| Total Capital Projects Fund  | <u>(570,833)</u>  | <u>(621,597)</u>    | <u>(50,764)</u>   | (8.9)           |
|                              | <u>\$ 356,456</u> | <u>\$ 1,208,168</u> | <u>\$ 851,712</u> | 238.9           |

No other significant variances are reflected in the fund financial statements for fiscal May 31, 2016.

### **Budgetary Highlights**

Reference is made to the budget vs. actual schedules on page 46 which presents budget and actual results for the Village's governmental funds.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

By the end of May 31, 2016, the Village had invested \$9,096,291, net of depreciation, in a broad range of capital assets, including land, land improvements, buildings, furniture and equipment.

**Table A-9:** Capital Assets (net of depreciation)

|                                     | <u>5/31/15</u>      | <u>5/31/16</u>      | <u>\$ Change</u>   | <u>% Change</u> |
|-------------------------------------|---------------------|---------------------|--------------------|-----------------|
| Land                                | \$ 5,713,291        | \$ 5,646,691        | \$ (66,600)        | (1.2)           |
| Land improvements                   | 131,024             | 204,774             | 73,750             | 56.3            |
| Buildings and building improvements | 3,192,113           | 3,040,440           | (151,673)          | (4.8)           |
| Furniture and equipment             | 80,413              | 204,386             | 123,973            | 154.2           |
| Totals                              | <u>\$ 9,116,841</u> | <u>\$ 9,096,291</u> | <u>\$ (20,550)</u> | (0.2)           |

### Long-Term Debt

At year-end, the Village had \$6,995,593 in general obligation bonds and other long-term debt. During the year, the Village paid down \$365,000 of principal on its outstanding bonds.

**Table A-10:** Outstanding Long-Term Debt

|   | <u>5/31/15</u>      | <u>5/31/16</u>      | <u>\$ Change</u> | <u>% Change</u> |
|---|---------------------|---------------------|------------------|-----------------|
| General obligation bonds                    | \$ 3,270,000        | \$ 2,905,000        | \$ (365,000)     | (11.2)          |
| Other post-employment benefits              | 2,743,401           | 3,250,106           | 506,705          | 18.5            |
| Unfunded accrued LOSAP<br>pension liability | 698,375             | 609,490             | (88,885)         | (12.7)          |
| Installment purchase debt payable           | 16,466              | 10,392              | (6,074)          | (36.9)          |
| Judgments and claims payable                | 10,000              | 10,000              | -                | -               |
| Compensated absences                        | 201,563             | 210,605             | 9,042            | 4.5             |
| Totals                                      | <u>\$ 6,939,805</u> | <u>\$ 6,995,593</u> | <u>\$ 55,788</u> | 0.8             |

## 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.
- The "Tax Levy Limitation Law" which was enacted on June 24, 2011, restricts the amount of property taxes that may be levied by or on behalf of a village in a particular year. Although there are exceptions, exemptions and overrides to the limitation, the new Law is expected to make budgetary decisions more difficult.

## 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 POSITION**

**MAY 31, 2016**

**ASSETS**

|  |                   |
|--|-------------------|
| Current assets:  |                   |
| Unrestricted cash  | \$ 1,483,026      |
| Receivables:   |                   |
| Tax sale certificates  | 31,823            |
| Water rents receivable   | 90,541            |
| Current taxes receivable                                       | 87,554            |
| State aid receivable   | 40,822            |
| Accounts receivable  | 12,496            |
| Due from fiduciary funds                                       | -                 |
| Prepaid expenses   | 263,821           |
| Noncurrent assets:   |                   |
| Restricted cash  | 44,976            |
| Capital assets, net of accumulated depreciation of \$6,763,560 | <u>9,096,291</u>  |
| Total assets   | <u>11,151,350</u> |

**DEFERRED OUTFLOWS OF RESOURCES**

|                 |                |
|-----------------|----------------|
| Pension related | <u>674,953</u> |
|-----------------|----------------|

**LIABILITIES**

|   |                  |
|---|------------------|
| Current liabilities:                            |                  |
| Payables:                                       |                  |
| Accounts payable and accrued liabilities        | 85,384           |
| Accrued interest payable                        | 3,233            |
| Due to other governments                        | 6,049            |
| Note payable:                                   |                  |
| Bond anticipation                               | 700,000          |
| Non-current liabilities, due within one year:   |                  |
| Due to employees' retirement system             | 33,091           |
| Bonds payable                                   | 360,000          |
| Unfunded accrued LOSAP pension liability        | 609,490          |
| Installment purchase debt payable               | 4,673            |
| Judgments and claims payable                    | 10,000           |
| Non-current liabilities, due after one year:    |                  |
| Proportionate share of pension liability-NYSERS | 707,133          |
| Bonds payable                                   | 2,545,000        |
| Other post-employment benefits                  | 3,250,106        |
| Installment purchase debt payable               | 5,719            |
| Compensated absences                            | <u>210,605</u>   |
| Total liabilities                               | <u>8,530,483</u> |

**DEFERRED INFLOWS OF RESOURCES**

|                                     |                |
|-------------------------------------|----------------|
| Pension related                     | 88,107         |
| Rents received in advance           | <u>22,367</u>  |
| Total deferred inflows of resources | <u>110,474</u> |

**NET POSITION**

|                                  |                     |
|----------------------------------|---------------------|
| Net investment in capital assets | 5,480,899           |
| Unrestricted                     | <u>(2,295,553)</u>  |
| Total net position               | <u>\$ 3,185,346</u> |

The accompanying notes are an integral  
part of this statement.

**INCORPORATED VILLAGE OF BAYVILLE**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED MAY 31, 2016**

|  |              | Program Revenues  |                     |  |  |
|--|--------------|---|---------------------|--|--|
|  | Expenses     | Charges for<br>Services, Fees,<br>Fines and Forfeitures | Operating<br>Grants |  | Net (Expense)<br>Revenue and<br>Changes in<br>Net Position |
| Functions and programs:  |              |   |                     |  |  |
| General government support                                       | \$ 1,613,117 | \$ 333,698  | \$ 77,254           |  | \$ (1,202,165)   |
| Public safety  | 885,043      | 115,056   | 26,637              |  | (743,350)  |
| Transportation   | 848,852      | 263,656   | 61,039              |  | (524,157)  |
| Culture and recreation   | 853,789      | 66,137  | 15,311              |  | (772,341)  |
| Home and community services                                      | 2,214,459    | 322,931   | 74,761              |  | (1,816,767)  |
| Debt service - interest  | 57,749       | -   | -                   |  | (57,749)   |
| Total functions and programs                                     | \$ 6,473,009 | \$ 1,101,478  | \$ 255,002          |  | (5,116,529)  |
| General revenues:  |              |   |                     |  |  |
| Real property taxes  |              |   |                     |  | 4,731,148  |
| Other tax items  |              |   |                     |  | 31,520   |
| Non-property tax items   |              |   |                     |  | 273,532  |
| Use of money and property  |              |   |                     |  | 433,715  |
| Licenses and permits   |              |   |                     |  | 127,172  |
| Sale of property and<br>compensation for loss                    |              |   |                     |  | 2,242  |
| Miscellaneous  |              |   |                     |  | 269,066  |
| Total general revenues   |              |   |                     |  | 5,868,395  |
| Change in net position   |              |   |                     |  | 751,866  |
| Total net position, beginning of year, as restated (see Note 14) |              |   |                     |  | 2,433,480  |
| Total net position, end of year                                  |              |   |                     |  | \$ 3,185,346   |

The accompanying notes are an integral  
part of this statement.

**INCORPORATED VILLAGE OF BAYVILLE**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**MAY 31, 2016**

|  | Special Revenue Funds |                   |                   |                  |                     | Total<br>Governmental<br>Funds |
|--|-----------------------|-------------------|-------------------|------------------|---------------------|--------------------------------|
|  | General               | Water             | Recreation        | Special<br>Grant | Capital<br>Projects |                                |
| <b>ASSETS</b>  |                       |                   |                   |                  |                     |                                |
| Cash:  |                       |                   |                   |                  |                     |                                |
| Unrestricted cash  | \$ 1,062,696          | \$ 199,049        | \$ 221,281        | \$ -             | \$ -                | \$ 1,483,026                   |
| Restricted cash  | -                     | -                 | -                 | 6,049            | 38,927              | 44,976                         |
| Tax sale certificates  | 31,823                | -                 | -                 | -                | -                   | 31,823                         |
| Water rents receivable   | -                     | 90,541            | -                 | -                | -                   | 90,541                         |
| Current taxes receivable   | 87,554                | -                 | -                 | -                | -                   | 87,554                         |
| State aid receivable   | 1,346                 | -                 | -                 | -                | 39,476              | 40,822                         |
| Accounts receivable  | 12,496                | -                 | -                 | -                | -                   | 12,496                         |
| Due from other funds   | 534,568               | 446               | -                 | -                | -                   | 535,014                        |
| Prepaid expenses   | 245,116               | 18,705            | -                 | -                | -                   | 263,821                        |
| <b>Total assets</b>  | <b>\$ 1,975,599</b>   | <b>\$ 308,741</b> | <b>\$ 221,281</b> | <b>\$ 6,049</b>  | <b>\$ 78,403</b>    | <b>\$ 2,590,073</b>            |
| <b>LIABILITIES</b>   |                       |                   |                   |                  |                     |                                |
| Accounts payable and accrued liabilities   | \$ 67,749             | \$ 17,165         | \$ 470            | \$ -             | \$ -                | \$ 85,384                      |
| Bond anticipation notes payable  | -                     | -                 | -                 | -                | 700,000             | 700,000                        |
| Due to other funds   | 446                   | 534,568           | -                 | -                | -                   | 535,014                        |
| Due to Employees' Retirement System  | 28,458                | 4,633             | -                 | -                | -                   | 33,091                         |
| Due to other governments   | -                     | -                 | -                 | 6,049            | -                   | 6,049                          |
| <b>Total liabilities</b>   | <b>96,653</b>         | <b>556,366</b>    | <b>470</b>        | <b>6,049</b>     | <b>700,000</b>      | <b>1,359,538</b>               |
| <b>DEFERRED INFLOWS OF RESOURCES</b>   |                       |                   |                   |                  |                     |                                |
| Rents received in advance  | 22,367                | -                 | -                 | -                | -                   | 22,367                         |
| <b>Total liabilities and deferred inflows of resources</b>                         | <b>119,020</b>        | <b>556,366</b>    | <b>470</b>        | <b>6,049</b>     | <b>700,000</b>      | <b>1,381,905</b>               |
| <b>FUND BALANCE (DEFICIT)</b>  |                       |                   |                   |                  |                     |                                |
| Fund balance:  |                       |                   |                   |                  |                     |                                |
| Nonspendable   | 245,116               | 18,705            | -                 | -                | -                   | 263,821                        |
| Assigned   | 8,611                 | -                 | 220,811           | -                | -                   | 229,422                        |
| Unassigned   | 1,602,852             | (266,330)         | -                 | -                | (621,597)           | 714,925                        |
| <b>Total fund balance (deficit)</b>  | <b>1,856,579</b>      | <b>(247,625)</b>  | <b>220,811</b>    | <b>-</b>         | <b>(621,597)</b>    | <b>1,208,168</b>               |
| <b>Total liabilities, deferred inflows of resources and fund balance (deficit)</b> | <b>\$ 1,975,599</b>   | <b>\$ 308,741</b> | <b>\$ 221,281</b> | <b>\$ 6,049</b>  | <b>\$ 78,403</b>    | <b>\$ 2,590,073</b>            |

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 POSITION**  
**MAY 31, 2016**

Total fund balance - Governmental Funds \$ 1,208,168

Amounts reported for governmental activities in the Statement of Net Position are different due to the following:

Capital assets less accumulated depreciation are included in the Statement of Net Position:

|                          |                    |           |
|--------------------------|--------------------|-----------|
| Capital assets:          |                    |           |
| Non-depreciable          | \$ 5,646,691       |           |
| Depreciable              | 10,213,160         |           |
| Accumulated depreciation | <u>(6,763,560)</u> | 9,096,291 |

Long-term liabilities applicable to the Village's governmental activities are not due and payable in the current period and accordingly are not reported in the fund financial statements. However, these liabilities are included in the Statement of Net Position:

|  |                  |             |
|--|------------------|-------------|
| Bonds payable                            | (2,905,000)      |             |
| Other post-employment benefits           | (3,250,106)      |             |
| Unfunded accrued LOSAP pension liability | (609,490)        |             |
| Installment purchase debt payable        | (10,392)         |             |
| Judgments and claims payable             | (10,000)         |             |
| Compensated absences                     | <u>(210,605)</u> | (6,995,593) |

Pension related items are not reported in the fund financial statements since they are not related to current financial resources. The pension related items included in the governmental activities consist of the following:

|   |                 |           |
|---|-----------------|-----------|
| Net pension liability - proportionate share | (707,133)       |           |
| Deferred outflow of resources               | 674,953         |           |
| Deferred inflow of resources                | <u>(88,107)</u> | (120,287) |

Interest payable applicable to the Village's governmental activities are not due and payable in the current period and accordingly are not reported in the fund financial statements. However, these liabilities are included in the Statement of Net Position.

(3,233)

Net position - Governmental Activities

\$ 3,185,346

The accompanying notes are an integral part of this statement.

**INCORPORATED VILLAGE OF BAYVILLE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (DEFICIT)**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED MAY 31, 2016**

|   | Special Revenue Funds |                |                |                    | Capital<br>Projects | Total<br>Governmental<br>Funds |
|---|-----------------------|----------------|----------------|--------------------|---------------------|--------------------------------|
|   | General               | Water          | Recreation     | Special<br>Revenue |                     |                                |
| <b>REVENUES</b>   |                       |                |                |                    |                     |                                |
| Real property taxes   | \$ 4,731,148          | \$ -           | \$ -           | \$ -               | \$ -                | \$ 4,731,148                   |
| Other tax items   | 31,520                | -              | -              | -                  | -                   | 31,520                         |
| Non-property tax items  | 273,532               | -              | -              | -                  | -                   | 273,532                        |
| Departmental income   | 16,621                | 837,901        | 213,385        | -                  | -                   | 1,067,907                      |
| Use of money and property   | 433,715               | -              | -              | -                  | -                   | 433,715                        |
| Licenses and permits  | 127,172               | -              | -              | -                  | -                   | 127,172                        |
| Fines and forfeitures   | 33,571                | -              | -              | -                  | -                   | 33,571                         |
| Sale of property and<br>compensation for loss   | 2,242                 | -              | -              | -                  | -                   | 2,242                          |
| Miscellaneous   | 41,366                | -              | -              | -                  | 227,700             | 269,066                        |
| State sources   | 150,641               | -              | -              | -                  | 85,532              | 236,173                        |
| Federal sources   | 18,829                | -              | -              | -                  | -                   | 18,829                         |
| <b>Total revenues</b>   | <b>5,860,357</b>      | <b>837,901</b> | <b>213,385</b> | <b>-</b>           | <b>313,232</b>      | <b>7,224,875</b>               |
| <b>EXPENDITURES</b>   |                       |                |                |                    |                     |                                |
| General government support  | 1,087,006             | 34,627         | -              | -                  | -                   | 1,121,633                      |
| Public safety   | 715,584               | -              | -              | -                  | -                   | 715,584                        |
| Transportation  | 460,529               | -              | -              | -                  | -                   | 460,529                        |
| Culture and recreation  | 674,798               | -              | 81,581         | -                  | -                   | 756,379                        |
| Home and community services   | 727,329               | 524,516        | -              | -                  | 486,988             | 1,738,833                      |
| Employee benefits   | 1,063,983             | 86,371         | -              | -                  | -                   | 1,150,354                      |
| Debt service -<br>Principal   | 207,874               | 103,618        | 59,582         | -                  | -                   | 371,074                        |
| Interest  | 32,012                | 12,549         | 7,216          | -                  | 7,000               | 58,777                         |
| <b>Total expenditures</b>   | <b>4,969,115</b>      | <b>761,681</b> | <b>148,379</b> | <b>-</b>           | <b>493,988</b>      | <b>6,373,163</b>               |
| Excess (deficiency) of revenues<br>over (under) expenditures                                  | 891,242               | 76,220         | 65,006         | -                  | (180,756)           | 851,712                        |
| <b>OTHER FINANCING SOURCES (USES)</b>   |                       |                |                |                    |                     |                                |
| Interfund transfers in  | -                     | -              | 10,000         | -                  | 129,992             | 139,992                        |
| Interfund transfers out   | (132,992)             | (7,000)        | -              | -                  | -                   | (139,992)                      |
| <b>Total other financing sources (uses)</b>   | <b>(132,992)</b>      | <b>(7,000)</b> | <b>10,000</b>  | <b>-</b>           | <b>129,992</b>      | <b>-</b>                       |
| Excess (deficiency) of revenues and other sources<br>over (under) expenditures and other uses | 758,250               | 69,220         | 75,006         | -                  | (50,764)            | 851,712                        |
| Fund balance (deficit), beginning of year   | 1,098,329             | (316,845)      | 145,805        | -                  | (570,833)           | 356,456                        |
| Fund balance (deficit), end of year   | \$ 1,856,579          | \$ (247,625)   | \$ 220,811     | \$ -               | \$ (621,597)        | \$ 1,208,168                   |

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 BALANCE TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MAY 31, 2016

Net Change in Fund Balance - Governmental Funds \$ 851,712

Governmental funds report capital outlays 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. The amount by which depreciation expense exceeds capital outlay in the current period is:

|                      |                  |          |
|----------------------|------------------|----------|
| Capital outlay       | \$ 212,936       |          |
| Depreciation expense | <u>(233,486)</u> | (20,550) |

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position.

|  |              |         |
|--|--------------|---------|
| Repayment of bond principal                      | 365,000      |         |
| Repayment of installment purchase debt principal | <u>6,074</u> | 371,074 |

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 governmental funds:

|  |              |           |
|--|--------------|-----------|
| Other post-employment benefits           | (506,705)    |           |
| Unfunded accrued LOSAP pension liability | 88,885       |           |
| Compensated absences                     | (9,042)      |           |
| Accrued interest costs                   | <u>1,028</u> | (425,834) |

Decrease in proportionate share of net pension asset/liability reported in the Statement of Activities does not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds.

(24,536)

Net Change in Net Position - Governmental Activities

\$ 751,866

The accompanying notes are an integral part of this statement.

**INCORPORATED VILLAGE OF BAYVILLE**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**MAY 31, 2016**

|  | Expendable<br>Trusts | Agency<br>Funds |
|--|----------------------|-----------------|
| <b>ASSETS</b>                            |                      |                 |
| Cash                                     | \$ 390               | \$ 117,838      |
| Restricted cash                          | -                    | 1,666           |
| Service award program assets             | -                    | 1,101,553       |
| Total assets                             | \$ 390               | \$ 1,221,057    |
| <b>LIABILITIES</b>                       |                      |                 |
| Accounts payable and accrued liabilities | \$ -                 | \$ 928          |
| Service award program liabilities        | -                    | 1,101,553       |
| Justice Court                            | -                    | 1,666           |
| Agency liabilities                       | -                    | 116,910         |
| Total liabilities                        | -                    | \$ 1,221,057    |
| <b>NET POSITION</b>                      |                      |                 |
| Restricted for:                          |                      |                 |
| Expendable trusts                        | 390                  |                 |
| Total net position                       | 390                  |                 |
| Total liabilities and net position       | \$ 390               |                 |

The accompanying notes are an integral  
part of this statement.

**INCORPORATED VILLAGE OF BAYVILLE**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**FOR THE YEAR ENDED MAY 31, 2016**

|                                 | Expendable<br>Trusts |
|---------------------------------|----------------------|
| <b>ADDITIONS</b>                |                      |
| Gifts and donations             | \$ -                 |
| Total additions                 | -                    |
| <b>DEDUCTIONS</b>               |                      |
| Home and community services     | -                    |
| Total deductions                | -                    |
| Change in net position          | -                    |
| Net position, beginning of year | 390                  |
| Net position, end of year       | \$ 390               |

The accompanying notes are an integral  
part of this statement.

**INCORPORATED VILLAGE OF BAYVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MAY 31, 2016**

**(1) Summary of 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 Incorporated Village of Bayville, which was incorporated in 1919, is governed by the General Municipal Law, Village Law, other general laws of the State of New York and various local laws. The Village 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 of the Village 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.

**B. Basis of presentation**

**1. Village-wide financial statements**

The Statement of Net Position and the Statement of Activities present financial information about the Village's governmental activities. These financial 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, while the capital grants column reflects capital-specific grants.

The Statement of Activities and Changes in Net Position 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 and depreciation expense, 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 financial statements

The fund financial statements provide information about the Village's funds, including fiduciary funds. Separate financial 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.

- a. 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 Fund - used to account for water operations not required to be accounted for on an enterprise basis.
- ii. Recreation Fund - used to account for the expenditure of all fees received specifically to maintain the recreational facilities of the Village.
- iii. Special Grant Fund - 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 or resurfacing of major capital facilities and equipment.

- 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. The Village accounts for the Justice Court as an agency fund.

Private-Purpose Trust Funds - accounts for all other trust arrangements under which principal and income benefit individuals, private organizations or other governments. Established criteria govern the use of the funds and members of the Village or representatives of the donors may serve on committees to determine who benefits.

### C. Measurement focus and basis of accounting

Basis of accounting refers to when revenues and expenditures/expenses and the related assets, deferred outflows of resources, liabilities and deferred inflows of resources, 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.

Modified accrual basis - 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, installment purchase debt, judgments and claims, other post-employment benefits 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.

Material revenues that are accrued include real property taxes, State and Federal aid, sales tax and certain user charges. If expenditures are the prime factor for determining eligibility, revenues from State and Federal grants are accrued when the expenditure is made and the resources are available.

Accrual basis - 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. Fixed assets and long-term liabilities related to these activities are recorded within the funds.

D. Property taxes

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

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. Interfund transactions

Interfund transactions have been eliminated from the Village-wide financial statements. In the fund financial statements, interfund transactions include:

1. Interfund revenues

Interfund revenues represent amounts charged for services or facilities provided by one fund to another fund. The amounts paid by the fund receiving the benefits of the service or the facilities are reflected as an expenditure of the fund receiving the service.

2. Transfers

Interfund transfers represent payments to/from other funds for reimbursement of costs paid by one fund for another fund or funding for capital projects.

F. Cash and cash equivalents/investments

Cash consists of funds deposited in demand accounts, time deposit accounts and certificates of deposit with maturities of less than three months from the date acquired by the Village.

G. Receivables

Receivables include amounts due from Federal, State and other governments or entities for services provided by the Village. Receivables are recorded and revenues are recognized as earned or as specific program expenditures are incurred.

H. Restricted assets

Certain assets are classified as restricted assets because their use is restricted by contractual agreements and regulations.

I. Capital assets

Capital assets are reported at actual cost or estimated historical costs, based on appraisals conducted by independent third-party professionals. Donated assets are reported at estimated fair market value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital assets accounts), depreciation methods, and estimated useful lives of capital assets reported in the Village-wide financial statements are as follows:

|   | <u>Capitalization<br/>Threshold</u> | <u>Depreciation<br/>Method</u> | <u>Estimated<br/>Useful Life</u> |
|---|-------------------------------------|--------------------------------|----------------------------------|
| Buildings                                       | \$ 5,000                            | Straight line                  | 50 years                         |
| Non-building improvements                       | \$ 5,000                            | Straight line                  | 20 years                         |
| Furniture, fixtures, machinery<br>and equipment | \$ 5,000                            | Straight line                  | 5-50 years                       |
| Infrastructure systems:                         |                                     |                                |                                  |
| Roads, curbs and sidewalks                      | \$ 5,000                            | Straight line                  | 25-30 years                      |
| Water mains                                     | \$ 5,000                            | Straight line                  | 50 years                         |
| Drainage  | \$ 5,000                            | Straight line                  | 50 years                         |

J. Deferred outflows of resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time.

K. Deferred inflows of resources/unearned revenues

Deferred inflows of resources are defined as an acquisition of net position by the government that is applicable to future periods. Deferred inflows of resources are reported when potential revenues do not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both recognition criteria are met, or when the Village has legal claim to the resources, the deferred inflow/unearned revenue is removed and revenues are recorded.

L. Long-term obligations

Liabilities for long-term obligations consisting of general obligation bonds payable, compensated absences, judgments and claims payable, unfunded accrued pension liability, certain pension liabilities and other post-employment benefits are recognized in the Village-wide financial statements.

In the fund financial statements, long-term obligations are not reported as liabilities. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures when paid.

M. 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 \$9,042 during the year to \$210,605.

N. Post-employment benefits

In addition to providing pension benefits, the Village provides health insurance coverage and survivor benefits for retired employees and their survivors that meet the requirements within the Village's policies. 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. The liability for other post-employment benefits is recorded as a long-term obligation in the Village-wide financial statements.

During the year ended May 31, 2016, \$122,260 was paid on behalf of 11 retirees and recorded as an expenditure in the General Fund.

O. Net position

In the Village-wide financial statements, there can be three classes of net position:

1. Net investment in capital assets - 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. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount should not be included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources should be included in the same net position component (restricted or unrestricted) as the unspent amount.

2. Restricted - consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.
3. Unrestricted - is the amount of net position, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Fund financial statements

In the fund financial statements, there can be five classifications of fund balance:

1. Nonspendable - includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance includes prepaid expenses recorded in the Village's various funds in the amount of \$263,821 as of May 31, 2016.
2. Restricted - includes amounts with constraints placed on the use of resources either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The Village has no restricted fund balances as of May 31, 2016.
3. Committed - includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority, i.e. the Board. The Village has no committed fund balances as of May 31, 2016.
4. Assigned - includes amounts that are constrained by the Village's intent to be used for specific purposes, but are neither restricted nor committed, should be reported as assigned fund balance, except for tax stabilization arrangements. The intent can be expressed by the Board or through the Board delegating this responsibility to the Village administration through the budgetary process. All encumbrances of the General Fund and Recreation Fund fund balance are classified as Assigned Fund Balance as of May 31, 2016 and amounted to \$229,422.
5. Unassigned - includes all other General Fund fund balance that does not meet the definition of the above four classifications and are deemed to be available for general use by the Village.

Fund balances for all governmental funds as of May 31, 2016 were distributed as follows:

|                    | <u>General</u>      | <u>Water</u>        | <u>Recreation</u> | <u>Capital<br/>Projects</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--------------------|---------------------|---------------------|-------------------|-----------------------------|---|
| Nonspendable       |                     |                     |                   |                             |   |
| Prepaid expenses   | \$ 245,116          | \$ 18,705           | \$ -              | \$ -                        | \$ 263,821                              |
| Total nonspendable | <u>245,116</u>      | <u>18,705</u>       | <u>-</u>          | <u>-</u>                    | <u>263,821</u>                          |
| Assigned           |                     |                     |                   |                             |   |
| Special purpose    | -                   | -                   | 220,811           | -                           | 220,811                                 |
| Encumbrances       | 8,611               | -                   | -                 | -                           | 8,611                                   |
| Total assigned     | <u>8,611</u>        | <u>-</u>            | <u>220,811</u>    | <u>-</u>                    | <u>229,422</u>                          |
| Unassigned         | <u>1,602,852</u>    | <u>(266,330)</u>    | <u>-</u>          | <u>(621,597)</u>            | <u>714,925</u>                          |
| Total              | <u>\$ 1,856,579</u> | <u>\$ (247,625)</u> | <u>\$ 220,811</u> | <u>\$ (621,597)</u>         | <u>\$ 1,208,168</u>                     |

Order of Use of Fund Balance:

The Village's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. For all funds, nonspendable fund balances are determined first and then restricted fund balances for specific purposes are determined. Any remaining fund balance amounts for funds other than the General Fund are classified as assigned fund balance. In the General Fund, committed fund balance is determined next and then assigned. The remaining amounts are reported as unassigned. Assignments of fund balance cannot cause a negative unassigned fund balance.

P. Insurance

The Village assumes the liability for most risk including, but not limited to, property damage and personal injury liability. The Village maintains insurance policies in amounts and on terms generally standard for municipalities to insure against these liabilities. These insurance policies limit the overall exposure to Village assets by providing a third party insurer to assume the risk and liabilities relating to claims. 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.

Q. 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.

(2) **Explanation of certain differences between fund financial statements and Village-wide financial statements**

Due to the differences in the measurement focus and basis of accounting used in the fund financial statements and the Village-wide financial 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 position of governmental activities

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

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

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balance (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 fund financial statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the fund financial 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 fund financial 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 Position. In addition, differences also arise from the other post-employment benefit obligation representing the accumulated difference between the actuarial required contribution and the actual contribution recorded in the fund financial statements.

4. Pension differences

Pension differences occur as a result of changes in the Village's proportion of the collective net pension liability and differences between the Village's contributions and its proportionate share of the total contributions to the pension system.

**(3) Changes in accounting principles**

For the year ended May 31, 2016, the Village implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions (Amendment to GASB Statement 27) and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. The implementation of the Statements requires the Village to report a liability for its portion of the collective net pension liability in the NYERS system. The implementation of these Statements also requires the Village to report a deferred outflow or inflow of resources for the effect of the net change in the Village's proportion of the collective net pension liability and difference during the measurement period between the Village's contributions and its proportionate share of total contributions to the pension systems not included in pension expenses. Also included as a deferred outflow of resources is the Village contributions to the pension system subsequent to the measurement date. See Note 14 for the financial statement impact of the implementation of these Statements.

**(4) Stewardship, compliance and accountability**

Budgetary data

1. Budget policies

- a. No later than March 31, the Village Administrator submits a tentative budget to the Village 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 Village Board of Trustees adopts the budget.
- c. All modifications of the budget must be approved by the Village 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. Appropriations for all governmental funds except the Capital Projects Fund lapse at year-end. However, encumbrances reserved against fund balances are re-appropriated in the ensuing year. Encumbrances are reported as assigned 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.

4. Deficit fund balance

Individual funds with total fund deficits as of May 31, 2016 were as follows:

|                       | Fund Deficit<br>Unassigned | Total Fund<br>Balance<br>(Deficit) |
|-----------------------|----------------------------|------------------------------------|
| Water Fund            | \$ (266,330)               | \$ (247,625)                       |
| Capital Projects Fund | (621,597)                  | (621,597)                          |

The Water Fund deficit is due to major unanticipated repairs to the Village's water distribution system. This deficit may be eliminated by interfund transfers in the upcoming year.

The Capital Projects Fund deficit resulted from the Village spending more money than was received. The Village will eliminate this deficiency in the coming years with the issuance of permanent financing and grants.

(5) Cash and cash equivalents - custodial credit, concentration of credit, interest rate and foreign currency risks

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 Federal Deposit Insurance Corporation ("FDIC") insured commercial banks or trust companies located within the State. The Village Administrator 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.

Custodial credit risk - deposit/investments: Custodial credit risk for deposits exists when, in the event of the failure of a depository financial institution, a government may be unable to recover deposits, or recover collateral securities that are in possession of an outside agency. Custodial credit risk for investments exists when, in the event of the failure of the counterparty, a government will not be able to recover the value of its investments or collateral securities that are in possession of an outside party.

GASB directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are either:

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

Deposits and investments 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:

| Fund             | Bank Balance | Carrying Amount |   |
|------------------|--------------|-----------------|---|
| General          | \$ 1,329,678 | \$ 1,062,696    | Insured (FDIC) and collateral held by Village's custodial bank. |
| Water            | 243,881      | 199,049         | Insured (FDIC) and collateral held by Village's custodial bank. |
| Recreation       | 238,951      | 221,281         | Insured (FDIC) and collateral held by Village's custodial bank. |
| Special Grant    | 6,049        | 6,049           | Insured (FDIC) and collateral held by Village's custodial bank. |
| Capital Projects | 44,276       | 38,927          | Insured (FDIC) and collateral held by Village's custodial bank. |
| Fiduciary Funds  | 120,392      | 119,894         | Insured (FDIC) and collateral held by Village's custodial bank. |
|                  | \$ 1,983,227 | \$ 1,647,896    |   |

Credit risk: State law limits investments to those authorized by State statutes. The Village has a written investment policy.

Interest-rate risk: Interest-rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates substantially increase, thereby affording potential purchasers more favorable rates on essentially equivalent securities. Accordingly, such investments would have to be held to maturity to avoid potential loss.

Concentration of credit risk: Credit risk can arise as a result of failure to adequately diversify investments. Concentration risk disclosure is required for positions of 5 percent or more in securities of a single issuer.

As of May 31, 2016, the Village did not have any investments subject to credit risk, interest-rate risk, or concentration of credit risk.

(6) Interfund balances and activity

Interfund receivable and payable balances as of May 31, 2016, primarily represent payment of capital expenditures that will be reimbursed subsequent to year end. Interfund transfer balances as of May 31, 2016, represent budgeted transfers from the General Fund to fund Capital Projects Fund projects. Balances at year end are stated as follows:

|                       | Interfund         |                   | Interfund         |                   |
|-----------------------|-------------------|-------------------|-------------------|-------------------|
|                       | Receivable        | Payable           | Revenues          | Expenditures      |
| General Fund          | \$ 534,568        | \$ 446            | \$ -              | \$ 132,992        |
| Water Fund            | 446               | 534,568           | -                 | 7,000             |
| Recreation Fund       | -                 | -                 | 10,000            | -                 |
| Capital Projects Fund | -                 | -                 | 129,992           | -                 |
|                       | <u>\$ 535,014</u> | <u>\$ 535,014</u> | <u>\$ 139,992</u> | <u>\$ 139,992</u> |

(7) Capital assets

A summary of changes in capital fixed assets follows:

|  | Beginning<br>Balance | Additions           | Retirements/<br>Reclassifications | Ending<br>Balance   |
|--|----------------------|---------------------|-----------------------------------|---------------------|
| Governmental activities:                 |                      |                     |                                   |                     |
| Capital assets that are not depreciated: |                      |                     |                                   |                     |
| Land                                     | \$ 5,713,291         | \$ -                | \$ (66,600)                       | \$ 5,646,691        |
| Total nondepreciable assets              | <u>5,713,291</u>     | <u>-</u>            | <u>(66,600)</u>                   | <u>5,646,691</u>    |
| Capital assets that are depreciated:     |                      |                     |                                   |                     |
| Land improvements                        | 1,825,488            | -                   | (1,085,420)                       | 740,068             |
| Buildings and building<br>improvements   | 10,155,732           | -                   | (2,040,235)                       | 8,115,497           |
| Furniture and equipment                  | <u>1,549,138</u>     | <u>115,794</u>      | <u>(307,337)</u>                  | <u>1,357,595</u>    |
| Total depreciable assets                 | <u>13,530,358</u>    | <u>115,794</u>      | <u>(3,432,992)</u>                | <u>10,213,160</u>   |
| Less accumulated depreciation:           |                      |                     |                                   |                     |
| Land improvements                        | 1,694,464            | 23,039              | (1,182,209)                       | 535,294             |
| Buildings and building<br>improvements   | 6,963,619            | 139,264             | (2,027,826)                       | 5,075,057           |
| Furniture and equipment                  | <u>1,468,725</u>     | <u>71,183</u>       | <u>(386,699)</u>                  | <u>1,153,209</u>    |
| Total accumulated depreciation           | <u>10,126,808</u>    | <u>233,486</u>      | <u>(3,596,734)</u>                | <u>6,763,560</u>    |
| Total depreciated assets, net            | <u>\$ 9,116,841</u>  | <u>\$ (117,692)</u> | <u>\$ 97,142</u>                  | <u>\$ 9,096,291</u> |

Depreciation expense was charged to governmental functions as follows:

|                             |                   |
|-----------------------------|-------------------|
| General government support  | \$ 72,380         |
| Public safety               | 23,349            |
| Transportation              | 56,037            |
| Culture and recreation      | 14,009            |
| Home and community services | 67,711            |
|                             | <u>\$ 233,486</u> |

**(8) 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 five 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:

|                                 | Beginning<br>Balance | Issued            | Redeemed          | Ending<br>Balance |
|---------------------------------|----------------------|-------------------|-------------------|-------------------|
| BAN matured on 6/17/15 at 1.50% | \$ 700,000           | \$ -              | \$ 700,000        | \$ -              |
| BAN maturing on 6/17/16 at .93% | -                    | 700,000           | -                 | 700,000           |
|                                 | <u>\$ 700,000</u>    | <u>\$ 700,000</u> | <u>\$ 700,000</u> | <u>\$ 700,000</u> |

Interest paid/expense on short-term debt for the year was \$7,000.

**(9) Long-term debt**

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

|   | Beginning<br>Balance | Additions         | Reductions        | Ending<br>Balance   | Amounts<br>Due Within<br>One Year |
|---|----------------------|-------------------|-------------------|---------------------|-----------------------------------|
| <b>Governmental activities:</b>             |                      |                   |                   |                     |                                   |
| Bonds payable                               | \$ 3,270,000         | \$ -              | \$ 365,000        | \$ 2,905,000        | \$ 360,000                        |
| Other post-employment<br>benefits           | 2,743,401            | 628,965           | 122,260           | 3,250,106           | -                                 |
| Unfunded accrued LOSAP<br>pension liability | 698,375              | -                 | 88,885            | 609,490             | 609,490                           |
| Installment purchase debt<br>payable        | 16,466               | -                 | 6,074             | 10,392              | 4,673                             |
| Judgments and claims<br>payable             | 10,000               | -                 | -                 | 10,000              | 10,000                            |
| Compensated absences                        | 201,563              | 9,042             | -                 | 210,605             | -                                 |
| <b>Total long-term<br/>liabilities</b>      | <u>\$ 6,939,805</u>  | <u>\$ 638,007</u> | <u>\$ 582,219</u> | <u>\$ 6,995,593</u> | <u>\$ 984,163</u>                 |

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.

The following is a summary of maturity of long-term bond indebtedness:

| Description of Issue | Issue Date | Final Maturity | Interest Rate | Outstanding at 5/31/16 |
|----------------------|------------|----------------|---------------|------------------------|
| Serial Bonds         | 4/1/2015   | 12/1/2023      | 2.00%         | <u>\$ 2,905,000</u>    |

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

| Fiscal year Ended May 31, | Serial Bonds        |                   | Installment Purchase Debt |               |
|---------------------------|---------------------|-------------------|---------------------------|---------------|
|                           | Principal           | Interest          | Principal                 | Interest      |
| 2017                      | \$ 360,000          | \$ 56,800         | \$ 4,673                  | \$ 318        |
| 2018                      | 365,000             | 49,600            | 4,673                     | 318           |
| 2019                      | 370,000             | 42,250            | 1,046                     | 53            |
| 2020                      | 380,000             | 34,800            | -                         | -             |
| 2021                      | 380,000             | 27,200            | -                         | -             |
| 2022-2024                 | <u>1,050,000</u>    | <u>36,500</u>     | <u>-</u>                  | <u>-</u>      |
|                           | <u>\$ 2,905,000</u> | <u>\$ 247,150</u> | <u>\$ 10,392</u>          | <u>\$ 689</u> |

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

|   |                  |
|---|------------------|
| Interest paid                             | \$ 58,777        |
| Less interest accrued in the prior year   | (4,261)          |
| Plus interest accrued in the current year | <u>3,233</u>     |
| Interest expense                          | <u>\$ 57,749</u> |

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.

Unfunded accrued LOSAP pension liability - represents the unfunded portion of the pension fund.

Installment purchase debt payable - represents the remaining installments due on the purchase of equipment.

Judgments 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.

(9) Pension plans

Plan description

The Incorporated Village of Bayville participates in the New York State and Local Employees' Retirement System ("NYSERS") which is referred to as New York State and Local Retirement System (the "System"). This is a cost-sharing multiple-employer defined benefit retirement system. 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 (the "Comptroller") serves as the trustee of the Fund and is the administrative head of the System. The Comptroller is an elected official determined in a direct statewide election and serves a four year term. Thomas P. DiNapoli has served as Comptroller since February 7, 2007. In November 2014, he was elected for a new term commencing January 1, 2015. 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 that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The Village also participates in the Public Employees' Group Life Insurance Plan ("GLIP"), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report may be found at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

Benefits provided

The System provides retirement benefits as well as death and disability benefits.

*Tiers 1 and 2*

Eligibility: Tier 1 members, with the exception of those retiring under special retirement plans, must be at least age 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 percent 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 percent 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. For Tier 1 members who joined on or after June 17, 1971, each year of final average salary is limited to no more than 20 percent of the previous year. For Tier 2 members, each year of final average salary is limited to no more than 20 percent of the average of the previous two years.

*Tiers 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 percent 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 percent 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 percent 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. For Tier 3, 4 and 5 members, each year of final average salary is limited to no more than 10 percent of 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.

Benefit Calculation: Generally, the benefit is 1.67 percent 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 percent 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 percent 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 percent of the average of the previous four years.

#### *Ordinary Disability Benefits*

Generally, ordinary disability benefits, usually one-third of salary, are provided to eligible members after ten years of service; in some cases, they are provided after five years of service.

#### *Accidental Disability Benefits*

For all eligible Tier 1 and Tier 2 members, the accidental disability benefit is a pension of 75 percent of final average salary, with an offset for any Workers' Compensation benefits received. The benefit for eligible Tier 3, 4, 5 and 6 members is the ordinary disability benefit with the years-of-service eligibility requirement dropped.

#### *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) NYSERS 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. This 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.

### Contributions

The System is noncontributory except for employees who joined prior to July 27, 1976 (tiers I and II.) For employees who joined the System after July 27, 1976 and prior to January 1, 2010, employees contribute 3% of their salary (tiers III and IV). Employees who joined between January 1, 2010 and April 1, 2012, are required to contribute 3% of their salary (tier V). Employee contribution rates (3% to 6%) under tier VI (those who joined after April 1, 2012) vary based on a sliding salary scale. With the exception of tier V and VI employees, employees in the System more than ten years are no longer required to contribute. The Comptroller certifies the rates expressed as proportions of members' payroll annually, which are used in computing the contributions required to be made by employers to the pension accumulation fund.

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

| <u>Year</u> |            |
|-------------|------------|
| 2016        | \$ 202,436 |
| 2015        | 260,130    |
| 2014        | 298,757    |

### Pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources related to pensions

At May 31, 2016, the Village reported a liability of \$707,133, for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2015. Update procedures were used to roll forward the pension liability to March 31, 2016. 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, 2016, the Village's proportion was 0.0044057% for NYSERS. The Village's proportion was consistent with May 31, 2015.

For the year ended May 31, 2016, the Village recognized pension expense of \$202,436. At May 31, 2016, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | Deferred<br>Outflows of<br>Resources -<br>NYSERS | Deferred<br>Inflows of<br>Resources -<br>NYSERS |
|--|--|---|
| Differences between expected experience and actual experience  | \$ 3,573   | \$ (83,819)                                     |
| Changes of assumptions   | 188,571  | -   |
| Net difference between projected and actual earnings on pension plan investments                                   | 419,510  | -   |
| Changes in proportion and differences between the Village's contributions and proportionate share of contributions | 30,208   | (4,288)   |
| Employer contributions made subsequent to the measurement date   | 33,091   | -   |
| Total  | <u>\$ 674,953</u>                                | <u>\$ (88,107)</u>                              |

Deferred outflows of resources related to pensions resulting from Village contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended May 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For the year ended:

|      |            |
|------|------------|
| 2017 | \$ 160,466 |
| 2018 | 160,466    |
| 2019 | 160,466    |
| 2020 | 160,464    |

Actuarial assumptions

The total pension liability at March 31, 2016 was determined by using an actuarial valuation as of April 1, 2015, with update procedures used to roll forward the total pension liability to March 31, 2016. The actuarial valuation used the following actuarial assumptions:

|                          |  |
|--------------------------|--|
| Measurement date         | March 31, 2016   |
| Actuarial valuation date | April 1, 2015  |
| Interest rate            | 7.00%  |
| Salary scale             | 3.80%  |
| Decrement tables         | April 1, 2010 -<br>March 31, 2015<br>System's Experience |
| Inflation rate           | 2.50%  |

Annuitant mortality rates are based on April 1, 2005 – March 31, 2010 System experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014.

The actuarial assumptions used in the April 1, 2014 valuation are based on the results of an actuarial experience study for the period April 1, 2005 – March 31, 2010.

The long term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, Selection of Economic Assumptions for Measuring Pension Obligations. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for equities and fixed income as well as historical investment data and plan performance.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2016 are summarized below:

| <u>Asset Type</u>          | <u>Target Allocation</u> | <u>Long-Term<br/>Expected Real<br/>Rate of Return</u> |
|----------------------------|--------------------------|---|
| Absolute return strategies | 3.00%                    | 6.75%   |
| Bonds and mortgages        | 18.00%                   | 4.00%   |
| Cash                       | 2.00%                    | 2.25%   |
| Domestic equity            | 38.00%                   | 7.30%   |
| Inflation-indexed bonds    | 2.00%                    | 4.00%   |
| International equity       | 13.00%                   | 8.55%   |
| Opportunistic portfolio    | 3.00%                    | 8.60%   |
| Private equity             | 10.00%                   | 11.00%  |
| Real assets                | 3.00%                    | 8.65%   |
| Real estate                | 8.00%                    | 8.25%   |
|                            | <u>100.00%</u>           |   |

#### Discount rate

The discount rate used to calculate the total pension liability was 7.00%. 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 the 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 7.00%, as well as what the Village's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

|   | <u>1% Decrease<br/>(6.00%)</u> | <u>Current<br/>assumption<br/>(7.00%)</u> | <u>1% Increase<br/>(8.00%)</u> |
|---|--------------------------------|---|--------------------------------|
| Employer's proportionate share of the net pension liability (asset) | \$ 1,594,533                   | \$ 707,133                                | \$ 42,683                      |

Pension plan fiduciary net position

The components of the current-year net pension liability of the employers as of March 31, 2016, were as follows:

|   | <u>(Dollars in Thousands)</u> |
|---|-------------------------------|
| Employers' total pension liability                                      | \$ 172,303,544                |
| Plan net position   | <u>(156,253,265)</u>          |
| Employers' net pension liability  | <u>\$ 16,050,279</u>          |
| Ratio of plan net position to the<br>Employers' total pension liability | 90.68%                        |

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

The Village's financial statements are presented for the year ended May 31, 2016. 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, 2015, which is the most recent plan year for which complete information is available.

Program description

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.

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 forty. 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 Volunteer Firemen's Insurance Services, Inc. ("VFIS"), a division of Glatfelter Insurance Group, 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 VFIS through Glatfelter Insurance Group. Portions of the following information are derived from a report prepared by the actuary dated October 5, 2015.

Program financial condition -

|  |                     |
|--|---------------------|
| Actuarial present value of vested benefits | <u>\$ 1,853,391</u> |
| Net assets available for benefit           | <u>\$ 1,243,901</u> |

Prior service costs -

Prior service costs are being amortized over 20 years at a discount rate of 4.75%.

Receipts and disbursements -

|                                       |                  |                     |
|---------------------------------------|------------------|---------------------|
| Program net assets, beginning of year |                  | \$ 1,063,021        |
| Changes during the year:              |                  |                     |
| Plan contributions                    | \$ 269,700       |                     |
| Investment income earned              | 37,970           |                     |
| Plan benefit withdrawals              | <u>(126,790)</u> | <u>180,880</u>      |
| Program net assets, end of year       |                  | <u>\$ 1,243,901</u> |

Contributions -

|   |                   |
|---|-------------------|
| Amount of sponsor's contribution recommended by actuary | <u>\$ 265,818</u> |
| Amount of sponsor's actual contribution                 | <u>\$ 269,700</u> |

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 4.75%

Mortality Tables used for:

|                 |                        |
|-----------------|------------------------|
| Pre-retirement  | 1984 Unisex Pensioners |
| Post-retirement | 1984 Unisex Pensioners |
| Death (Actives) | None                   |

**(12) Post-employment benefits**

Plan description and annual Other Post-Employment Benefits ("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 Standards for 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, 9 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 fund financial statements as payments are made. For the year ended May 31, 2016, the Village recognized \$122,260 for its share of insurance premiums and Medicare Part B reimbursements for currently enrolled retirees.

The Village has obtained an actuarial valuation report as of June 1, 2015 using the alternative measurement method (permitted by GASB) for employers with plans that have fewer than 100 total members. As of the date of that report, the total liability for other post-employment benefits was \$6,717,083.

The Village's annual (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<br>Year Ended<br>May 31, 2016 |
|---|---------------------------------------|
| Annual required contribution            | \$ 628,965                            |
| Contributions made                      | <u>(122,260)</u>                      |
| Increase in net OPEB obligation         | 506,705                               |
| Net OPEB obligation - beginning of year | <u>2,743,401</u>                      |
| Net OPEB obligation - end of year       | <u>\$ 3,250,106</u>                   |

#### Funded status and funding progress

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

| Fiscal Year<br>Ended | Annual<br>OPEB Cost | Percentage of<br>Annual OPEB<br>Cost Contributed | Net OPEB<br>Obligation |
|----------------------|---------------------|--|------------------------|
| 5/31/2016            | \$ 628,965          | 19.44%   | \$ 3,250,106           |
| 5/31/2015            | 488,308             | 18.60%   | 2,743,401              |
| 5/31/2014            | 465,768             | 20.47%   | 2,345,909              |

The funded status of the plan as of June 1, 2015 is as follows:

| 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) |
|--------------------------|-------------------------------|---|---------------------------|--------------------|---------------------|---|
| 6/1/2015                 | \$ -                          | \$ 6,717,083                                    | \$ 6,717,083              | 0.0%               | \$ 1,143,000        | 587.67%   |
| 6/1/2014                 | -                             | 5,224,635                                       | 5,224,635                 | 0.0%               | 1,274,344           | 409.99%   |
| 6/1/2013                 | -                             | 4,908,388                                       | 4,908,388                 | 0.0%               | 1,237,227           | 396.72%   |

As of June 1, 2015, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$6,717,083 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$6,717,083. The covered payroll (annual payroll of active employees covered by the plan) was \$1,143,000, and the ratio of the UAAL to the covered payroll was 587.67%. 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 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

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the funded status of a plan and the employer's annual required contributions are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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, 2015 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 7.50% initially, reduced by decrements to an ultimate rate of 4.5% 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, 2016 was 24 years.

**(6) Commitments and contingencies**

A. 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.

B. 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 when realized. Based on past experience, the Village administration believes the ultimate resolution of current legal actions, if any, would be immaterial.

C. Property tax cap

In June 2011, the New York State Legislature enacted Chapter 97, Laws of 2011 Real Property Tax Cap and Mandate Relief Provisions. For fiscal years beginning in 2012 through at least June 15, 2016, growth in the property tax levy (the total amount to be raised through property taxes charged on a municipality's taxable assessed value of property) will be capped at 2% or the rate of inflation (but not less than 1 percent), whichever is less, with some exceptions. Local governments can exceed the tax levy limit by a 60% vote of the governing body, or by local law. In July 2015, the Real Property Tax Laws Cap were extended to June 15, 2020.

**12. Prior period adjustment**

The Village's net position for the year ended May 31, 2015 has been restated as of June 1, 2015 to give effect to the following:

|   |                     |
|---|---------------------|
| Balance as of June 1, 2015, as previously stated  | \$ 2,529,231        |
| GASB Statement No. 68 implementation:   |                     |
| Less: Beginning System liability - Employees' Retirement System   | (155,585)           |
| GASB Statement No. 71 implementation:   |                     |
| Deferred outflows:  |                     |
| Differences between expected and actual experience  | 4,980               |
| Net difference between projected and actual investment earnings on pension plan investments                   | 27,023              |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | <u>27,831</u>       |
| Balance as of June 1, 2015, as restated   | <u>\$ 2,433,480</u> |

**(7) New accounting standards not yet implemented**

The Village has adopted all current statements of GASB that are applicable. The following are changes in accounting standards that will be implemented when required:

GASB has issued Statement No. 72, Fair Value Measurement and Application, which is to address accounting and financial reporting issues related to fair value measurements. The Statement will require disclosures regarding the level of fair value hierarchy and valuation techniques. It will also require additional disclosures regarding investments in certain entities that calculate net asset value per share (or its equivalent). The Village is currently studying the Statement and plans on adoption when required, which will be for the year ending May 31, 2017.

GASB has issued Statement No. 75, Accounting and Financial Reporting for Post-employment Benefits Other than Pensions, which establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The Village is currently studying the Statement and plans on adoption when required, which will be for the year ending May 31, 2019.

GASB has issued Statement No. 77, Tax Abatement Disclosures, which will require the disclosure regarding tax abatement agreements, specifically: a brief description, the gross dollar amount of taxes abated, and commitments made by the government, other than to abate taxes, as part of a tax abatement agreement. The Village is currently studying the Statement and plans on adoption when required, which will be for the year ending May 31, 2017.

GASB has issued Statement No. 78, Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans, which amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local employees, and (3) has no predominant state or local governmental employer. The Village is currently studying the Statement and plans on adoption when required, which will be for the year ending May 31, 2017.

GASB has issued Statement No. 82, Pension Issues - an amendment of GASB Statement No. 67, No. 68, and No. 73, which addresses the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from actuarial standards, and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The Village is currently studying the Statement and plans on adoption when required, which will be for the year ending May 31, 2019.

**(16) Subsequent events**

The Village has evaluated subsequent events occurring after the Statement of Net Position through the date of September 12, 2016, which is the date these financial statements were available to be issued noting a matter that requires disclosure:

On June 14, 2016, the Village issued \$600,000 in public improvement serial bonds maturing on June 14, 2023 at an interest rate of 1.50%.

**INCORPORATED VILLAGE OF BAYVILLE**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (DEFICIT) - BUDGET TO ACTUAL**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED MAY 31, 2016**

|   | Special Revenue Funds |                  |   |                |                |   |                |                |   |
|---|-----------------------|------------------|---|----------------|----------------|---|----------------|----------------|---|
|   | General               |                  |   | Water          |                |   | Recreation     |                |   |
|   | Budget                | Actual           | Variance-<br>Favorable<br>(Unfavorable) | Budget         | Actual         | Variance-<br>Favorable<br>(Unfavorable) | Budget         | Actual         | Variance-<br>Favorable<br>(Unfavorable) |
| <u>Revenues and Other Sources</u>   |                       |                  |   |                |                |   |                |                |   |
| Real property taxes   | \$ 4,735,002          | \$ 4,731,148     | \$ (3,854)                              | \$ -           | \$ -           | \$ -                                    | \$ -           | \$ -           | \$ -                                    |
| Other tax items   | 28,500                | 31,520           | 3,020                                   | -              | -              | -                                       | -              | -              | -                                       |
| Non-property tax items  | 254,000               | 273,532          | 19,532                                  | -              | -              | -                                       | -              | -              | -                                       |
| Departmental income   | 14,800                | 16,621           | 1,821                                   | 718,502        | 837,901        | 119,399                                 | 209,500        | 213,385        | 3,885                                   |
| Use of money and property   | 445,000               | 433,715          | (11,285)                                | -              | -              | -                                       | -              | -              | -                                       |
| Licenses and permits  | 63,000                | 127,172          | 64,172                                  | -              | -              | -                                       | -              | -              | -                                       |
| Fines and forfeitures   | 20,000                | 33,571           | 13,571                                  | -              | -              | -                                       | -              | -              | -                                       |
| Sale of property and<br>compensation for loss   | -                     | 2,242            | 2,242                                   | -              | -              | -                                       | -              | -              | -                                       |
| Miscellaneous   | 500                   | 41,366           | 40,866                                  | -              | -              | -                                       | -              | -              | -                                       |
| State sources   | 124,675               | 150,641          | 25,966                                  | -              | -              | -                                       | -              | -              | -                                       |
| Federal sources   | -                     | 18,829           | 18,829                                  | -              | -              | -                                       | -              | -              | -                                       |
| <b>Total revenues</b>   | <b>5,685,477</b>      | <b>5,860,357</b> | <b>174,880</b>                          | <b>718,502</b> | <b>837,901</b> | <b>119,399</b>                          | <b>209,500</b> | <b>213,385</b> | <b>3,885</b>                            |
| Other sources:  |                       |                  |   |                |                |   |                |                |   |
| Interfund transfers   | -                     | -                | -                                       | -              | -              | -                                       | 10,000         | 10,000         | -                                       |
| <b>Total revenues and other sources</b>   | <b>5,685,477</b>      | <b>5,860,357</b> | <b>174,880</b>                          | <b>718,502</b> | <b>837,901</b> | <b>119,399</b>                          | <b>219,500</b> | <b>223,385</b> | <b>3,885</b>                            |
| <u>Expenditures and Other Uses</u>  |                       |                  |   |                |                |   |                |                |   |
| General government support  | 1,492,209             | 1,087,006        | 405,203                                 | 30,850         | 34,627         | (3,777)                                 | -              | -              | -                                       |
| Public safety   | 736,676               | 715,584          | 21,092                                  | -              | -              | -                                       | -              | -              | -                                       |
| Transportation  | 473,785               | 460,529          | 13,256                                  | -              | -              | -                                       | -              | -              | -                                       |
| Culture and recreation  | 653,337               | 674,798          | (21,461)                                | -              | -              | -                                       | 148,500        | 81,581         | 66,919                                  |
| Home and community services   | 732,714               | 727,329          | 5,385                                   | 444,535        | 524,516        | (79,981)                                | -              | -              | -                                       |
| Employee benefits   | 1,232,333             | 1,063,983        | 168,350                                 | 114,591        | 86,371         | 28,220                                  | -              | -              | -                                       |
| Debt service -  |                       |                  |   |                |                |   |                |                |   |
| Principal   | 268,800               | 207,874          | 60,926                                  | 82,031         | 103,618        | (21,587)                                | 59,582         | 59,582         | -                                       |
| Interest  | 85,623                | 32,012           | 53,611                                  | 46,495         | 12,549         | 33,946                                  | 11,418         | 7,216          | 4,202                                   |
| <b>Total expenditures</b>   | <b>5,675,477</b>      | <b>4,969,115</b> | <b>706,362</b>                          | <b>718,502</b> | <b>761,681</b> | <b>(43,179)</b>                         | <b>219,500</b> | <b>148,379</b> | <b>71,121</b>                           |
| Other uses:   |                       |                  |   |                |                |   |                |                |   |
| Interfund transfers out   | 10,000                | 132,992          | (122,992)                               | -              | 7,000          | (7,000)                                 | -              | -              | -                                       |
| <b>Total expenditures and other uses</b>  | <b>5,685,477</b>      | <b>5,102,107</b> | <b>583,370</b>                          | <b>718,502</b> | <b>768,681</b> | <b>(50,179)</b>                         | <b>219,500</b> | <b>148,379</b> | <b>71,121</b>                           |
| Excess (deficiency) of revenues and other sources<br>over (under) expenditures and other uses | \$ -                  | 758,250          | \$ 758,250                              | \$ -           | 69,220         | \$ 69,220                               | \$ -           | 75,006         | \$ 75,006                               |
| Fund balance (deficit), beginning of year   |                       | 1,098,329        |   |                | (316,845)      |   |                | 145,805        |   |
| Fund balance (deficit), end of year   |                       | \$ 1,856,579     |   |                | \$ (247,625)   |   |                | \$ 220,811     |   |

INCORPORATED VILLAGE OF BAYVILLE  
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN  
FOR THE YEAR ENDED MAY 31, 2016

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>(a) | Actuarial<br>Accrued<br>Liability<br>(AAL)-<br>Entry Age<br>(b) | Unfunded<br>AAL<br>(UAAL)<br>(b-a) | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll<br>( c ) | UAAL as a<br>Percentage<br>of Covered<br>Payroll<br>((b-a)/c) |
|--------------------------------|--|---|------------------------------------|--------------------------|-----------------------------|---|
| 6/1/2015                       | \$ -                                   | \$ 6,717,083  | \$ 6,717,083                       | 0.0%                     | \$ 1,143,000                | 587.67%   |
| 6/1/2014                       | -                                      | 5,224,635   | 5,224,635                          | 0.0%                     | 1,274,344                   | 409.99%   |
| 6/1/2013                       | -                                      | 4,908,388   | 4,908,388                          | 0.0%                     | 1,237,227                   | 396.72%   |

INCORPORATED VILLAGE OF BAYVILLE  
SCHEDULE OF VILLAGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - NYSERS  
LAST TEN FISCAL YEARS\*  
(Dollar amounts in thousands)

|   | <u>2016</u> | <u>2015</u> | <u>**2014</u> | <u>**2013</u> | <u>**2012</u> | <u>**2011</u> | <u>**2010</u> | <u>**2009</u> | <u>**2008</u> | <u>**2007</u> |
|---|-------------|-------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Village's proportionate share of the net pension liability                                    | 0.0044057%  | 0.0046055%  | N/A           |
| Village's proportionate share of the net pension liability                                    | \$ 707      | \$ 156      | N/A           |
| Village's covered payroll   | \$ 1,474    | \$ 1,496    | N/A           |
| Village's proportionate share of the net pension liability as a percentage of covered payroll | 47.96%      | 10.43%      | N/A           |
| Plan fiduciary net position as a percentage of the total pension liability                    | 90.68%      | 97.15%      | N/A           |

\* The amounts presented for each fiscal year were determined (bi-annually) as of March 31st.

Not Available = N/A

**\*\*Note to Required Supplementary Information**

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

REQUIRED  
SUPPLEMENTARY  
INFORMATION

**INCORPORATED VILLAGE OF BAYVILLE**  
**SCHEDULE OF VILLAGE PENSION CONTRIBUTIONS - NYSERS**  
**LAST TEN FISCAL YEARS\***  
**(Dollar amounts in thousands)**

|  | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013**</u> | <u>2012**</u> | <u>2011**</u> | <u>2010**</u> | <u>2009**</u> | <u>2008**</u> | <u>2007**</u> |
|--|-------------|-------------|-------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Contractually required contribution                                  | \$ 202      | \$ 260      | \$ 299      | N/A           |
| Contributions in relation to the contractually required contribution | <u>202</u>  | <u>260</u>  | <u>299</u>  | N/A           |
| Contribution deficiency (excess)                                     | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>N/A</u>    |
| Village's covered-employee payroll                                   | \$ 1,474    | \$ 1,496    | \$ 1,495    | N/A           |
| Contributions as a percentage of covered-employee payroll            | 13.70%      | 17.38%      | 20.00%      | N/A           |

\* The amounts presented for each fiscal year were determined (bi-annually) as of March 31.

Not Available = N/A

**\*\*Note to Required Supplementary Information**

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

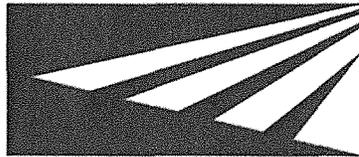
INCORPORATED VILLAGE OF BAYVILLE  
SCHEDULE OF APPROPRIATIONS, ONGOING PROJECTS  
AND CUMULATIVE EXPENDITURES  
CAPITAL PROJECTS FUND  
MAY 31, 2016

| <u>Project Title</u>            | <u>Project<br/>Number</u> | <u>Appropriations</u> | <u>Cumulative<br/>Expenditures</u> | <u>Variance-<br/>Favorable<br/>(Unfavorable)</u> |
|---------------------------------|---------------------------|-----------------------|------------------------------------|--|
| Re-activate Well                | 13-2                      | \$ -                  | \$ 2,304                           | \$ (2,304)                                       |
| Water meter replacement program | 13-4                      | -                     | 73,318                             | (73,318)   |
| Fire Rescue Boat                | 14-2                      | 227,700               | 227,700                            | -  |
| Recycling Truck                 | 14-3                      | 109,795               | 109,795                            | -  |
| Recycling Pails                 | 14-5                      | 50,101                | 50,101                             | -  |
| Salt Storage Building           | 15-1                      | 35,900                | 16,625                             | 19,275   |
| ATV                             | 15-2                      | 12,144                | 7,144                              | 5,000  |
|                                 |                           | <u>\$ 435,640</u>     | <u>\$ 486,987</u>                  | <u>\$ (51,347)</u>                               |

OTHER  
SUPPLEMENTARY  
SCHEDULE

**INCORPORATED VILLAGE OF BAYVILLE**  
**SCHEDULE OF NON-CURRENT GOVERNMENTAL LIABILITIES**  
**FOR THE YEAR ENDED MAY 31, 2016**

|                            | <u>Date of<br/>Original Issue</u> | <u>Outstanding<br/>June 1, 2015</u> | <u>Interest<br/>Rate</u> | <u>Issued</u>     | <u>Paid</u>       | <u>Outstanding<br/>May 31, 2016</u> | <u>Interest<br/>Rate</u> | <u>Interest Paid<br/>2015-2016</u> |
|----------------------------|-----------------------------------|-------------------------------------|--------------------------|-------------------|-------------------|-------------------------------------|--------------------------|------------------------------------|
| Refunding bonds:           |                                   |                                     |                          |                   |                   |                                     |                          |                                    |
| Public improvement         | Apr-15                            | <u>\$ 3,270,000</u>                 | 2.00                     | <u>\$ -</u>       | <u>\$ 365,000</u> | <u>\$ 2,905,000</u>                 |                          | <u>\$ 51,433</u>                   |
|                            |                                   | <u>\$ 3,270,000</u>                 |                          | <u>\$ -</u>       | <u>\$ 365,000</u> | <u>\$ 2,905,000</u>                 |                          | <u>\$ 51,433</u>                   |
| Installment purchase debt: |                                   |                                     |                          |                   |                   |                                     |                          |                                    |
| Mailing system             | Sep-11                            | \$ 1,401                            | 9.38                     | \$ -              | \$ 1,401          | \$ -                                | 9.38                     | \$ 66                              |
| Phone system               | Aug-13                            | 4,652                               | 7.99                     | -                 | 1,469             | 3,183                               | 7.99                     | 278                                |
| Copier                     | Oct-13                            | <u>10,413</u>                       | -                        | <u>-</u>          | <u>3,204</u>      | <u>7,209</u>                        | -                        | <u>-</u>                           |
|                            |                                   | <u>\$ 16,466</u>                    |                          | <u>\$ -</u>       | <u>\$ 6,074</u>   | <u>\$ 10,392</u>                    |                          | <u>\$ 344</u>                      |
| Bond anticipation notes:   |                                   |                                     |                          |                   |                   |                                     |                          |                                    |
| Equipment                  | Jun-14                            | <u>\$ 700,000</u>                   | 1.50                     | <u>\$ 700,000</u> | <u>\$ 700,000</u> | <u>\$ 700,000</u>                   | 0.93                     | <u>\$ 7,000</u>                    |



**NawrockiSmith**

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT**  
**ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE**  
**AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS**  
**PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information and the fiduciary funds of the Incorporated Village of Bayville (the "Village"), as of and for the year ended May 31, 2016, and the related notes to financial statements, which collectively comprise the Village's financial statements and have issued our report thereon dated September 12, 2016.

***Internal Control Over Financial Reporting***

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

# NawrockiSmith

## ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a 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*.

## ***Purpose of this Report***

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

Melville, New York  
September 12, 2016

