

**INCORPORATED VILLAGE OF BAYVILLE**  
**FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**AS OF AND FOR THE YEAR ENDED MAY 31, 2018**  
**TOGETHER WITH AUDITOR'S REPORTS**

**INCORPORATED VILLAGE OF BAYVILLE**  
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**NawrockiSmith**

**CERTIFIED PUBLIC ACCOUNTANTS**

**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, 2018, 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 opinion.

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, the aggregate remaining fund information and the fiduciary funds of the Incorporated Village of Bayville, as of May 31, 2018, 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

## ***Changes In Accounting Principles and Prior Period Adjustment***

As discussed in Note 1 to the financial statements, in 2018 the Village adopted accounting guidance, GASB No. 72, Fair Value Measurement and Application and GASB No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68. The effect of GASB No. 73 required a prior period adjustment as discussed in Note 12 to the financial statements. 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 45-49 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 November 14, 2018, 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  
November 14, 2018

**INCORPORATED VILLAGE OF BAYVILLE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED MAY 31, 2018**

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, 2018. 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 described in Note 1 to the financial statements, the Village has implemented GASB Statement No. 72, Fair Value Measurement and Application, and GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68. The implementation of Statement No. 72 had no impact on net position or fund balance. The implementation of Statement No. 73 resulted in a restatement to the opening net position and fund balance as of June 1, 2017. Prior year balances in management's discussion and analysis have been updated for comparison purposes.
- As of May 31, 2018, the Village had total assets and deferred outflows of resources of \$14,803,506, total liabilities and deferred inflows of resources of \$12,052,985 and net position of \$2,750,521 in the Village-wide financial statements.
- Total revenues for the year ended May 31, 2018 were \$7,813,735 and total expenses were \$6,774,326 resulting in a surplus of revenues over expenditures of \$1,039,409.
- As of May 31, 2018, the Village's General Fund had fund balance totaling \$4,515,001, which was an increase of \$815,514 from the previous year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts: required supplementary information including management's discussion and analysis (this section), the basic 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</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures and Changes in Fund Balance</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 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 60.7% from the year before to \$2,750,521 as detailed in Tables A-2 and A-3.

**Table A-2:** Condensed Statements of Net Position - Governmental Activities

	<u>5/31/17</u>	<u>5/31/18</u>	<u>\$ Change</u>	<u>% Change</u>
Current assets	\$ 2,603,652	\$ 3,193,881	\$ 590,229	22.7
Noncurrent assets	1,963,783	2,059,698	95,915	4.9
Capital assets, net	<u>9,133,800</u>	<u>9,148,564</u>	<u>14,764</u>	0.2
Total assets	<u>\$ 13,701,235</u>	<u>\$ 14,402,143</u>	<u>\$ 700,908</u>	5.1
Deferred outflows of resources	<u>\$ 299,361</u>	<u>\$ 401,363</u>	<u>\$ 102,002</u>	34.1
Current and other liabilities	\$ 1,720,462	\$ 973,268	\$ (747,194)	(43.4)
Long-term liabilities	<u>10,477,354</u>	<u>10,262,597</u>	<u>(214,757)</u>	(2.0)
Total liabilities	12,197,816	11,235,865	(961,951)	(7.9)
Deferred inflows of resources	<u>91,668</u>	<u>817,120</u>	<u>725,452</u>	791.4
Total liabilities and deferred inflows of resources	<u>\$ 12,289,484</u>	<u>\$ 12,052,985</u>	<u>\$ (236,499)</u>	(1.9)
Net position:				
Net investment in capital assets	\$ 5,983,081	\$ 6,451,717	\$ 468,636	7.8
Restricted:				
Service award program	1,540,633	1,940,688	400,055	26.0
Special Grant Fund	14,095	81,033	66,938	474.9
Capital Projects Fund	247,118	27,362	(219,756)	(88.9)
Unrestricted (deficit)	<u>(6,073,815)</u>	<u>(5,750,279)</u>	<u>323,536</u>	5.3
Total net position	<u>\$ 1,711,112</u>	<u>\$ 2,750,521</u>	<u>\$ 1,039,409</u>	60.7

### **Changes in Net Position**

The Village's fiscal year 2018 revenues totaled \$7,813,735 which is 6.4% more than fiscal year 2017 (see Table A-3). Property taxes, non-property and other tax items, and charges for services, fees, fines and forfeitures accounted for 85.6% of total revenues (see Table A-4). The remainder came from operating and capital grants, use of money and property, and other miscellaneous sources.

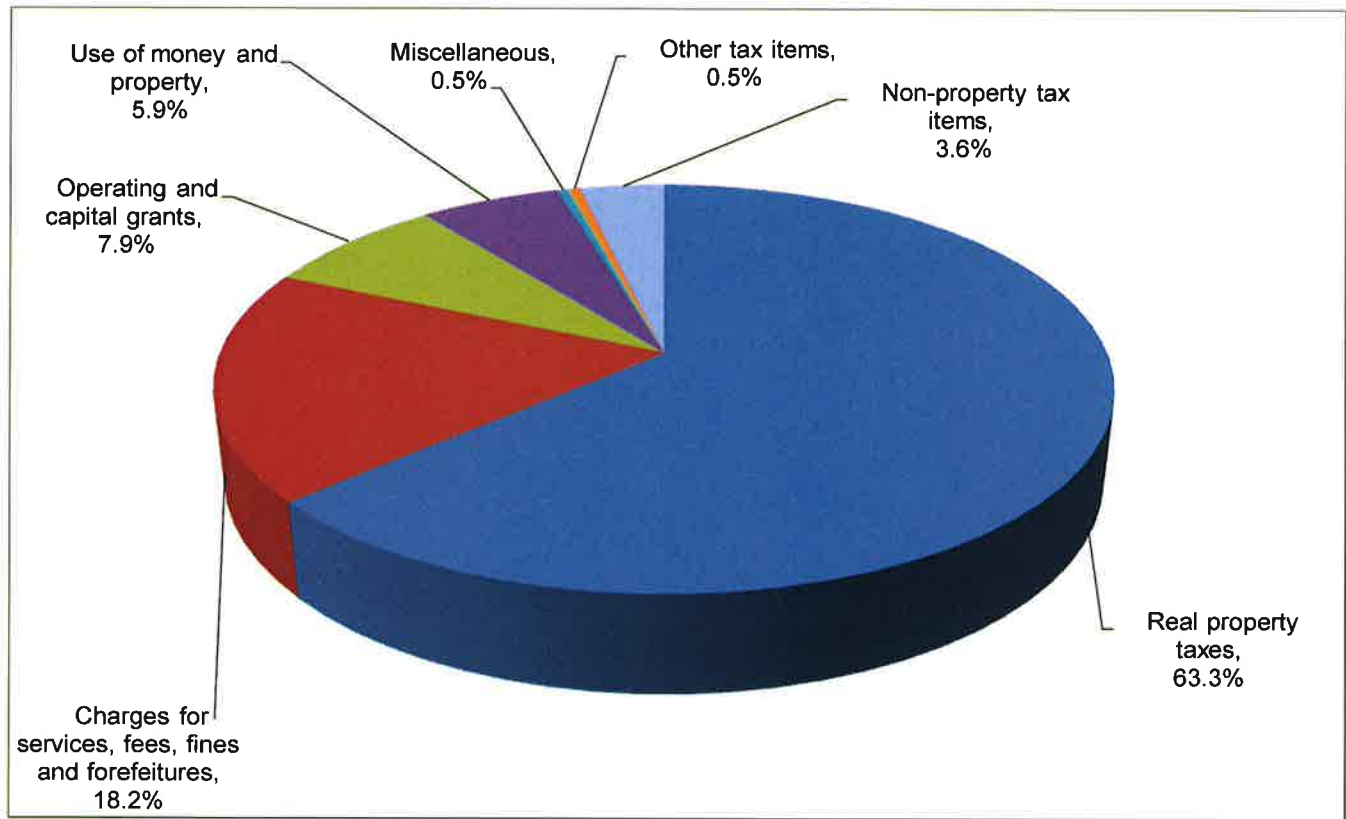
The Village's fiscal year 2018 expenses totaled \$6,774,326, which is 2.5% less than fiscal year 2017 (see Table A-3). These expenses (99.1%) are predominately related to general government support, public safety, transportation, culture and recreation and home and community services (see Table A-6).



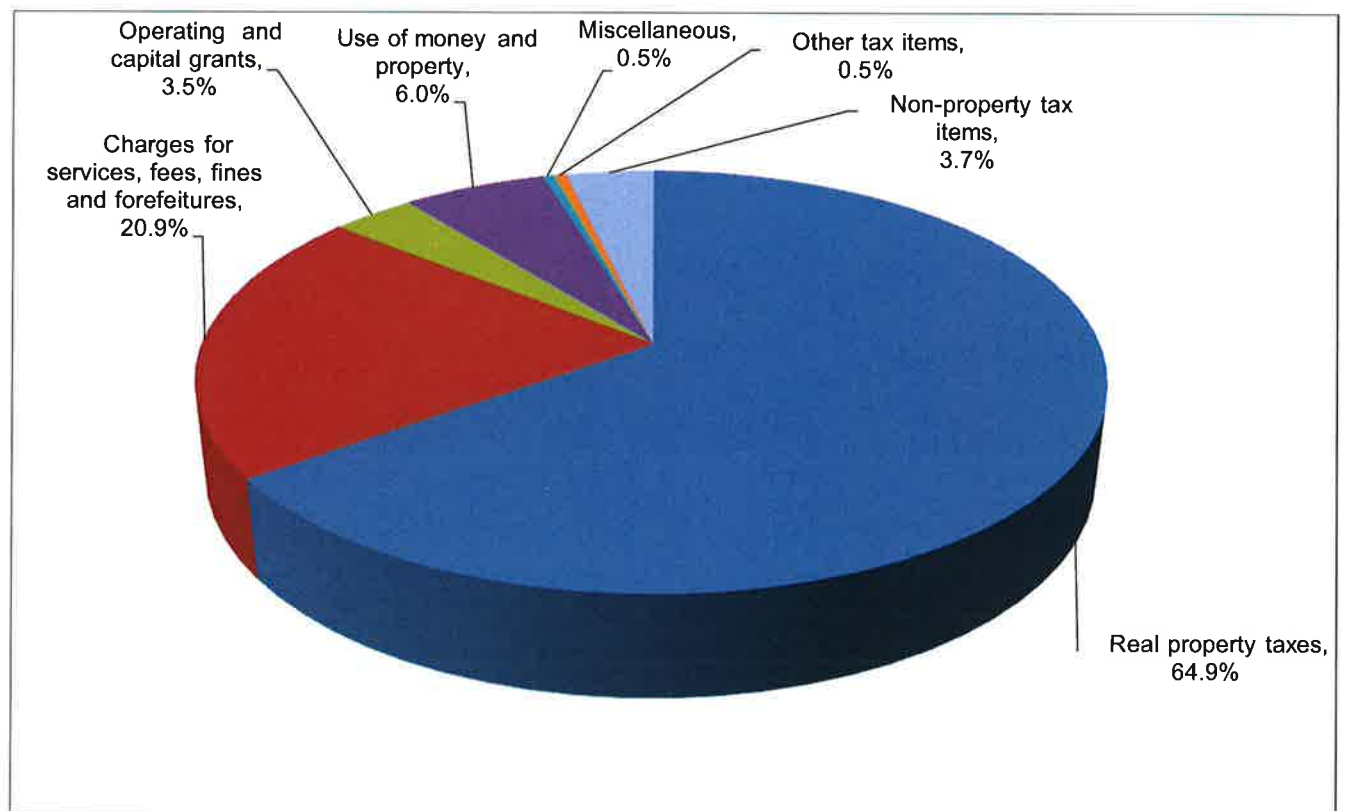
**Table A-3: Changes in Net Position from Operating Results - Governmental Activities Only**

	<u>5/31/17</u>	<u>5/31/18</u>	<u>\$ Change</u>	<u>% Change</u>
<b>Revenues</b>				
Program revenues:				
Charges for services, fees, fines and forfeitures	\$ 1,538,335	\$ 1,421,373	\$ (116,962)	(7.6)
Operating and capital grants	258,663	614,042	355,379	137.4
General revenues:				
Real property taxes	4,762,545	4,947,408	184,863	3.9
Other tax items	34,228	40,239	6,011	17.6
Non-property tax items	268,310	290,700	22,390	8.3
Use of money and property	444,247	458,384	14,137	3.2
Miscellaneous	36,816	41,589	4,773	13.0
Total revenues	<u>7,343,144</u>	<u>7,813,735</u>	<u>470,591</u>	6.4
<b>Expenses</b>				
General government support	1,801,523	1,531,921	(269,602)	(15.0)
Public safety	890,340	841,444	(48,896)	(5.5)
Transportation	948,839	1,103,733	154,894	16.3
Culture and recreation	869,528	939,498	69,970	8.0
Home and community services	2,376,145	2,295,707	(80,438)	(3.4)
Debt service - interest	63,187	62,023	(1,164)	(1.8)
Total expenses	<u>6,949,562</u>	<u>6,774,326</u>	<u>(175,236)</u>	(2.5)
Increase in net position	393,582	1,039,409	645,827	164.1
Total net position, beginning of year	3,578,928	1,711,112	(645,827)	(52.2)
Prior period adjustment, see Note 12	<u>(1,867,816)</u>	<u>-</u>	<u>596,931</u>	100.0
Total net position, end of year	<u>\$ 1,711,112</u>	<u>\$ 2,750,521</u>	<u>\$ (526,961)</u>	(60.7)

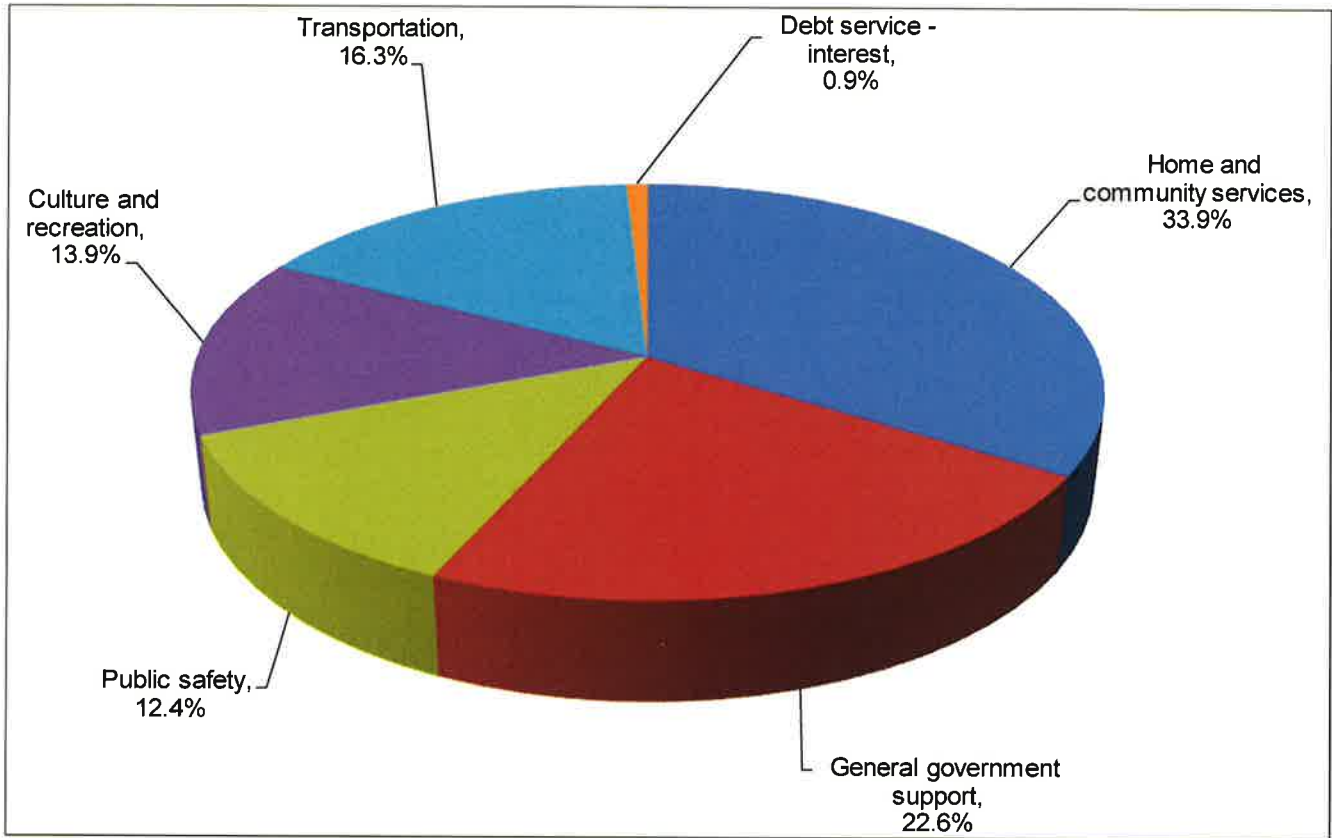
**Table A-4: Sources of Revenues for Fiscal Year 2018**



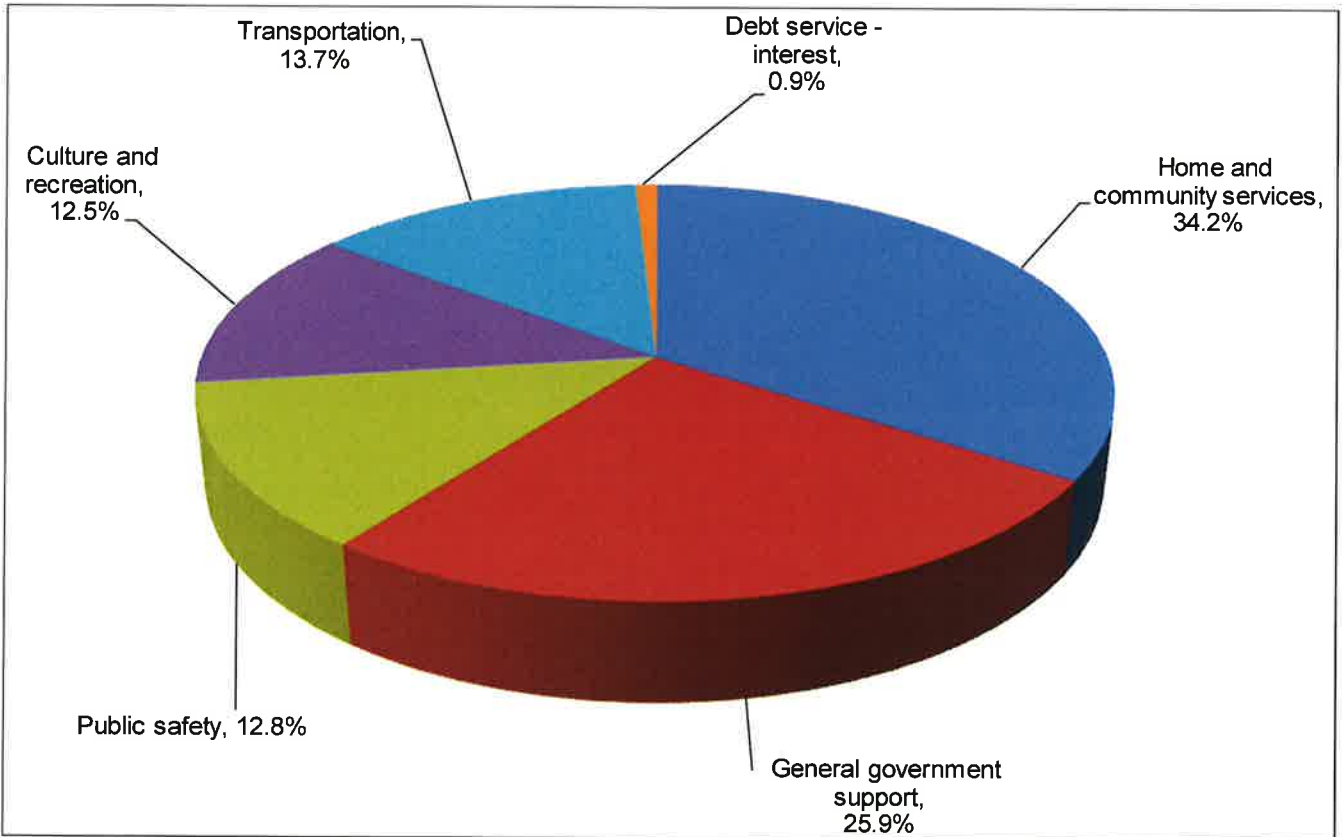
**Table A-5: Sources of Revenues for Fiscal Year 2017**



**Table A-6: Expenses for Fiscal Year 2018**



**Table A-7: Expenses for Fiscal Year 2017**



## **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**

Variances between years for the fund financial statements are not the same as variances 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 \$5,228,962 in 2017 to \$5,591,810 in 2018. The increase is primarily due to the increase in service award program assets of approximately \$400,000.
- Total liabilities and deferred inflows of resources decreased from \$1,136,047 in 2017 to \$563,709 in 2018. The variance is a primary result of the decrease in due to other funds and unearned revenue categories.

At May 31, 2018, the Village's governmental funds had a combined fund balance of \$5,028,101, which is an increase of \$935,186 from May 31, 2017. Fund balances for the Village's governmental funds for the past two years were distributed as follows:

**Table A-8: Fund Balances - Governmental Funds**

	<u>05/31/17</u>	<u>05/31/18</u>	<u>\$ Change</u>	<u>% Change</u>
<b>General Fund</b>				
Nonspendable:				
Prepaid expenses	\$ 77,173	\$ 25,272	\$ (51,901)	(67.3)
Assigned:				
Encumbrances	35,275	38,946	3,671	10.4
Restricted:				
Service award program	1,540,633	1,940,688	400,055	26.0
Unassigned	<u>2,046,406</u>	<u>2,510,095</u>	<u>463,689</u>	22.7
Total General Fund	<u>3,699,487</u>	<u>4,515,001</u>	<u>815,514</u>	22.0
<b>Water Fund</b>				
Nonspendable:				
Prepaid expenses	3,112	125	(2,987)	(96.0)
Assigned:				
Water fund	-	35,292	35,292	100.0
Encumbrances	-	6,167	6,167	100.0
Unassigned	<u>(214,581)</u>	<u>-</u>	<u>214,581</u>	(100.0)
Total Water Fund	<u>(211,469)</u>	<u>41,584</u>	<u>253,053</u>	119.7
<b>Recreation Fund</b>				
Assigned:				
Recreation fund	<u>343,684</u>	<u>363,121</u>	<u>19,437</u>	5.7
Total Recreation Fund	<u>343,684</u>	<u>363,121</u>	<u>19,437</u>	5.7
<b>Special Grant Fund</b>				
Restricted:				
Restricted for special purpose	<u>14,095</u>	<u>81,033</u>	<u>66,938</u>	474.9
Total Special Grant Fund	<u>14,095</u>	<u>81,033</u>	<u>66,938</u>	474.9
<b>Capital Projects Fund</b>				
Restricted:				
Restricted for special purpose	<u>247,118</u>	<u>27,362</u>	<u>(219,756)</u>	(88.9)
Total Capital Projects Fund	<u>247,118</u>	<u>27,362</u>	<u>(219,756)</u>	(88.9)
	<u>\$ 4,092,915</u>	<u>\$ 5,028,101</u>	<u>\$ 935,186</u>	22.8

No other significant variances are reflected in the fund financial statements for fiscal May 31, 2018.

### **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, 2018, the Village had invested \$9,148,564, 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>5/31/17</u>	<u>5/31/18</u>	<u>\$ Change</u>	<u>% Change</u>
Land	\$ 5,646,691	\$ 5,646,691	\$ -	-
Land improvements	183,416	165,055	(18,361)	(10.0)
Buildings and building improvements	2,904,937	2,765,452	(139,485)	(4.8)
Furniture and equipment	398,756	571,366	172,610	43.3
Totals	<u>\$ 9,133,800</u>	<u>\$ 9,148,564</u>	<u>\$ 14,764</u>	0.2

**Long-Term Liabilities**

At year-end, the Village had \$7,500,898 in general obligation bonds and other long-term debt. During the year, the Village paid down \$450,000 of principal on its outstanding bonds.

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

	<u>5/31/17</u>	<u>5/31/18</u>	<u>\$ Change</u>	<u>% Change</u>
General obligation bonds	\$ 3,145,000	\$ 2,695,000	\$ (450,000)	(14.3)
Other post-employment benefits	3,757,181	4,269,587	512,406	13.6
Installment purchase debt payable	5,719	1,847	(3,872)	(67.7)
Judgments and claims payable	298,924	298,924	-	-
Compensated absences	226,437	235,540	9,103	4.0
Totals	<u>\$ 7,433,261</u>	<u>\$ 7,500,898</u>	<u>\$ 67,637</u>	0.9

**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.
- Changes in accounting principles which are set to be implemented in subsequent years will force the Village to recognize the full obligation due under other post-employment benefit arrangements. This could adversely affect the Village's Statement of Net Position by increasing the amount reported for total liabilities.

**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, 2018**

**ASSETS**

Unrestricted cash	\$ 2,523,308
Receivables:	
Tax sale certificates	32,188
Water rents	112,988
Property taxes	101,347
State and federal aid	125,000
Other	226,123
Due from other governments	47,530
Service award program assets	1,940,688
Restricted cash	119,010
Prepaid expenses	25,397
Capital assets, net of accumulated depreciation of \$7,107,488	9,148,564
Total assets	<u>14,402,143</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Pension related	<u>401,363</u>
Total deferred outflows of resources	<u>401,363</u>

**LIABILITIES**

Accounts payable and accrued liabilities	29,583
Accrued interest payable	2,458
Due to fiduciary funds	15
Due to Employees' Retirement System	31,441
Unearned revenues	154,000
Non-current liabilities, due within one year:	
Bonds payable	455,000
Installment purchase debt payable	1,847
Judgement and claims payable	298,924
Non-current liabilities, due after one year:	
Total pension liability - LOSAP	3,389,640
Proportionate share of net pension liability	127,830
Bonds payable	2,240,000
Other post-employment benefits	4,269,587
Compensated absences	235,540
Total liabilities	<u>11,235,865</u>

**DEFERRED INFLOWS OF RESOURCES**

LOSAP related	385,953
Pension related	420,728
Rents received in advance	10,439
Total deferred inflows of resources	<u>817,120</u>

**NET POSITION**

Net investment in capital assets	6,451,717
Restricted:	
Service award program	1,940,688
Special Grant Fund	81,033
Capital Projects Fund	27,362
Unrestricted	(5,750,279)
Total net position	<u>\$ 2,750,521</u>

The accompanying notes are an integral  
part of this statement.

**INCORPORATED VILLAGE OF BAYVILLE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED MAY 31, 2018**

		Program Revenues			Net (Expense)
		Charges for	Operating	Capital	Revenue and
	Expenses	Services, Fees, Fines and Forfeitures	Grants	Grants	Changes in Net Position
Functions and programs:					
General government support	\$ 1,531,921	\$ 396,750	\$ 104,079	\$ 241,175	\$ (789,917)
Public safety	841,444	113,209	29,698	-	(698,537)
Transportation	1,103,733	359,648	94,346	-	(649,739)
Culture and recreation	939,498	82,836	21,730	-	(834,932)
Home and community services	2,295,707	468,930	123,014	-	(1,703,763)
Debt service - interest	62,023	-	-	-	(62,023)
Total functions and programs	<u>\$ 6,774,326</u>	<u>\$ 1,421,373</u>	<u>\$ 372,867</u>	<u>\$ 241,175</u>	<u>(4,738,911)</u>
General revenues:					
Real property taxes					4,947,408
Other tax items					40,239
Non-property tax items					290,700
Use of money and property					458,384
Sale of property and compensation for loss					17,074
Miscellaneous					<u>24,515</u>
Total general revenues					<u>5,778,320</u>
Change in net position					1,039,409
Total net position, beginning of year, as restated (see Note 12)					<u>1,711,112</u>
Total net position, end of year					<u>\$ 2,750,521</u>

The accompanying notes are an integral  
part of this statement.



**INCORPORATED VILLAGE OF BAYVILLE**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**MAY 31, 2018**

	Special Revenue Funds					Total Governmental Funds
	General	Water	Recreation	Special Grant	Capital Projects	
<b>ASSETS</b>						
Unrestricted cash	\$ 2,087,716	\$ 78,226	\$ 357,366	\$ -	\$ -	\$ 2,523,308
Receivables:						
Tax sale certificates	32,188	-	-	-	-	32,188
Water rents	-	112,988	-	-	-	112,988
Property taxes	101,347	-	-	-	-	101,347
State and federal aid	-	-	-	-	125,000	125,000
Other	56,123	-	-	-	170,000	226,123
Due from other funds	328,231	-	10,000	-	-	338,231
Due from other governments	18,530	-	-	-	29,000	47,530
Service award program assets	1,940,688	-	-	-	-	1,940,688
Restricted cash	-	-	-	81,033	37,977	119,010
Prepaid expenses	25,272	125	-	-	-	25,397
Total assets	<u>\$ 4,590,095</u>	<u>\$ 191,339</u>	<u>\$ 367,366</u>	<u>\$ 81,033</u>	<u>\$ 361,977</u>	<u>\$ 5,591,810</u>
<b>LIABILITIES</b>						
Accounts payable and accrued liabilities	\$ 27,731	\$ 1,852	\$ -	\$ -	\$ -	\$ 29,583
Due to other funds	10,000	143,371	4,245	-	180,615	338,231
Due to fiduciary funds	-	15	-	-	-	15
Due to Employees' Retirement System	26,924	4,517	-	-	-	31,441
Unearned revenues	-	-	-	-	154,000	154,000
Total liabilities	64,655	149,755	4,245	-	334,615	553,270
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Rents received in advance	10,439	-	-	-	-	10,439
Total liabilities and deferred inflows of resources	<u>75,094</u>	<u>149,755</u>	<u>4,245</u>	<u>-</u>	<u>334,615</u>	<u>563,709</u>
<b>FUND BALANCE</b>						
Fund balance:						
Nonspendable	25,272	125	-	-	-	25,397
Restricted	1,940,688	-	-	81,033	27,362	2,049,083
Assigned	38,946	41,459	363,121	-	-	443,526
Unassigned	2,510,095	-	-	-	-	2,510,095
Total fund balance	<u>4,515,001</u>	<u>41,584</u>	<u>363,121</u>	<u>81,033</u>	<u>27,362</u>	<u>5,028,101</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 4,590,095</u>	<u>\$ 191,339</u>	<u>\$ 367,366</u>	<u>\$ 81,033</u>	<u>\$ 361,977</u>	<u>\$ 5,591,810</u>

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

**INCORPORATED VILLAGE OF BAYVILLE**  
**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**MAY 31, 2018**

Total fund balance - Governmental Funds \$ 5,028,101

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	10,609,361	
Accumulated depreciation	<u>(7,107,488)</u>	9,148,564

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	(2,695,000)	
Other post-employment benefits	(4,269,587)	
Installment purchase debt payable	(1,847)	
Judgments and claims payable	(298,924)	
Compensated absences	<u>(235,540)</u>	(7,500,898)

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:

Total pension liability - LOSAP	(3,389,640)	
Deferred inflows of resources - LOSAP	(385,953)	
Net pension liability - proportionate share	(127,830)	
Deferred outflow of resources - pension related	401,363	
Deferred inflow of resources - pension related	<u>(420,728)</u>	(3,922,788)

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.

(2,458)

Net position - Governmental Activities

\$ 2,750,521

The accompanying notes are an integral  
part of this statement.

**INCORPORATED VILLAGE OF BAYVILLE**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED MAY 31, 2018**

	Special Revenue Funds				Total Governmental Funds
	General	Water	Recreation	Special Revenue	Capital Projects
<b>REVENUES</b>					
Real property taxes	\$ 4,947,408	\$ -	\$ -	\$ -	\$ -
Other tax items	40,239	-	-	-	-
Non-property tax items	290,700	-	-	-	-
Departmental income	25,172	897,931	203,008	-	-
Use of money and property	458,384	-	-	-	-
Licenses and permits	236,252	-	-	-	-
Fines and forfeitures	59,010	-	-	-	-
Sale of property and compensation for loss	17,074	-	-	-	-
Miscellaneous	24,515	-	-	-	-
State sources	193,468	-	-	-	241,175
Federal sources	-	-	-	179,399	-
Total revenues	6,292,222	897,931	203,008	179,399	241,175
<b>EXPENDITURES</b>					
General government support	1,158,414	32,477	-	-	-
Public safety	735,024	-	-	-	9,110
Transportation	547,204	-	-	-	247,390
Culture and recreation	676,372	-	126,740	-	65,184
Home and community services	746,581	528,875	-	112,461	504,715
Employee benefits	790,482	81,233	-	-	-
Debt service -					
Principal	209,072	186,459	58,341	-	-
Interest	26,622	27,303	8,490	-	-
Total expenditures	4,889,771	856,347	193,571	112,461	826,399
Excess (deficiency) of revenues over (under) expenditures	1,402,451	41,584	9,437	66,938	(585,224)
<b>OTHER FINANCING SOURCES (USES)</b>					
Interfund transfers in	-	211,469	10,000	-	365,468
Interfund transfers out	(586,937)	-	-	-	-
Total other financing sources (uses)	(586,937)	211,469	10,000	-	365,468
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	815,514	253,053	19,437	66,938	(219,756)
Fund balance (deficit), beginning of year, as restated (see Note 12)	3,699,487	(211,469)	343,684	14,095	247,118
Fund balance, end of year	\$ 4,515,001	\$ 41,584	\$ 363,121	\$ 81,033	\$ 27,362

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, 2018**

Net Change in Fund Balance - Governmental Funds \$ 935,186

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 capital outlay exceeds depreciation expense in the current period is:

Capital outlay	\$ 247,390	
Depreciation expense	<u>(232,626)</u>	14,764

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	450,000	
Repayment of installment purchase debt principal	<u>3,872</u>	453,872

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:

Accrued interest costs	392	
Other post-employment benefits	(512,406)	
Compensated absences	<u>(9,103)</u>	(521,117)

Decreases in proportionate share of net pension 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.

LOSAP related	143,125	
Pension related	<u>13,579</u>	<u>156,704</u>

Net Change in Net Position - Governmental Activities \$ 1,039,409

The accompanying notes are an integral  
part of this statement.

**INCORPORATED VILLAGE OF BAYVILLE**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**MAY 31, 2018**

	<u>Expendable Trusts</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash	\$ -	\$ 167,001
Restricted cash	-	9,496
Due from other funds	-	15
	<hr/>	<hr/>
Total assets	<u>\$ -</u>	<u>\$ 176,512</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ -	\$ 1,185
Justice Court	-	4,237
Agency liabilities	-	171,090
	<hr/>	<hr/>
Total liabilities	<hr/> -	<u>\$ 176,512</u>
<b>NET POSITION</b>		
Restricted for:		
Expendable trusts	<hr/> -	
	<hr/>	
Total net position	<hr/> -	
	<hr/>	
Total liabilities and net position	<u>\$ -</u>	

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, 2018**

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

The accompanying notes are an integral  
part of this statement.

**INCORPORATED VILLAGE OF BAYVILLE**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED MAY 31, 2018**

**(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 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 Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 5,000	Straight line	50 years
Non-building improvements	\$ 5,000	Straight line	20 years
Furniture, fixtures, machinery 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 are reported when potential revenues do not meet both the measureable and available criteria for recognition in the current period. Unearned revenues arise when the Village receives resources before it has legal claim to them, as when grant monies are received prior to incurring qualifying expenditures. 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 \$9,103 during the year to \$235,540.

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.

O. Net position and fund balance

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 \$25,397 as of May 31, 2018.
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 had restricted fund balances of \$2,049,083 as of May 31, 2018.
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, 2018.
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.
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, 2018 were distributed as follows:

	General	Water	Recreation	Special Grant	Capital Projects	Total Governmental Funds
Nonspendable:						
Prepaid expenses	\$ 25,272	\$ 125	\$ -	\$ -	\$ -	\$ 25,397
Total nonspendable	25,272	125	-	-	-	25,397
Restricted:						
Service award program	1,940,688	-	-	-	-	1,940,688
Special Grant	-	-	-	81,033	-	81,033
Capital Projects	-	-	-	-	27,362	27,362
Total restricted	1,940,688	-	-	81,033	27,362	2,049,083
Assigned:						
Recreation fund	-	-	363,121	-	-	363,121
Water fund	-	35,292	-	-	-	35,292
Encumbrances	38,946	6,167	-	-	-	45,113
Total assigned	38,946	41,459	363,121	-	-	443,526
Unassigned	2,510,095	-	-	-	-	2,510,095
Total	\$ 4,515,001	\$ 41,584	\$ 363,121	\$ 81,033	\$ 27,362	\$ 5,028,101

### Net position and fund balance flow assumptions

Sometimes the Village will fund outlays for a particular purpose from both restricted (i.e. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Village's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Sometimes the Village will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Village's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

### 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.

### R. New accounting standards

The Village implemented GASB Statement No. 72, Fair Value Measurement and Application. This Statement provides guidance for determining a fair value measurement for financial reporting purposes, including certain investments. This Statement also establishes required fair value disclosures. The Village adopted this Statement for its May 31, 2018 financial statements.

The Village implemented GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68. The implementation of this Statement requires the Village to record those assets accumulated in the Village's General Fund instead of in the Village's Agency Fund, as well as recording the total pension liability on the Village-wide financial statements. See Note 12 for the financial statement impact of the implementation of this Statement.

**(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 vs. Statement of Activities**

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balance 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) 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) **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:

<u>Fund</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>	
General	\$ 2,351,622	\$ 2,087,716	Insured (FDIC) and collateral held by Village's custodial bank.
Water	141,421	78,226	Insured (FDIC) and collateral held by Village's custodial bank.
Recreation	360,703	357,366	Insured (FDIC) and collateral held by Village's custodial bank.
Special Grant	81,033	81,033	Insured (FDIC) and collateral held by Village's custodial bank.
Capital Projects	42,485	37,977	Insured (FDIC) and collateral held by Village's custodial bank.
Fiduciary Funds	199,552	176,497	Insured (FDIC) and collateral held by Village's custodial bank.
	<u>\$ 3,176,816</u>	<u>\$ 2,818,815</u>	

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, 2018, the Village did not have any investments subject to credit risk, interest-rate risk, or concentration of credit risk.

**(5) Interfund balances and activity**

Interfund receivable and payable balances as of May 31, 2018, primarily represent payment of capital expenditures that will be reimbursed subsequent to year end. Interfund transfer balances as of May 31, 2018, primarily represent budgeted transfers from the General Fund to fund Capital Projects Fund projects and to the Water Fund to cover expenses. Balances at year end are stated as follows:

	<u>Interfund</u>		<u>Interfund</u>	
	<u>Receivable</u>	<u>Payable</u>	<u>Revenues</u>	<u>Expenditures</u>
General Fund	\$ 328,231	\$ 10,000	\$ -	\$ 586,937
Water Fund	-	143,386	211,469	-
Recreation Fund	10,000	4,245	10,000	-
Fiduciary Fund	15	-	-	-
Capital Projects Fund	-	180,615	365,468	-
	<u>\$ 338,246</u>	<u>\$ 338,246</u>	<u>\$ 586,937</u>	<u>\$ 586,937</u>



**(6) Capital assets**

A summary of changes in capital fixed assets follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets that are not depreciated:				
Land	\$ 5,646,691	\$ -	\$ -	\$ 5,646,691
Total nondepreciable assets	<u>5,646,691</u>	<u>-</u>	<u>-</u>	<u>5,646,691</u>
Capital assets that are depreciated:				
Land improvements	740,068	-	-	740,068
Buildings and building improvements	8,116,407	-	-	8,116,407
Furniture and equipment	<u>1,505,496</u>	<u>247,390</u>	<u>-</u>	<u>1,752,886</u>
Total depreciable assets	<u>10,361,971</u>	<u>247,390</u>	<u>-</u>	<u>10,609,361</u>
Less accumulated depreciation:				
Land improvements	556,652	18,361	-	575,013
Buildings and building improvements	5,211,470	139,485	-	5,350,955
Furniture and equipment	<u>1,106,740</u>	<u>74,780</u>	<u>-</u>	<u>1,181,520</u>
Total accumulated depreciation	<u>6,874,862</u>	<u>232,626</u>	<u>-</u>	<u>7,107,488</u>
Total capital assets, net	<u>\$ 9,133,800</u>	<u>\$ 14,764</u>	<u>\$ -</u>	<u>\$ 9,148,564</u>

Depreciation expense was charged to governmental functions as follows:

General government support	\$ 64,933
Public safety	18,528
Transportation	58,861
Culture and recreation	13,557
Home and community services	<u>76,747</u>
	<u>\$ 232,626</u>

**(7) Long-term debt**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental activities:					
Bonds payable	\$ 3,145,000	\$ -	\$ 450,000	\$ 2,695,000	\$ 455,000
Other post-employment benefits	3,757,181	689,235	176,829	4,269,587	-
Installment purchase debt payable	5,719	-	3,872	1,847	1,847
Judgments and claims payable	298,924	-	-	298,924	298,924
Compensated absences	<u>226,437</u>	<u>9,103</u>	<u>-</u>	<u>235,540</u>	<u>-</u>
Total long-term liabilities	<u>\$ 7,433,261</u>	<u>\$ 698,338</u>	<u>\$ 630,701</u>	<u>\$ 7,500,898</u>	<u>\$ 755,771</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 5/31/18
Serial Bonds	4/1/2015	12/1/2023	2.00%	\$ 2,180,000
Public Improvement Bonds	6/1/2017	6/1/2023	1.50%	515,000
				<u>\$ 2,695,000</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
2019	\$ 455,000	\$ 49,337	\$ 1,847	\$ 53
2020	465,000	40,612	-	-
2021	465,000	31,738	-	-
2022	475,000	22,813	-	-
2023	485,000	13,738	-	-
2024	350,000	5,875	-	-
	<u>\$ 2,695,000</u>	<u>\$ 164,113</u>	<u>\$ 1,847</u>	<u>\$ 53</u>

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

Interest paid	\$ 62,415
Less interest accrued in the prior year	(2,850)
Plus interest accrued in the current year	<u>2,458</u>
Interest expense	<u>\$ 62,023</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.

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.

## **(8) 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 Systems are noncontributory for the employee 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). In addition, 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>	
2018	\$ 190,987
2017	195,377
2016	202,436

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

At May 31, 2018, the Village reported a liability of \$127,830, for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2017. Update procedures were used to roll forward the pension liability to March 31, 2018. 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, 2018, the Village's proportion was 0.003961% for NYSERS. The Village's proportion was consistent with May 31, 2017.

For the year ended May 31, 2018, the Village recognized pension expense of \$171,916. At May 31, 2018, the Village reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected experience and actual experience	\$ 45,593	\$ 37,676
Changes of assumptions	84,762	-
Net difference between projected and actual earnings on pension plan investments	185,663	366,480
Changes in proportion and differences between the Village's contributions and proportionate share of contributions	58,421	16,572
Employer contributions made subsequent to the measurement date	26,924	-
Total	<u>\$ 401,363</u>	<u>\$ 420,728</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, 2019. 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:

2019	\$ 44,741
2020	30,902
2021	(83,829)
2022	(38,103)

Actuarial assumptions

The total pension liability at March 31, 2018 was determined by using an actuarial valuation as of April 1, 2017, with update procedures used to roll forward the total pension liability to March 31, 2018. The actuarial valuation used the following actuarial assumptions:

Measurement date	March 31, 2018
Actuarial valuation date	April 1, 2017
Interest rate	7.00%
Salary scale	3.80%
Decrement tables	April 1, 2010 - March 31, 2015 System's Experience
Inflation rate	2.50%

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

The actuarial assumptions used in the April 1, 2016 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

The long term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, Selection of Economic Assumptions for Measuring Pension Obligations. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for 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, 2018 are summarized below:

<u>Asset Type</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Absolute return strategies	2.00%	3.75%
Bonds and mortgages	17.00%	1.31%
Cash	1.00%	(0.25%)
Domestic equity	36.00%	4.55%
Inflation-indexed bonds	4.00%	1.25%
International equity	14.00%	6.35%
Opportunistic portfolio	3.00%	5.68%
Private equity	10.00%	7.50%
Real assets	3.00%	5.29%
Real estate	10.00%	5.55%
	<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 (6.00%)</u>	<u>Current assumption (7.00%)</u>	<u>1% Increase (8.00%)</u>
Employer's proportionate share of the net pension liability (asset)	\$ 967,196	\$ 127,830	\$ (582,240)

#### Pension plan fiduciary net position

The components of the current-year net pension liability of the employers as of April 1, 2017, were as follows:

	<u>(Dollars in Thousands)</u>
Employers' total pension liability	\$ (183,400,590)
Plan net position	<u>180,173,145</u>
Employers' net pension liability	<u><u>\$ (3,227,445)</u></u>
Ratio of plan net position to the Employers' total pension liability	98.24%

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

The Village's financial statements are presented for the year ended May 31, 2018. 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, 2017, 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.

##### Funding policy

The Program was established pursuant to Article 11-A of the New York State General Municipal Law. The Program is non-contributory. The Village is required to contribute the total amount sufficient to cover the normal cost of the plan.

##### 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 Service Award benefit is paid as a continuous monthly payment life annuity. The amount payable each month equals \$20 for each year of service credit. The maximum number of years of Service Credit a Participant may earn under the Program in 20 years. Currently, there are no forms of payment of a volunteer's earned Service Award under the program.



Except in the Case of Pre-Entitlement Age death or total and permanent disablement, a Participant's Service Award will not be paid until he or she attains the Entitlement Age. Volunteers who are active after attaining the Entitlement Age and who may have commenced receiving a Service Award have the opportunity to earn Program credit and to thereby increase their Service Award payments. The Pre-Entitlement Age death and disability benefit is equal to the actuarial value of the Participant's earned Service Award at the time of death or disablement. If the participant was an active volunteer firefighter at the time of death, the minimum death benefit is the lump sum equal to the present value of the accrued benefit. The Program does not provide extra line-of-duty death or disability benefits. All death and disability benefits are self-insured and are paid from the Program Trust Fund.

#### Participants covered by the benefit terms

At the June 30, 2017 measurement date, the following participants were covered by the benefit terms:

Inactive participants currently receiving benefit payments	4
Inactive participants entitled to but not yet receiving benefit payments	5
Active participants	<u>77</u>
Total	<u><u>86</u></u>

#### Contributions

New York State General Municipal Law §219(d) requires the Village to contribute an actuarially determined contribution on an annual basis. The actuarially determined contribution shall be appropriated annually by the Village.

#### Trust assets

Although assets have been accumulated in an irrevocable trust such that the assets are dedicated to providing pensions to plan members in accordance with benefit terms, the trust assets are not legally protected from creditors of the Village. As such, the trust assets do not meet the criteria in paragraph 4 of GASB Statement 73.

#### Measurement of Total Pension Liability

The total pension liability at the June 30, 2017 measurement date was determined using an actuarial valuation as of that date.

#### Actuarial assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method:	Entry Age Normal
Inflation:	2.25%
Salary Scale:	N/A

Mortality rates were based on the RP-2014 Mortality Table without projection for mortality improvement.

### Discount rate

The discount rate used to measure the total pension liability was 3.56%. This was the yield to maturity of the S&P Municipal Bond 20 Year High Grade Rate Index as of June 30, 2017. In describing this index, S&P Dow Jones Indices notes that the index consists of bonds in the S&P Municipal Bond Index with a maturity of 20 years and with a rating of at least Aa2 by Moody's Investors Service's, AA by Fitch, or AA by Standard & Poor's Rating Services.

### Changes in the Total Pension Discount Rate

The discount rate used to measure the total pension liability was based on the yield to maturity of the S&P Municipal Bond 20 Year High Grade Rate Index and was 4.75% for the June 30, 2016 measurement date, and 3.56% for the June 30, 2017 measurement date.

### Changes in the Total Pension Liability

Balance as of June 30, 2016 measurement date	\$ 3,822,543
Service cost	121,107
Interest	131,781
Changes of assumptions or other inputs	(428,836)
Differences between expected and actual experience	(1)
Benefit payments	<u>(256,954)</u>
Balance as of June 30, 2017 measurement date	<u>\$ 3,389,640</u>

### Sensitivity of the total LOSAP pension liability to changes in the discount rate

The following presents the total LOSAP pension liability of the Village as of the June 30, 2017 measurement date, calculated using the discount rate of 3.56 percent, as well as what the Village's total LOSAP pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.56 percent) or 1-percentage point higher (4.56 percent) than the current rate:

	1% decrease (2.56%)	Current discount rate (3.56%)	1% increase (4.56%)
Total LOSAP pension liability	\$ 3,643,785	\$ 3,389,640	\$ 3,129,879

### Pension expense and deferred outflows of resources and deferred inflows of resources related to LOSAP pensions

For the year ended June 30, 2017, the Village recognized pension expense of \$210,004. At June 30, 2018, the Village reported deferred inflows of resources related to LOSAP pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ -	\$ 1
Changes of assumptions or other inputs	-	385,952
Totals	<u>\$ -</u>	<u>\$ 385,953</u>

The Village reported \$385,953 as deferred inflows of resources that will be recognized in pension expense as follows:

<u>Year ended May 31:</u>	
2019	\$(42,884)
2020	(42,884)
2021	(42,884)
2022	(42,884)
2023	(42,884)
Thereafter	(171,533)

**(10) 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, 11 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, 2018, the Village recognized \$176,829 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, 2017 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 \$7,558,826.

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 Year Ended May 31, 2018
Annual required contribution	\$ 756,226
Interest on beginning Net OPEB obligation	150,287
Adjustment to required contributions	(217,278)
Contributions made	<u>(176,829)</u>
Increase in net OPEB obligation	512,406
Net OPEB obligation - beginning of year	<u>3,757,181</u>
Net OPEB obligation - end of year	<u>\$ 4,269,587</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:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
5/31/2018	\$ 689,235	25.66%	\$ 4,269,587
5/31/2017	658,032	22.94%	3,757,181
5/31/2016	628,965	19.44%	3,250,106

As of June 1, 2017, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$7,558,826 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$7,558,826. The covered payroll (annual payroll of active employees covered by the plan) was \$1,213,000, and the ratio of the UAAL to the covered payroll was 623.15%. 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, 2017 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, 2018 was 22 years.

# **(11) 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 Levy Cap and Mandate Relief Provisions. For fiscal years beginning in 2012-2013 through at least June 15, 2020, 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, whichever is less, with some exceptions. The New York State Comptroller recently set the allowable levy growth factor for local governments for fiscal years beginning June 1, 2018, at 1.02% (before exemptions). Local governments can exceed the tax levy limit by a 60% vote of the governing body, or by local law.

# **(12) Prior period adjustment**

The Village's financial statements for the year ended May 31, 2017 have been restated as of June 1, 2017 to give effect to the following:

	<u>General Fund Fund Balance</u>	<u>Governmental Activities Net Position</u>
Balance as of May 31, 2017, as reported	\$ 2,158,854	\$ 3,578,928
GASB Statement No. 73 implementation:		
Add: Service award program assets	1,540,633	1,540,633
Less: Total pension liability - service award program	<u>-</u>	<u>(3,408,449)</u>
Balance as of June 1, 2017, as restated	<u>\$ 3,699,487</u>	<u>\$ 1,711,112</u>

**(13) 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. 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. 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.

GASB has issued Statement No. 83, Certain Asset Retirement Obligations, which addresses the accounting and financial reporting for certain asset retirement obligations ("AROs"). The Village is currently studying the Statement and plans on adoption when required, which will be for the year ending May 31, 2020.

GASB has issued Statement No. 84, Fiduciary Activities, which establishes criteria for identifying fiduciary activities of all state and local governments. The focus is on whether the government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. The Village is currently studying the Statement and plans on adoption when required, which will be for the year ending May 31, 2020.

GASB has issued Statement No. 85, Omnibus 2017, which addresses practice issues that have been identified during implementation and application of certain GASB statements, including: blending component units, goodwill, fair value measurement, and post-employment benefits. 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. 86, Certain Debt Extinguishment Issues, which addresses the aim to improve consistency in accounting and financial reporting for in-substance defeasance of debt. 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. 87, Leases, which addresses improving accounting and financial reporting for leases by governments. The Village is currently studying the Statement and plans on adoption when required, which will be for the year ending May 31, 2021.

GASB has issued Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements, which addresses enhancing the disclosures in the notes to financial statements related to debt. The Village is currently studying the Statement and plans on adoption when required, which will be for the year ending May 31, 2020.

The Village will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

**(14) Subsequent events**

The Village has evaluated subsequent events occurring after the Statement of Net Position through the date of October 29, 2018, which is the date these financial statements were available to be issued noting no matters that require disclosure.

**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, 2018**

	Special Revenue Funds								
	General			Water			Recreation		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
<u>Revenues and Other Sources</u>									
Real property taxes	\$ 4,948,129	\$ 4,947,408	\$ (721)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other tax items	28,500	40,239	11,739	-	-	-	-	-	-
Non-property tax items	263,500	290,700	27,200	-	-	-	-	-	-
Departmental income	15,700	25,172	9,472	932,319	897,931	(34,388)	214,030	203,008	(11,022)
Use of money and property	465,000	458,384	(6,616)	-	-	-	-	-	-
Licenses and permits	100,000	236,252	136,252	-	-	-	-	-	-
Fines and forfeitures	35,000	59,010	24,010	-	-	-	-	-	-
Sale of property and compensation for loss	10,000	17,074	7,074	-	-	-	-	-	-
Miscellaneous	407,320	24,515	(382,805)	-	-	-	-	-	-
State sources	131,675	193,468	61,793	-	-	-	-	-	-
Total revenues	6,404,824	6,292,222	(112,602)	932,319	897,931	(34,388)	214,030	203,008	(11,022)
Other sources:									
Interfund transfers	-	-	-	35,000	211,469	176,469	10,000	10,000	-
Total revenues and other sources	6,404,824	6,292,222	(112,602)	967,319	1,109,400	142,081	224,030	213,008	(11,022)
<u>Expenditures and Other Uses</u>									
General government support	1,554,998	1,158,414	396,584	32,738	32,477	261	-	-	-
Public safety	741,937	735,024	6,913	-	-	-	-	-	-
Transportation	563,305	547,204	16,101	-	-	-	-	-	-
Culture and recreation	691,992	676,372	15,620	-	-	-	157,198	126,740	30,458
Home and community services	821,804	746,581	75,223	580,336	528,875	51,461	-	-	-
Employee benefits	1,205,848	790,482	415,366	80,481	81,233	(752)	-	-	-
Debt service -									
Principal	210,001	209,072	929	186,460	186,459	1	58,341	58,341	-
Interest	27,619	26,622	997	27,304	27,303	1	8,491	8,490	1
Total expenditures	5,817,504	4,889,771	927,733	907,319	856,347	50,972	224,030	193,571	30,459
Other uses:									
Interfund transfers	587,320	586,937	383	60,000	-	60,000	-	-	-
Total expenditures and other uses	6,404,824	5,476,708	928,116	967,319	856,347	110,972	224,030	193,571	30,459
Excess of revenues and other sources over expenditures and other uses	\$ -	815,514	\$ 815,514	\$ -	253,053	\$ 253,053	\$ -	19,437	\$ 19,437
Fund balance (deficit), beginning of year, as restated (see Note 12)		3,699,487			(211,469)			343,684	
Fund balance, end of year		\$ 4,515,001			\$ 41,584			\$ 363,121	

**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

**INCORPORATED VILLAGE OF BAYVILLE  
SCHEDULE OF CHANGES IN THE VILLAGE'S TOTAL PENSION LIABILITY  
FIRE SERVICE AWARD PROGRAM  
LAST FISCAL YEAR\***

Measurement date as of June 30, 2017

Total pension liability:

Service cost	\$ 121,107
Interest	131,781
Changes of assumptions or other inputs	(428,836)
Differences between expected and actual experience	(1)
Benefit payments	<u>(256,954)</u>
Net change in total pension liability	(432,903)
Total pension liability, beginning of year	<u>3,822,543</u>
Total pension liability, end of year	<u><u>\$ 3,389,640</u></u>

Covered employee payroll	N/A
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Total pension liability as a percentage of covered-employee payroll	N/A
---	-----

**Note to Required Supplementary Information**

*Changes of assumptions or other inputs:* The discount rate used to measure the total pension liability was based on the yield to maturity of the S&P Municipal Bond 20 Year High Grade Rate Index and was as follows:

June 30, 2016:	4.75%
June 30, 2017:	3.56%

*Trust assets:* There are no assets accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement No. 73 to pay related benefits. The trust assets are not legally protected from creditors of the Village.

*\*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*



**REQUIRED  
SUPPLEMENTARY  
SCHEDULE**

**INCORPORATED VILLAGE OF BAYVILLE  
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN  
FOR THE YEAR ENDED MAY 31, 2018**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL)- Entry Age (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll ( c )</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
6/1/2017	\$ -	\$ 7,558,826	\$ 7,558,826	0.0%	\$ 1,213,000	623.15%
6/1/2016	-	7,125,679	7,125,679	0.0%	1,177,000	605.41%
6/1/2015	-	6,717,083	6,717,083	0.0%	1,143,000	587.67%

**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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>**2014</u>	<u>**2013</u>	<u>**2012</u>	<u>**2011</u>	<u>**2010</u>	<u>**2009</u>
Village's proportionate share of the net pension liability	0.0039607%	0.0041425%	0.0044057%	0.0046055%	N/A	N/A	N/A	N/A	N/A	N/A
Village's proportionate share of the net pension liability	\$ 128	\$ 389	\$ 707	\$ 156	N/A	N/A	N/A	N/A	N/A	N/A
Village's covered payroll	\$ 1,666	\$ 1,307	\$ 1,295	\$ 1,496	N/A	N/A	N/A	N/A	N/A	N/A
Village's proportionate share of the net pension liability as a percentage of covered payroll	7.68%	29.76%	54.59%	10.43%	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	98.24%	94.70%	90.68%	97.15%	N/A	N/A	N/A	N/A	N/A	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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013**</u>	<u>2012**</u>	<u>2011**</u>	<u>2010**</u>	<u>2009**</u>
Contractually required contribution	\$ 191	\$ 195	\$ 202	\$ 260	\$ 299	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	191	195	202	260	299	N/A	N/A	N/A	N/A	N/A
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Village's covered-employee payroll	\$ 1,683	\$ 1,307	\$ 1,295	\$ 1,496	\$ 1,495	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	11.35%	14.92%	15.60%	17.38%	20.00%	N/A	N/A	N/A	N/A	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.

**OTHER  
SUPPLEMENTARY  
SCHEDULE**

**INCORPORATED VILLAGE OF BAYVILLE**  
**SCHEDULE OF APPROPRIATIONS, ONGOING PROJECTS**  
**AND CUMULATIVE EXPENDITURES**  
**CAPITAL PROJECTS FUND**  
**MAY 31, 2018**

<u>Project Title</u>	<u>Project Number</u>	<u>Appropriations</u>	<u>Cumulative Expenditures</u>	<u>Variance</u>
Re-activate Well	13-02	\$ -	\$ 3,171	\$ (3,171)
NYR Pump Station	14-03	265,940	-	265,940
Salt Storage Building	15-01	359,840	382,138	(22,298)
Median Replacement on Bayville Avenue	16-03	98,300	98,300	-
DPW Vehicle Purchase	16-04	64,773	64,773	-
West Harbor Tennis Courts	16-05	12,731	15,255	(2,524)
Purchase of Garbage Truck	17-01	182,617	182,617	-
West Harbor Pavillon/Gazebo	17-02	12,851	65,184	(52,333)
Digital Sign for BFC	17-03	29,000	-	29,000
Rehab Perry & DPW Entrance	17-04	-	9,110	(9,110)
Purchase of Street Sweeper	17-05	-	5,851	(5,851)
		<u>\$ 1,026,052</u>	<u>\$ 826,399</u>	<u>\$ 199,653</u>

**OTHER  
SUPPLEMENTARY  
SCHEDULE**

**INCORPORATED VILLAGE OF BAYVILLE  
SCHEDULE OF NON-CURRENT GOVERNMENTAL LIABILITIES  
FOR THE YEAR ENDED MAY 31, 2018**

	<u>Date of Original Issue</u>	<u>Outstanding June 1, 2017</u>	<u>Interest Rate</u>	<u>Issued</u>	<u>Paid</u>	<u>Outstanding May 31, 2018</u>	<u>Interest Rate</u>	<u>Interest Paid 2017-2018</u>
Refunding bonds:								
Public improvement	Apr-15	\$ 2,545,000	2.00	\$ -	\$ 365,000	\$ 2,180,000		\$ 49,600
Public improvement	Jun-17	<u>600,000</u>	1.50	<u>-</u>	<u>85,000</u>	<u>515,000</u>		<u>12,538</u>
		<u>\$ 3,145,000</u>		<u>\$ -</u>	<u>\$ 450,000</u>	<u>\$ 2,695,000</u>		<u>\$ 62,138</u>
Installment purchase debt:								
Phone system	Aug-13	\$ 1,773	7.99	\$ -	\$ 1,469	\$ 304	7.99	\$ 277
Copier	Oct-13	<u>3,946</u>	-	<u>-</u>	<u>2,403</u>	<u>1,543</u>	-	<u>-</u>
		<u>\$ 5,719</u>		<u>\$ -</u>	<u>\$ 3,872</u>	<u>\$ 1,847</u>		<u>\$ 277</u>



**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, 2018, and the related notes to financial statements, which collectively comprise the Village's financial statements and have issued our report thereon dated November 14, 2018.

***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  
November 14, 2018