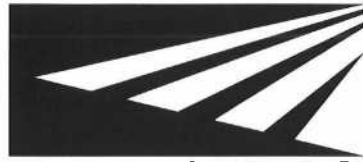


INCORPORATED VILLAGE OF BAYVILLE
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED MAY 31, 2019
TOGETHER WITH AUDITOR'S REPORTS

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, 2019, 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, 2019, 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 3 to the financial statements, in 2019 the Village adopted accounting guidance, Governmental Accounting Standards Board (GASB) No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The effect of GASB No. 75 required a prior period adjustment as discussed in Note 13 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 September 25, 2019, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.

Melville, New York
September 25, 2019



INCORPORATED VILLAGE OF BAYVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED MAY 31, 2019

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, 2019. 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 3 to the financial statements, "New Accounting Standards", the Village has adopted the provisions of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, for the year ended May 31, 2019. The adoption of this principle resulted in a restatement of the Village's net position as of June 1, 2018 in the amount of \$3,618,943, as indicated in Note 13 to the financial statements. Prior year balances in MD&A have been updated, for comparison purposes, to reflect the change where indicated.
- As of May 31, 2019, the Village had total assets and deferred outflows of resources of \$15,718,068, total liabilities and deferred inflows of resources of \$16,147,856 and a deficit net position of \$429,788 in the Village-wide financial statements.
- Total revenues for the year ended May 31, 2019 were \$7,626,225 and total expenses were \$7,187,591 resulting in a surplus of revenues over expenditures of \$438,634 in the Village-wide financial statements.
- As of May 31, 2019, the Village's General Fund had fund balance totaling \$5,379,180, which was an increase of \$864,179 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.

Table A-1: Major Features of the Village-Wide and Fund Financial Statements			
	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"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balance 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position
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 50.5% from the year before to a deficit position of \$429,788 as detailed in Tables A-2 and A-3.

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

	<u>5/31/18</u>	<u>5/31/19</u>	<u>\$ Change</u>	<u>% Change</u>
Current assets	\$ 3,193,881	\$ 3,691,809	\$ 497,928	15.6
Noncurrent assets	2,059,698	2,453,353	393,655	19.1
Capital assets, net	<u>9,148,564</u>	<u>8,904,756</u>	<u>(243,808)</u>	(2.7)
Total assets	<u>\$ 14,402,143</u>	<u>\$ 15,049,918</u>	<u>\$ 647,775</u>	4.5
Deferred outflows of resources	<u>\$ 401,363</u>	<u>\$ 668,150</u>	<u>\$ 266,787</u>	66.5
Current and other liabilities	\$ 973,268	\$ 930,937	\$ (42,331)	(4.3)
Long-term liabilities	<u>13,881,540</u>	<u>14,721,529</u>	<u>839,989</u>	6.1
Total liabilities	14,854,808	15,652,466	797,658	5.4
Deferred inflows of resources	<u>817,120</u>	<u>495,390</u>	<u>(321,730)</u>	(39.4)
Total liabilities and deferred inflows of resources	<u>\$ 15,671,928</u>	<u>\$ 16,147,856</u>	<u>\$ 475,928</u>	3.0
Net position:				
Net investment in capital assets	\$ 6,451,717	\$ 6,661,018	\$ 209,301	3.2
Restricted:				
Service award program	1,940,688	2,340,560	399,872	20.6
Special grants	81,033	5,735	(75,298)	(92.9)
Capital projects	27,362	135,280	107,918	394.4
Unrestricted (deficit)	<u>(9,369,222)</u>	<u>(9,572,381)</u>	<u>(203,159)</u>	(2.2)
Total net position	<u>\$ (868,422)</u>	<u>\$ (429,788)</u>	<u>\$ 438,634</u>	50.5

Changes in Net Position

The Village's fiscal year 2019 revenues totaled \$7,626,225 which is 2.4% less than fiscal year 2018 (see Table A-3). Property taxes, non-property and other tax items, and charges for services, fees, fines and forfeitures accounted for 87.9% 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 2019 expenses totaled \$7,187,591, which is 6.1% more than fiscal year 2018 (see Table A-3). These expenses (99.2%) 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>5/31/18</u>	<u>5/31/19</u>	<u>\$ Change</u>	<u>% Change</u>
Revenues				
Program revenues:				
Charges for services, fees, fines and forfeitures	\$ 1,421,373	\$ 1,410,416	\$ (10,957)	(0.8)
Operating and capital grants	614,042	196,418	(417,624)	(68.0)
General revenues:				
Real property taxes	4,947,408	4,949,976	2,568	0.1
Other tax items	40,239	37,506	(2,733)	(6.8)
Non-property tax items	290,700	306,885	16,185	5.6
Use of money and property	458,384	393,517	(64,867)	(14.2)
Miscellaneous	41,589	331,507	289,918	697.1
Total revenues	<u>7,813,735</u>	<u>7,626,225</u>	<u>(187,510)</u>	(2.4)
Expenses				
General government support	1,531,921	1,899,184	367,263	24.0
Public safety	841,444	995,086	153,642	18.3
Transportation	1,103,733	950,373	(153,360)	(13.9)
Culture and recreation	939,498	1,059,846	120,348	12.8
Home and community services	2,295,707	2,233,132	(62,575)	(2.7)
Debt service - interest	62,023	49,970	(12,053)	(19.4)
Total expenses	<u>6,774,326</u>	<u>7,187,591</u>	<u>413,265</u>	6.1
Increase in net position	1,039,409	438,634	(600,775)	(57.8)
Total net position, beginning of year	1,711,112	(868,422)	(2,579,534)	(150.8)
Prior period adjustment, see Note 13	<u>(3,618,943)</u>	<u>-</u>	<u>3,618,943</u>	100.0
Total net position, end of year	<u>\$ (868,422)</u>	<u>\$ (429,788)</u>	<u>\$ 438,634</u>	50.5

Table A-4: Sources of Revenues for Fiscal Year 2019

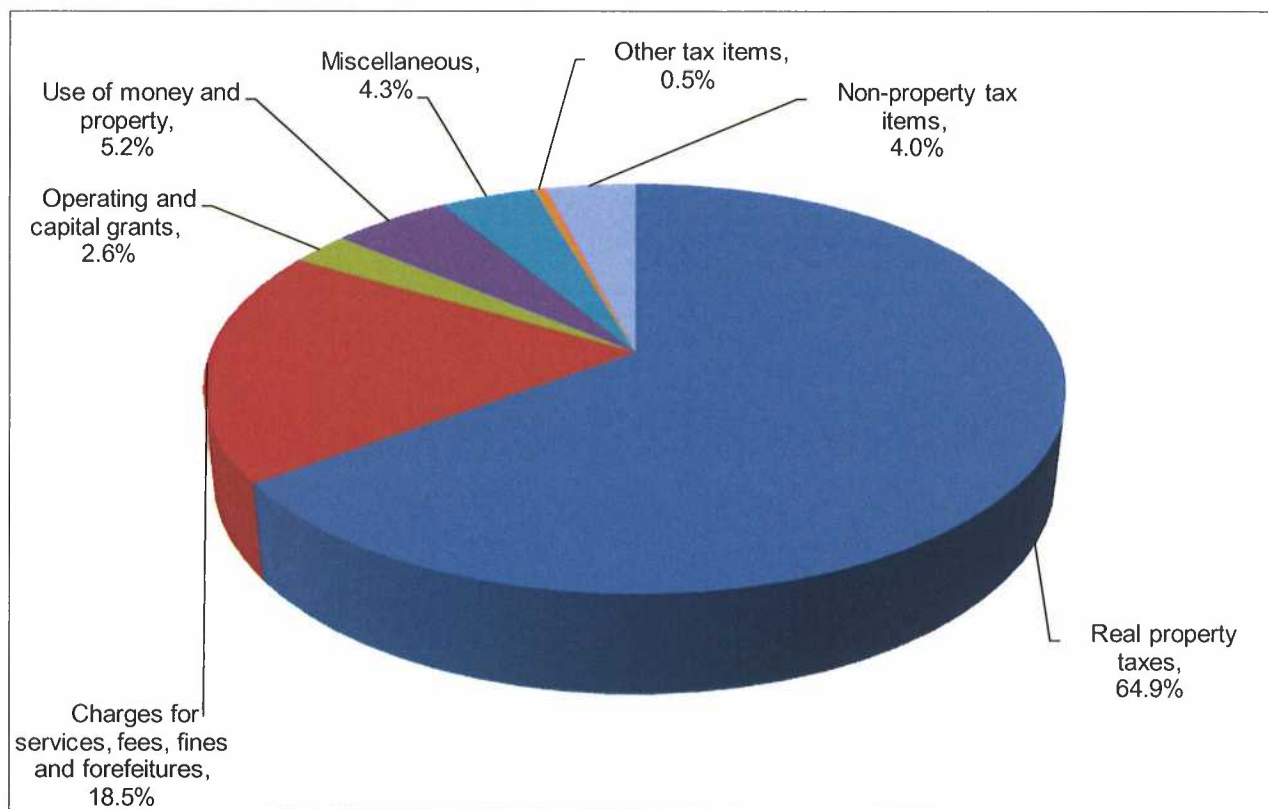


Table A-5: Sources of Revenues for Fiscal Year 2018

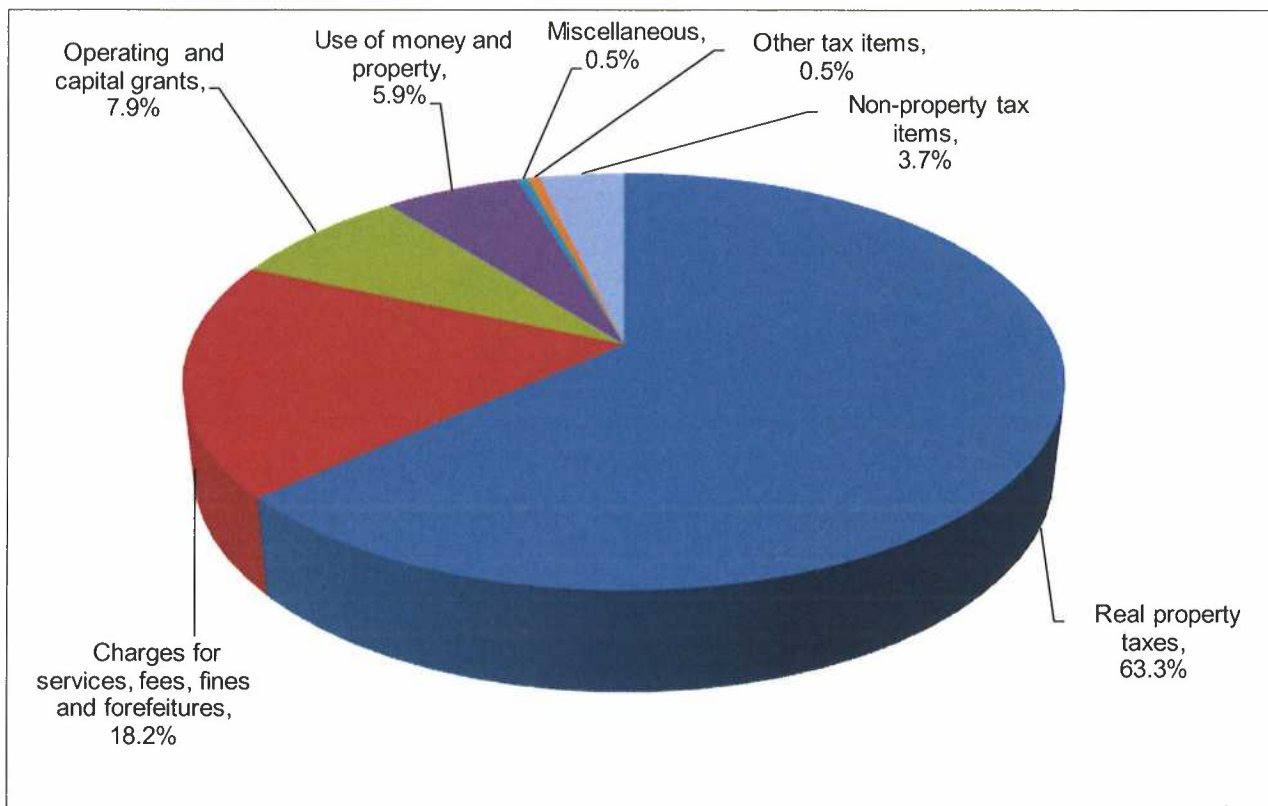


Table A-6: Expenses for Fiscal Year 2019

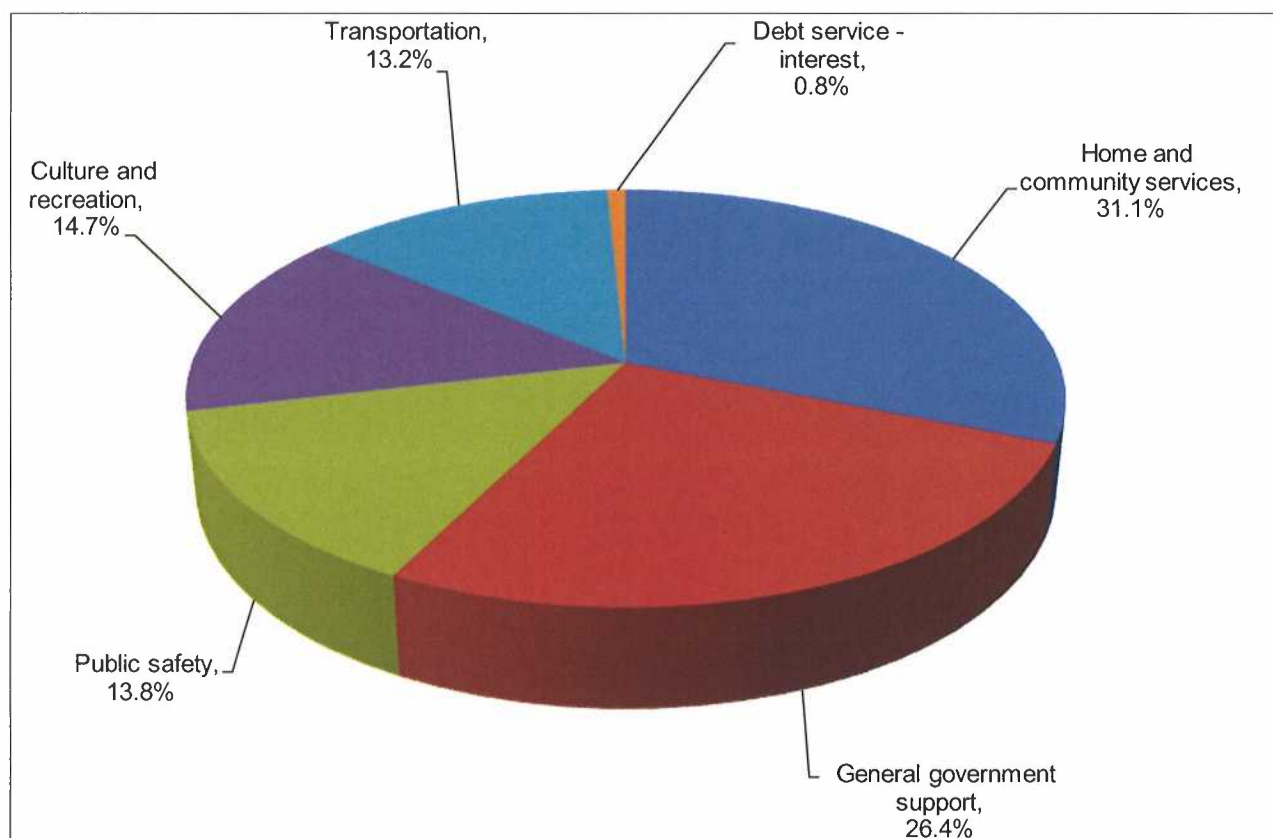
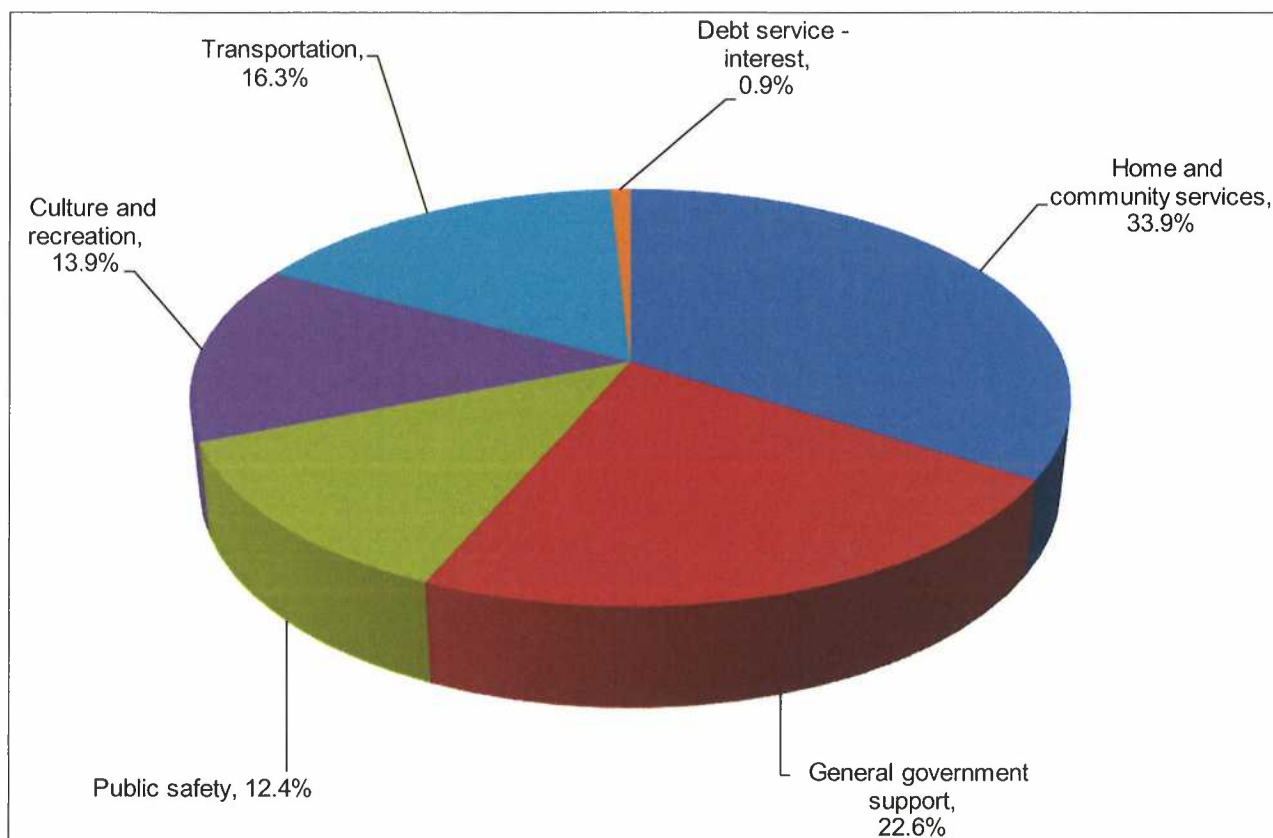


Table A-7: Expenses for Fiscal Year 2018



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 \$5,591,810 in 2018 to \$6,295,162 in 2019. 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 \$536,709 in 2018 to \$315,262 in 2019. The variance is a primary result of the decrease in due to other funds and unearned revenue categories.

At May 31, 2019, the Village's governmental funds had a combined fund balance of \$5,979,900, which is an increase of \$951,799 from May 31, 2018. 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>05/31/18</u>	<u>05/31/19</u>	<u>\$ Change</u>	<u>% Change</u>
General Fund				
Nonspendable:				
Prepaid expenses	\$ 25,272	\$ 59,629	\$ 34,357	135.9
Assigned:				
Encumbrances	38,946	37,578	(1,368)	(3.5)
Restricted:				
Service award program	1,940,688	2,340,560	399,872	20.6
Unassigned	<u>2,510,095</u>	<u>2,941,413</u>	<u>431,318</u>	17.2
Total General Fund	<u>4,515,001</u>	<u>5,379,180</u>	<u>864,179</u>	19.1
Water Fund				
Nonspendable:				
Prepaid expenses	125	7,261	7,136	5,708.8
Assigned:				
Water fund	35,292	5,548	(29,744)	(84.3)
Encumbrances	<u>6,167</u>	<u>14,282</u>	<u>8,115</u>	131.6
Total Water Fund	<u>41,584</u>	<u>27,091</u>	<u>(14,493)</u>	(34.9)
Recreation Fund				
Assigned:				
Recreation fund	<u>363,121</u>	<u>432,614</u>	<u>69,493</u>	19.1
Total Recreation Fund	<u>363,121</u>	<u>432,614</u>	<u>69,493</u>	19.1
Special Grant Fund				
Restricted:				
Restricted for special purpose	<u>81,033</u>	<u>5,735</u>	<u>(75,298)</u>	(92.9)
Total Special Grant Fund	<u>81,033</u>	<u>5,735</u>	<u>(75,298)</u>	(92.9)
Capital Projects Fund				
Restricted:				
Restricted for special purpose	<u>27,362</u>	<u>135,280</u>	<u>107,918</u>	394.4
Total Capital Projects Fund	<u>27,362</u>	<u>135,280</u>	<u>107,918</u>	394.4
	<u>\$ 5,028,101</u>	<u>\$ 5,979,900</u>	<u>\$ 951,799</u>	18.9

No other significant variances are reflected in the fund financial statements for fiscal May 31, 2019.

Budgetary Highlights

Reference is made to the budget vs. actual schedules on page 45 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, 2019, the Village had invested \$8,904,756, 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>5/31/18</u>	<u>5/31/19</u>	<u>\$ Change</u>	<u>% Change</u>
Land	\$ 5,646,691	\$ 5,646,691	\$ -	-
Land improvements	165,055	142,854	(22,201)	(13.5)
Buildings and building improvements	2,765,452	2,625,298	(140,154)	(5.1)
Furniture and equipment	571,366	489,913	(81,453)	(14.3)
Totals	<u>\$ 9,148,564</u>	<u>\$ 8,904,756</u>	<u>\$ (243,808)</u>	(2.7)

Long-Term Liabilities

At year-end, the Village had \$11,600,801 in general obligation bonds and other long-term liabilities. During the year, the Village paid down \$455,000 of principal on its outstanding bonds.

Table A-10: Outstanding Long-Term Liabilities

	<u>5/31/18</u>	<u>5/31/19</u>	<u>\$ Change</u>	<u>% Change</u>
General obligation bonds	\$ 2,695,000	\$ 2,240,000	\$ (455,000)	(16.9)
Other post-employment benefits	7,888,530	8,796,283	907,753	11.5
Installment purchase debt payable	1,847	17,455	15,608	845.0
Judgments and claims payable	298,924	298,924	-	-
Compensated absences	235,540	248,139	12,599	5.3
Totals	<u>\$ 11,119,841</u>	<u>\$ 11,600,801</u>	<u>\$ 480,960</u>	4.3

FACTORS BEARING ON THE FUTURE OF THE VILLAGE

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

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

CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT

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

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

INCORPORATED VILLAGE OF BAYVILLE
STATEMENT OF NET POSITION
MAY 31, 2019

ASSETS

Unrestricted cash	\$ 3,284,270
Receivables:	
Tax sale certificates	38,748
Water rents	126,631
Property taxes	127,253
State and federal aid	983
Other	18,812
Due from other governments	28,222
Service award program assets	2,340,560
Restricted cash	112,793
Prepaid expenses	66,890
Capital assets, net of accumulated depreciation of \$7,069,547	<u>8,904,756</u>
Total assets	<u>15,049,918</u>

DEFERRED OUTFLOWS OF RESOURCES

OPEB related	409,951
LOSAP related	5,697
Pension related	<u>252,502</u>
Total deferred outflows of resources	<u>668,150</u>

LIABILITIES

Accounts payable and accrued liabilities	129,767
Accrued interest payable	2,067
Due to Employees' Retirement System	31,441
Non-current liabilities, due within one year:	
Bonds payable	465,000
Installment purchase debt payable	3,738
Judgement and claims payable	298,924
Non-current liabilities, due after one year:	
Total pension liability - LOSAP	3,568,477
Proportionate share of net pension liability	319,913
Bonds payable	1,775,000
Installment purchase debt payable	13,717
Other post-employment benefits	8,796,283
Compensated absences	<u>248,139</u>
Total liabilities	<u>15,652,466</u>

DEFERRED INFLOWS OF RESOURCES

LOSAP related	376,397
Pension related	114,939
Rents received in advance	<u>4,054</u>
Total deferred inflows of resources	<u>495,390</u>

NET POSITION

Net investment in capital assets	6,661,018
Restricted:	
Service award program	2,340,560
Special grants	5,735
Capital projects	135,280
Unrestricted	<u>(9,572,381)</u>
Total net position	<u>\$ (429,788)</u>

The accompanying notes are an integral
part of this statement.

INCORPORATED VILLAGE OF BAYVILLE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2019

		Program Revenues		Net (Expense)
		Charges for	Operating	Revenue and
	Expenses	Services, Fees, Fines and Forfeitures	Grants	Changes in Net Position
Functions and programs:				
General government support	\$ 1,899,184	\$ 387,502	\$ 53,964	\$ (1,457,718)
Public safety	995,086	118,945	16,565	(859,576)
Transportation	950,373	319,009	44,426	(586,938)
Culture and recreation	1,059,846	82,989	11,557	(965,300)
Home and community services	2,233,132	501,971	69,906	(1,661,255)
Debt service - interest	49,970	-	-	(49,970)
Total functions and programs	<u>\$ 7,187,591</u>	<u>\$ 1,410,416</u>	<u>\$ 196,418</u>	<u>(5,580,757)</u>
General revenues:				
Real property taxes				4,949,976
Other tax items				37,506
Non-property tax items				306,885
Use of money and property				393,517
Sale of property and compensation for loss				87,828
Miscellaneous				<u>243,679</u>
Total general revenues				<u>6,019,391</u>
Change in net position				438,634
Total net position, beginning of year, as restated (see Note 13)				<u>(868,422)</u>
Total net position, end of year				<u>\$ (429,788)</u>

The accompanying notes are an integral
part of this statement.

INCORPORATED VILLAGE OF BAYVILLE
BALANCE SHEET - GOVERNMENTAL FUNDS
MAY 31, 2019

	Special Revenue Funds				Capital Projects	Total Governmental Funds
	General	Water	Recreation	Special Grant		
ASSETS						
Unrestricted cash	\$ 2,777,071	\$ 74,585	\$ 432,614	\$ -	\$ -	\$ 3,284,270
Receivables:						
Tax sale certificates	38,748	-	-	-	-	38,748
Water rents	-	126,631	-	-	-	126,631
Property taxes	127,253	-	-	-	-	127,253
State and federal aid	983	-	-	-	-	983
Other	18,812	-	-	-	-	18,812
Due from other funds	150,000	-	-	-	-	150,000
Due from other governments	-	-	-	-	28,222	28,222
Service award program assets	2,340,560	-	-	-	-	2,340,560
Restricted cash	-	-	-	5,735	107,058	112,793
Prepaid expenses	59,629	7,261	-	-	-	66,890
Total assets	<u>\$ 5,513,056</u>	<u>\$ 208,477</u>	<u>\$ 432,614</u>	<u>\$ 5,735</u>	<u>\$ 135,280</u>	<u>\$ 6,295,162</u>
LIABILITIES						
Accounts payable and accrued liabilities	\$ 102,898	\$ 26,869	\$ -	\$ -	\$ -	\$ 129,767
Due to other funds	-	150,000	-	-	-	150,000
Due to Employees' Retirement System	26,924	4,517	-	-	-	31,441
Total liabilities	129,822	181,386	-	-	-	311,208
DEFERRED INFLOWS OF RESOURCES						
Rents received in advance	4,054	-	-	-	-	4,054
Total liabilities and deferred inflows of resources	<u>133,876</u>	<u>181,386</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>315,262</u>
FUND BALANCE						
Fund balance:						
Nonspendable	59,629	7,261	-	-	-	66,890
Restricted	2,340,560	-	-	5,735	135,280	2,481,575
Assigned	37,578	19,830	432,614	-	-	490,022
Unassigned	2,941,413	-	-	-	-	2,941,413
Total fund balance	<u>5,379,180</u>	<u>27,091</u>	<u>432,614</u>	<u>5,735</u>	<u>135,280</u>	<u>5,979,900</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 5,513,056</u>	<u>\$ 208,477</u>	<u>\$ 432,614</u>	<u>\$ 5,735</u>	<u>\$ 135,280</u>	<u>\$ 6,295,162</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, 2019

Total fund balance - Governmental Funds \$ 5,979,900

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	10,327,612	
Accumulated depreciation	<u>(7,069,547)</u>	8,904,756

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	(2,240,000)	
Other post-employment benefits	(8,796,283)	
Installment purchase debt payable	(17,455)	
Judgments and claims payable	(298,924)	
Compensated absences	<u>(248,139)</u>	(11,600,801)

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

Total pension liability - LOSAP	(3,568,477)	
Deferred inflows of resources - LOSAP	(376,397)	
Deferred outflows of resources - LOSAP	5,697	
Deferred outflows of resources - OPEB	409,951	
Net pension liability - proportionate share	(319,913)	
Deferred outflows of resources - pension related	252,502	
Deferred inflows of resources - pension related	<u>(114,939)</u>	(3,711,576)

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.

(2,067)

Net position - Governmental Activities

\$ (429,788)

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, 2019

		Special Revenue Funds			Capital	Total
	General	Water	Recreation	Special Revenue	Projects	Governmental Funds
REVENUES						
Real property taxes	\$ 4,949,976	\$ -	\$ -	\$ -	\$ -	\$ 4,949,976
Other tax items	37,506	-	-	-	-	37,506
Non-property tax items	306,885	-	-	-	-	306,885
Departmental income	26,763	952,166	195,392	-	-	1,174,321
Use of money and property	393,517	-	-	-	-	393,517
Licenses and permits	203,809	-	-	-	-	203,809
Fines and forfeitures	32,286	-	-	-	-	32,286
Sale of property and compensation for loss	87,828	-	-	-	-	87,828
Miscellaneous	7,423	-	-	-	236,256	243,679
State sources	150,408	-	-	-	-	150,408
Federal sources	-	-	-	46,010	-	46,010
Total revenues	6,196,401	952,166	195,392	46,010	236,256	7,626,225
EXPENDITURES						
General government support	1,335,541	32,811	-	-	-	1,368,352
Public safety	761,783	-	-	-	70,363	832,146
Transportation	513,368	-	-	-	-	513,368
Culture and recreation	695,924	-	70,234	-	180,004	946,162
Home and community services	768,125	586,312	-	121,308	69,744	1,545,489
Employee benefits	837,903	141,253	-	-	-	979,156
Debt service -						
Principal	215,756	186,459	58,341	-	-	460,556
Interest	22,190	19,824	7,324	-	-	49,338
Total expenditures	5,150,590	966,659	135,899	121,308	320,111	6,694,567
Excess (deficiency) of revenues over (under) expenditures	1,045,811	(14,493)	59,493	(75,298)	(83,855)	931,658
OTHER FINANCING SOURCES (USES)						
Issuance of installment purchase debt	-	-	-	-	20,141	20,141
Interfund transfers in	-	-	10,000	-	171,632	181,632
Interfund transfers out	(181,632)	-	-	-	-	(181,632)
Total other financing sources (uses)	(181,632)	-	10,000	-	191,773	20,141
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	864,179	(14,493)	69,493	(75,298)	107,918	951,799
Fund balance, beginning of year	4,515,001	41,584	363,121	81,033	27,362	5,028,101
Fund balance, end of year	\$ 5,379,180	\$ 27,091	\$ 432,614	\$ 5,735	\$ 135,280	\$ 5,979,900

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, 2019

Net Change in Fund Balance - Governmental Funds	\$	951,799
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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:

Depreciation expense	\$ (243,808)	(243,808)
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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	455,000	
Issuance of installment purchase debt	(20,141)	
Repayment of installment purchase debt principal	4,533	439,392

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	391	
Other post-employment benefits	(497,802)	
Compensated absences	(12,599)	(510,010)

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	(163,584)	
Pension related	(35,155)	(198,739)

Net Change in Net Position - Governmental Activities	\$	438,634
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The accompanying notes are an integral
part of this statement.

INCORPORATED VILLAGE OF BAYVILLE
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
MAY 31, 2019

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 207,655
Restricted cash	<u>6,266</u>
Total assets	<u><u>\$ 213,921</u></u>
LIABILITIES	
Accounts payable and accrued liabilities	\$ 3,540
Justice Court	1,007
Agency liabilities	<u>209,374</u>
Total liabilities	<u><u>\$ 213,921</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, 2019

(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.

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. Interfund expenses

Other transactions between funds include loans and transfers of resources to service debt, residual equity transfers to close out completed capital projects and to allocate certain indirect expenses. The fund financial statements reflect such transfers as transfers out.

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 \$12,599 during the year to \$248,139.

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 \$66,890 as of May 31, 2019.
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 \$2,481,575 as of May 31, 2019.
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, 2019.
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, 2019 were distributed as follows:

	General	Water	Recreation	Special Grant	Capital Projects	Total Governmental Funds
Nonspendable:						
Prepaid expenses	\$ 59,629	\$ 7,261	\$ -	\$ -	\$ -	\$ 66,890
Total nonspendable	59,629	7,261	-	-	-	66,890
Restricted:						
Service award program	2,340,560	-	-	-	-	2,340,560
Special Grant	-	-	-	5,735	-	5,735
Capital Projects	-	-	-	-	135,280	135,280
Total restricted	2,340,560	-	-	5,735	135,280	2,481,575
Assigned:						
Recreation fund	-	-	432,614	-	-	432,614
Water fund	-	5,548	-	-	-	5,548
Encumbrances	37,578	14,282	-	-	-	51,860
Total assigned	37,578	19,830	432,614	-	-	490,022
Unassigned	2,941,413	-	-	-	-	2,941,413
Total	\$ 5,379,180	\$ 27,091	\$ 432,614	\$ 5,735	\$ 135,280	\$ 5,979,900

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.

(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 five 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.

5. OPEB differences

OPEB differences occur as a result of changes in the Village's total OPEB liability and differences between the Village's contributions and OPEB expense.

(3) New accounting standard

For the fiscal year ended May 31, 2019, the Village implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The implementation of this statement had no impact on the fund financial statements. The statement requires villages to report Other Postemployment Benefits ("OPEB") liabilities, OPEB expenses, deferred outflows of resources and deferred inflows of resources related to OPEB. The implementation resulted in a restatement of the Village's beginning net position balance as required by the statement. See Note 13 for financial statement impact of the implementation of this statement.

(4) Stewardship, compliance and accountability

Budgetary data

1. Budget policies

- a. No later than March 31, the Village Administrator submits a tentative budget to the Village Board of Trustees for the fiscal year commencing the following June 1. The tentative budget includes proposed expenditures and the proposed means of financing for all funds.
- b. After public hearings are conducted to obtain taxpayer comments, no later than May 1, the Village Board of Trustees adopts the budget.
- c. All modifications of the budget must be approved by the Village Board of Trustees.

2. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded for budgetary control purposes to reserve that portion of the applicable appropriations, is employed in the governmental funds. Appropriations for all governmental funds except the Capital Projects Fund lapse at year-end. However, encumbrances reserved against fund balances are re-appropriated in the ensuing year. Encumbrances are reported as assigned fund balances since they do not constitute expenditures or liabilities. Expenditures for such commitments are recorded in the period in which the liability is incurred.

3. Budget basis of accounting

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

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

The Village's investment policies are governed by State statutes. In addition, the Village has its own written investment policy. Village monies must be deposited in Federal Deposit Insurance Corporation ("FDIC") insured commercial banks or trust companies located within the State. The Village Administrator is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. agencies, repurchase agreements and obligations of New York State or its localities.

Collateral is required for demand deposits and certificates of deposit at 105 percent of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and villages.

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

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

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

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

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

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

<u>Fund</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>	
General	\$ 2,820,250	\$ 2,777,071	Insured (FDIC) and collateral held by Village's custodial bank.
Water	84,217	74,585	Insured (FDIC) and collateral held by Village's custodial bank.
Recreation	442,432	432,614	Insured (FDIC) and collateral held by Village's custodial bank.
Special Grant	5,735	5,735	Insured (FDIC) and collateral held by Village's custodial bank.
Capital Projects	107,058	107,058	Insured (FDIC) and collateral held by Village's custodial bank.
Fiduciary Funds	285,619	213,921	Insured (FDIC) and collateral held by Village's custodial bank.
	<u>\$ 3,745,311</u>	<u>\$ 3,610,984</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, 2019, the Village did not have any investments subject to credit risk, interest-rate risk, or concentration of credit risk.

(6) Interfund balances and activity

Interfund receivable and payable balances as of May 31, 2019, primarily represent Water Fund expenses covered by the General Fund that will be reimbursed subsequent to year end. Interfund transfer balances as of May 31, 2019, primarily represent budgeted transfers from the General Fund to fund Capital Projects Fund projects and to the Recreation Fund to cover expenses. Balances at year end are stated as follows:

	Interfund			
	Receivable	Payable	Revenues	Expenditures
General Fund	\$ 150,000	\$ -	\$ -	\$ 181,632
Water Fund	-	150,000	-	-
Recreation Fund	-	-	10,000	-
Capital Projects Fund	-	-	171,632	-
	<u>\$ 150,000</u>	<u>\$ 150,000</u>	<u>\$ 181,632</u>	<u>\$ 181,632</u>

(7) Capital assets

A summary of changes in capital fixed assets follows:

	Beginning Balance	Additions	Retirements/ Reclassifications	Ending Balance
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	1,752,886	-	(281,749)	1,471,137
Total depreciable assets	<u>10,609,361</u>	<u>-</u>	<u>(281,749)</u>	<u>10,327,612</u>
Less accumulated depreciation:				
Land improvements	575,013	22,201	-	597,214
Buildings and building improvements	5,350,955	140,489	(335)	5,491,109
Furniture and equipment	1,181,520	81,118	(281,414)	981,224
Total accumulated depreciation	<u>7,107,488</u>	<u>243,808</u>	<u>(281,749)</u>	<u>7,069,547</u>
Total capital assets, net	<u>\$ 9,148,564</u>	<u>\$ (243,808)</u>	<u>\$ -</u>	<u>\$ 8,904,756</u>

Depreciation expense was charged to governmental functions as follows:

General government support	\$ 66,985
Public safety	20,561
Transportation	55,144
Culture and recreation	14,346
Home and community services	86,772
	<u>\$ 243,808</u>

(8) Long-term liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Bonds payable	\$ 2,695,000	\$ -	\$ 455,000	\$ 2,240,000	\$ 465,000
Other post-employment benefits	7,888,530	1,098,609	190,856	8,796,283	-
Installment purchase debt payable	1,847	20,141	4,533	17,455	3,738
Judgments and claims payable	298,924	-	-	298,924	298,924
Compensated absences	235,540	12,599	-	248,139	-
Total long-term liabilities	<u>\$ 11,119,841</u>	<u>\$ 1,131,349</u>	<u>\$ 650,389</u>	<u>\$ 11,600,801</u>	<u>\$ 767,662</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 5/31/19
Serial Bonds	4/1/2015	12/1/2023	2.00%	\$ 1,810,000
Public Improvement Bonds	6/1/2017	6/1/2023	1.50%	430,000
				<u>\$ 2,240,000</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
2020	\$ 465,000	\$ 40,612	\$ 3,738	\$ -
2021	465,000	31,738	3,738	-
2022	475,000	22,813	3,738	-
2023	485,000	13,738	3,738	-
2024	350,000	5,875	2,503	-
	<u>\$ 2,240,000</u>	<u>\$ 114,776</u>	<u>\$ 17,455</u>	<u>\$ -</u>

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

Interest paid	\$ 49,338
Less interest accrued in the prior year	(2,458)
Plus interest accrued in the current year	<u>2,067</u>
Interest expense	<u>\$ 48,947</u>

Other long-term liabilities - 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.

(9) Pension plans

General information and 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 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 except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976, who contribute 3 percent of their salary for the first ten years of membership, and employees who joined on or after January 1, 2010 who generally contribute 3 percent of their salary for their entire length of service. For Tier 6 members, the contribution rate varies from 3 percent to 6 percent depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service. Under the authority of the RSSL, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the Systems' fiscal year ending March 31. 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>	
2019	\$ 203,331
2018	190,987
2017	195,377

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

At May 31, 2019, the Village reported a liability of \$319,913, for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of April 1, 2018. Update procedures were used to roll forward the pension liability to March 31, 2019. 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.

Actuarial valuation date	April 1, 2018
Net pension liability	\$ 319,913
Village's portion of the Plans' total net position liability	0.004515%

For the year ended May 31, 2019, the Village recognized pension expense of \$238,488. At May 31, 2019, 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	\$ 62,998	\$ 21,475
Changes of assumptions	80,413	-
Net difference between projected and actual earnings on pension plan investments	-	82,107
Changes in proportion and differences between the Village's contributions and proportionate share of contributions	82,167	11,357
Employer contributions made subsequent to the measurement date	26,924	-
Total	<u>\$ 252,502</u>	<u>\$ 114,939</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 May 31:

2020	\$ 88,229
2021	(42,386)
2022	10,335
2023	54,461

Actuarial assumptions

The total pension liability at March 31, 2019 was determined by using an actuarial valuation as of April 1, 2018, with update procedures used to roll forward the total pension liability to March 31, 2019. The actuarial valuation used the following actuarial assumptions:

Measurement date	March 31, 2019
Actuarial valuation date	April 1, 2018
Interest rate	7.00%
Salary scale	4.20%
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, 2018 valuation are based on the results of an actuarial experience study for the period April 1, 2010 – March 31, 2015.

The long-term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by each target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2019 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)	\$ 1,398,712	\$ 319,913	\$ (586,354)

Pension plan fiduciary net position

The components of the current-year net pension liability of the employers as of March 31, 2019, were as follows:

	<u>(Dollars in Thousands)</u>
Employers' total pension liability	\$ (189,803,429)
Plan net position	<u>182,718,124</u>
Employers' net pension liability	<u><u>\$ (7,085,305)</u></u>
Ratio of plan net position to the Employers' total pension liability	96.27%

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

The Village's financial statements are presented for the year ended May 31, 2019. 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, 2018, 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 is 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, 2018 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, 2018 measurement date was determined using an actuarial valuation as of that date.

Actuarial assumptions

The total pension liability in the June 30, 2018 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 3.62%. This was the yield to maturity of the S&P Municipal Bond 20 Year High Grade Rate Index as of June 30, 2018. 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 3.56% for the June 30, 2017 measurement date, and 3.62% for the June 30, 2018 measurement date.

Changes in the Total Pension Liability

Balance as of June 30, 2017 measurement date	\$ 3,389,640
Service cost	115,455
Interest	122,458
Changes of assumptions or other inputs	(37,031)
Differences between expected and actual experience	6,330
Benefit payments	<u>(28,375)</u>
Balance as of June 30, 2018 measurement date	<u><u>\$ 3,568,477</u></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, 2018 measurement date, calculated using the discount rate of 3.62 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 (2.62 percent) or 1-percentage point higher (4.62 percent) than the current rate:

	<u>1% decrease (2.62%)</u>	<u>Current discount rate (3.62%)</u>	<u>1% increase (4.62%)</u>
Total LOSAP pension liability	\$ 3,817,795	\$ 4,001,380	\$ 3,313,627

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

For the year ended June 30, 2018, the Village recognized pension expense of \$191,959. At June 30, 2019, the Village reported deferred outflows of resources and deferred inflows of resources related to LOSAP pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 5,697	\$ 1
Changes of assumptions or other inputs	-	376,396
Totals	<u>\$ 5,697</u>	<u>\$ 376,397</u>

The Village reported deferred outflows of resources and deferred inflows of resources that will be recognized in pension expense as follows:

<u>Year ended May 31:</u>	
2020	\$ (45,954)
2021	(45,954)
2022	(45,954)
2023	(45,954)
2024	(45,954)
Thereafter	(140,930)

(11) Post-employment benefits

A. General information about the OPEB plan

Plan description

The Village's defined benefit OPEB plan provides OPEB for all permanent full-time employees of the Village. The plan is a single employer defined benefit OPEB plan administered by the Village. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the Village Board of Trustees. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits provided

The Village provides healthcare and life insurance benefits for retirees and their dependents. The benefit terms are dependent of which contract each employee falls under. The specifics of each contract are on file at the Village offices and are available upon request.

Employees covered by benefit terms

As of May 31, 2019, the date of the most recent actuarial valuation, the following employees were covered by the benefit terms:

Inactive participants currently receiving benefit payments	14
Active participants	<u>45</u>
Total	<u>59</u>

B. Total OPEB liability

The Village's total OPEB liability of \$8,796,283 was measured as of May 31, 2019 and was determined by an actuarial valuation as of June 1, 2018.

Actuarial assumptions and other inputs

The total OPEB liability in the June 1, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, with update procedures used to roll forward the total OPEB liability to the measurement date, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00%
Salary increases	3.50% average, including inflation
Discount rate	3.56%
Healthcare cost trend rates	7.5% through 2020, decreasing .5% per year to an ultimate rate of 5.0% in 2023
Retirees' share of benefit-related costs	Rates based on percentage of premiums for retirees

The discount rate was based on the May 31, 2019 S&P Municipal Bond 20 Year High Grade Rate Index.

Mortality rates were based on the RP-2014 Healthy Male and Female Tables projected to the valuation date with Scale MP-2019.

C. Changes in the Total OPEB liability

Balance as of May 31, 2018	<u>\$ 7,888,530</u>
<u>Changes for the year -</u>	
Service cost	311,797
Interest	316,127
Change in assumptions and other inputs	470,685
Benefit payments	<u>(190,856)</u>
Net changes	<u>907,753</u>
Balance as of May 31, 2019	<u>\$ 8,796,283</u>

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the Village, as well as what the Village's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.56%) or one percentage point higher (4.56%) than the current discount rate:

	1% Decrease (2.56%)	Current assumption (3.56%)	1% Increase (4.56%)
Total OPEB liability as of May 31, 2019	<u>\$ 10,436,649</u>	<u>\$ 8,796,283</u>	<u>\$ 7,514,950</u>

Sensitivity of the total OPEB liability to changes in healthcare cost trend rates

The following presents the total OPEB liability of the Village, as well as what the Village's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate:

	1% Decrease (6.50% decreasing to 4.00%)	Current assumption (7.50% decreasing to 5.00%)	1% Increase (8.50% decreasing to 6.00%)
Total OPEB liability as of May 31, 2019	<u>\$ 7,362,638</u>	<u>\$ 8,796,283</u>	<u>\$ 10,707,734</u>

D. OPEB expense, deferred outflows of resources and deferred inflows of resources related to OPEB

For the year ended May 31, 2019, the Village recognized OPEB expense of \$688,658. At May 31, 2019, the Village reported deferred outflows of resources related to OPEB from changes in assumptions and other inputs of \$409,951.

Amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the year ended May 31:

2020	\$ 60,734
2021	60,734
2022	60,734
2023	60,734
2024	60,734
Thereafter	106,281

(12) 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.

(13) Prior period adjustment

The Village's financial statements for the year ended May 31, 2018 have been restated as of June 1, 2018 to give effect to the following:

Net position as of June 1, 2018, as previously stated	\$ 2,750,521
GASB Statement No. 75 implementation: Difference in the total OPEB liability (calculated under GASB 75) and net OPEB liability (calculated under GASB 45)	<u>(3,618,943)</u>
Net position as of June 1, 2018, as restated	<u>\$ (868,422)</u>

(14) Future accounting standards

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. 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. 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.

(15) Subsequent events

The Village has evaluated subsequent events occurring after the Statement of Net Position through the date of September 25, 2019, 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 - BUDGET TO ACTUAL
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MAY 31, 2019

	Special Revenue Funds								
	General			Water			Recreation		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
<u>Revenues and Other Sources</u>									
Real property taxes	\$ 4,948,289	\$ 4,949,976	\$ 1,687	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other tax items	28,500	37,506	9,006	-	-	-	-	-	-
Non-property tax items	263,500	306,885	43,385	-	-	-	-	-	-
Departmental income	16,800	26,763	9,963	936,399	952,166	15,767	275,000	195,392	(79,608)
Use of money and property	389,000	393,517	4,517	-	-	-	-	-	-
Licenses and permits	140,000	203,809	63,809	-	-	-	-	-	-
Fines and forfeitures	40,000	32,286	(7,714)	-	-	-	-	-	-
Sale of property and compensation for loss	39,255	87,828	48,573	-	-	-	-	-	-
Miscellaneous	22,995	7,423	(15,572)	-	-	-	-	-	-
State sources	141,675	150,408	8,733	-	-	-	-	-	-
Total revenues	6,030,014	6,196,401	166,387	936,399	952,166	15,767	275,000	195,392	(79,608)
Other sources:									
Interfund transfers	-	-	-	-	-	-	10,000	10,000	-
Total revenues and other sources	6,030,014	6,196,401	166,387	936,399	952,166	15,767	285,000	205,392	(79,608)
<u>Expenditures and Other Uses</u>									
General government support	1,466,187	1,335,541	130,646	32,912	32,811	101	-	-	-
Public safety	764,528	761,783	2,745	-	-	-	-	-	-
Transportation	566,669	513,368	53,301	-	-	-	-	-	-
Culture and recreation	725,040	695,924	29,116	-	-	-	172,935	70,234	102,701
Home and community services	859,470	768,125	91,345	563,237	586,312	(23,075)	-	-	-
Employee benefits	1,260,189	837,903	422,286	137,777	141,253	(3,476)	-	-	-
Debt service -									
Principal	215,500	215,756	(256)	188,197	186,459	1,738	118,341	58,341	60,000
Interest	23,690	22,190	1,500	19,824	19,824	-	7,324	7,324	-
Total expenditures	5,881,273	5,150,590	730,683	941,947	966,659	(24,712)	298,600	135,899	162,701
Other uses:									
Interfund transfers	181,632	181,632	-	-	-	-	-	-	-
Total expenditures and other uses	6,062,905	5,332,222	730,683	941,947	966,659	(24,712)	298,600	135,899	162,701
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	\$ (32,891)	864,179	\$ 897,070	\$ (5,548)	(14,493)	\$ (8,945)	\$ (13,600)	69,493	\$ 83,093
Fund balance, beginning of year		4,515,001			41,584			363,121	
Fund balance, end of year		\$ 5,379,180			\$ 27,091			\$ 432,614	

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

Measurement date	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Total pension liability:		
Service cost	\$ 115,455	\$ 121,107
Interest	122,458	131,781
Changes in assumptions or other inputs	(37,031)	(428,836)
Differences between expected and actual experience	6,330	(1)
Benefit payments	<u>(28,375)</u>	<u>(256,954)</u>
Net change in total pension liability	178,837	(432,903)
Total pension liability, beginning of year	<u>3,389,640</u>	<u>3,822,543</u>
Total pension liability, end of year	<u>\$ 3,568,477</u>	<u>\$ 3,389,640</u>
Covered employee payroll	N/A	N/A
Total pension liability as a percentage of covered-employee payroll	N/A	N/A

Note to Required Supplementary Information

Changes in 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%
June 30, 2018: 3.62%

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.*

INCORPORATED VILLAGE OF BAYVILLE
SCHEDULE OF CHANGES IN THE VILLAGE'S TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED MAY 31, 2019

Measurement date	May 31, 2019
Total OPEB Liability	
Service cost	\$ 311,797
Interest	316,127
Change in assumptions and other inputs	470,685
Benefit payments	<u>(190,856)</u>
Net change in total OPEB liability	907,753
Total OPEB liability - beginning of year	<u>7,888,530</u>
Total OPEB liability - end of year	<u><u>\$ 8,796,283</u></u>
Covered payroll	\$ 1,334,303
Total OPEB liability as a percentage of covered payroll	659.24%

Note to Required Supplementary Information

Ten years of historical information was not available upon implementation of GASB Statement No. 75. An additional year of historical information will be added each year subsequent to the year of implementation until ten years of historical data is available.

The Village has no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay OPEB benefits, as New York State currently does not allow Villages to establish this type of trust. The Village currently contributes enough money to the plan to satisfy current obligations on a pay-as-you-go basis.

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

	2019	2018	2017	2016	2015	**2014	**2013	**2012	**2011	**2010
Village's proportionate share of the net pension liability	0.0045152%	0.0039607%	0.0041425%	0.0044057%	0.0046055%	N/A	N/A	N/A	N/A	N/A
Village's proportionate share of the net pension liability	\$ 320	\$ 128	\$ 389	\$ 707	\$ 156	N/A	N/A	N/A	N/A	N/A
Village's covered payroll	\$ 1,429	\$ 1,666	\$ 1,307	\$ 1,295	\$ 1,496	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	22.39%	7.68%	29.76%	54.59%	10.43%	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	96.27%	98.24%	94.70%	90.68%	97.15%	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>2019</u>	<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>
Contractually required contribution	\$ 203	\$ 191	\$ 195	\$ 202	\$ 260	\$ 299	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	<u>203</u>	<u>191</u>	<u>195</u>	<u>202</u>	<u>260</u>	<u>299</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Contribution deficiency (excess)	<u>\$ -</u>	<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>
Village's covered-employee payroll	\$ 1,429	\$ 1,683	\$ 1,307	\$ 1,295	\$ 1,496	\$ 1,495	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	14.21%	11.35%	14.92%	15.60%	17.38%	20.00%	N/A	N/A	N/A	N/A

Not Available = N/A

***Note to Required Supplementary Information**

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

INCORPORATED VILLAGE OF BAYVILLE
SCHEDULE OF APPROPRIATIONS, ONGOING PROJECTS
AND CUMULATIVE EXPENDITURES
CAPITAL PROJECTS FUND
MAY 31, 2019

<u>Project Title</u>	<u>Project Number</u>	<u>Appropriations</u>	<u>Cumulative Expenditures</u>	<u>Variance</u>
West Harbor Pavillon/Gazebo	17-02	\$ 198,467	\$ 198,467	\$ -
Digital Sign for BFC	17-03	29,000	28,222	778
Rehab Perry & DPW Entrance	17-04	79,473	79,473	-
Water supply SCADA system	18-01	33,500	18,500	15,000
DPW Vehicle Purchase	18-02	35,789	-	35,789
Phone system	18-05	8,700	8,700	-
Copier	18-06	11,441	11,441	-
		<u>\$ 396,370</u>	<u>\$ 344,803</u>	<u>\$ 51,567</u>

**OTHER
SUPPLEMENTARY
SCHEDULE**

**INCORPORATED VILLAGE OF BAYVILLE
SCHEDULE OF NON-CURRENT GOVERNMENTAL LIABILITIES
FOR THE YEAR ENDED MAY 31, 2019**

	<u>Date of Original Issue</u>	<u>Outstanding June 1, 2018</u>	<u>Interest Rate</u>	<u>Issued</u>	<u>Paid</u>	<u>Outstanding May 31, 2019</u>	<u>Interest Paid 2018-2019</u>
Refunding bonds:							
Public improvement	Apr-15	\$ 2,180,000	2.00	\$ -	\$ 370,000	\$ 1,810,000	\$ 42,250
Public improvement	Jun-17	<u>515,000</u>	1.50	<u>-</u>	<u>85,000</u>	<u>430,000</u>	<u>7,088</u>
		<u>\$ 2,695,000</u>		<u>\$ -</u>	<u>\$ 455,000</u>	<u>\$ 2,240,000</u>	<u>\$ 49,338</u>
Installment purchase debt:							
Phone system	Aug-13	\$ 304		\$ -	\$ 304	\$ -	\$ -
Copier	Oct-13	1,543		-	1,543	-	-
Phone system	Oct-18	-		8,700	1,160	7,540	-
Copier	Jan-19	<u>-</u>		<u>11,441</u>	<u>1,526</u>	<u>9,915</u>	<u>-</u>
		<u>\$ 1,847</u>		<u>\$ 20,141</u>	<u>\$ 4,533</u>	<u>\$ 17,455</u>	<u>\$ -</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, 2019, and the related notes to financial statements, which collectively comprise the Village's financial statements and have issued our report thereon dated September 25, 2019.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

NawrockiSmith

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Melville, New York
September 25, 2019

Nawrocki Smith LLP