

**TOWN OF CORNWALL  
CORNWALL, NEW YORK  
AUDIT REPORT  
FOR THE YEAR ENDED  
DECEMBER 31, 2017**

**TOWN OF CORNWALL**  
**CORNWALL, NEW YORK**  
**DECEMBER 31, 2017**

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## INDEPENDENT AUDITOR'S REPORT

To the Supervisor and Members  
of the Town Board  
Town of Cornwall  
Cornwall, New York

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Cornwall, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Town'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 of 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Cornwall, as of December 31, 2017, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplemental Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, funding progress for other postemployment benefits, Town's proportionate share of the net pension liability, and the Town contributions on pages 4 through 16 and 60 through 69 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Cornwall's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were 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 combining nonmajor fund financial statements are 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 May 1, 2018 on our consideration of the Town's internal control over financial reporting and out 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 the audit performed in accordance with *Government Auditing Standards* in considering Town of Cornwall's internal control over financial reporting.

*Jugend & Hausler, P.C.*

Montgomery, New York

May 1, 2018

**TOWN OF CORNWALL**  
**CORNWALL, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2017**

The following is a discussion and analysis of the Town of Cornwall's financial performance for the year ended December 31, 2017. The Town of Cornwall discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Town's financial activity, (c) identify changes in the Town's financial position (its ability to address the next and subsequent year challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns.

The section is a summary of the Town's financial activities based on currently known facts, decisions, or conditions. It is also based on both the government-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 Town's financial statements, which immediately follow this section.

**HIGHLIGHTS**

**Financial Highlights:**

- The Town of Cornwall's net position at the close of the calendar years 2017 and 2016 were \$(617,520) and \$(512,588) (net position) respectively.
- As of the close of the current calendar year, the Town of Cornwall's governmental funds reported a combined ending fund balance of \$451,095, a decrease of \$971,320 in comparison with the prior year.
- At the end of the current calendar year, the unassigned fund balance for the General Fund was \$689,541 at 13.05% of the total General Fund expenditures.
- The Town of Cornwall's total debt increased by \$291,500 (7.92%) during the current calendar year.

TOWN OF CORNWALL  
CORNWALL, NEW YORK  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2017

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts: MD & A (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Town:

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

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

Figure A-1 summarizes the major features of the Town's financial statements, including the portion of the Town's activities they cover and the types of information they contain. The remainder of this overview section of MD & A highlights the structure and contents of each of the statements.

**TOWN OF CORNWALL**  
**CORNWALL, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2017**

**Figure A-1** Major Features of the Government-wide and Fund Financial Statements

	Government-wide	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire Government (except fiduciary funds)	The activities of the Town that are not proprietary or fiduciary, such as highway water and sewer	Instances in which the Town administrators resources on behalf of someone else, such as bid deposits, engineering fees, and street opening deposits.
Required financial statements	- Statement of net position - Statement of activities	- Balance sheet - Statement of revenues, expenditures, and changes in fund balances	- Statement of fiduciary net position - Statement of changes in 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 or available during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of 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 year, regardless of when cash 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

**TOWN OF CORNWALL**  
**CORNWALL, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2017**

**GOVERNMENT-WIDE STATEMENTS**

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

The two government-wide statements report the Town's *net position* and how it changed. Net position, the difference between the Town's assets and liabilities, are one way to measure the Town's financial health or position.

- Over time, increases or decreases in the Town's net position is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the Town's overall health, you need to consider additional non-financial factors such as changes in the Town's property tax base and the condition of facilities and infrastructures.

In the government-wide financial statements, the Town's activities are shown as *governmental activities*: Most of the Town's basic services are included here, such as water and sewer services (home and community services), road maintenance (transportation), and administration (general governmental support). Property taxes and charges for services finance most of these activities.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the Town's funds, focusing on its most significant or "major" funds - not the Town as a whole. Funds are accounting devices the Town 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 Town establishes other funds to control and to manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues.

**TOWN OF CORNWALL**  
**CORNWALL, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2017**

The Town has two kinds of funds:

- **Governmental Funds:** Most of the Town'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 (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, reconciling statements (Schedule 4 and Schedule 6) have been added to explain the relationship (or differences) between them.
- **Fiduciary Funds-Agency Funds:** The Town acts in an agency capacity for assets that are ultimately transferred to others, such as payroll withholdings. The Town excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

**FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE**

The Town's net position at the calendar year end is \$(617,520). This is a \$104,932 decrease under last year's net position of \$(512,588). The following table provides a summary of the Town's net position:

**FIGURE A-2**

<i>Condensed Statement of Net Position</i>			<b>Total Dollar</b>
	<b>2017</b>	<b>2016</b>	<b>Change</b>
			<b>2017 -2016</b>
Current Assets	\$ 3,090,007	\$ 2,773,232	\$ 316,775
Capital Assets	8,563,622	7,511,290	1,052,332
Deferred Outflows	949,025	2,109,821	(1,160,796)
<b>Total Assets and Deferred Outflows</b>	<b>12,602,654</b>	<b>12,394,343</b>	<b>208,311</b>
Long-Term Debt Outstanding	10,212,837	11,130,996	(918,159)
Other Liabilities	2,661,205	1,369,474	1,291,731
Deferred Inflows	346,132	406,461	(60,329)
<b>Total Liabilities and Deferred Inflows</b>	<b>13,220,174</b>	<b>12,906,931</b>	<b>313,243</b>
Investment in Capital Assets, Net of Debt	4,637,497	3,831,665	805,832
Restricted	1,055,306	606,548	448,758
Unrestricted Net Assets	(6,310,323)	(4,950,801)	(1,359,522)
<b>Total Net Position</b>	<b>\$ (617,520)</b>	<b>\$ (512,588)</b>	<b>\$ (104,932)</b>

**TOWN OF CORNWALL  
CORNWALL, NEW YORK  
STATEMENT OF ACTIVITIES  
SUMMARY OF CHANGES IN NET POSITION  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

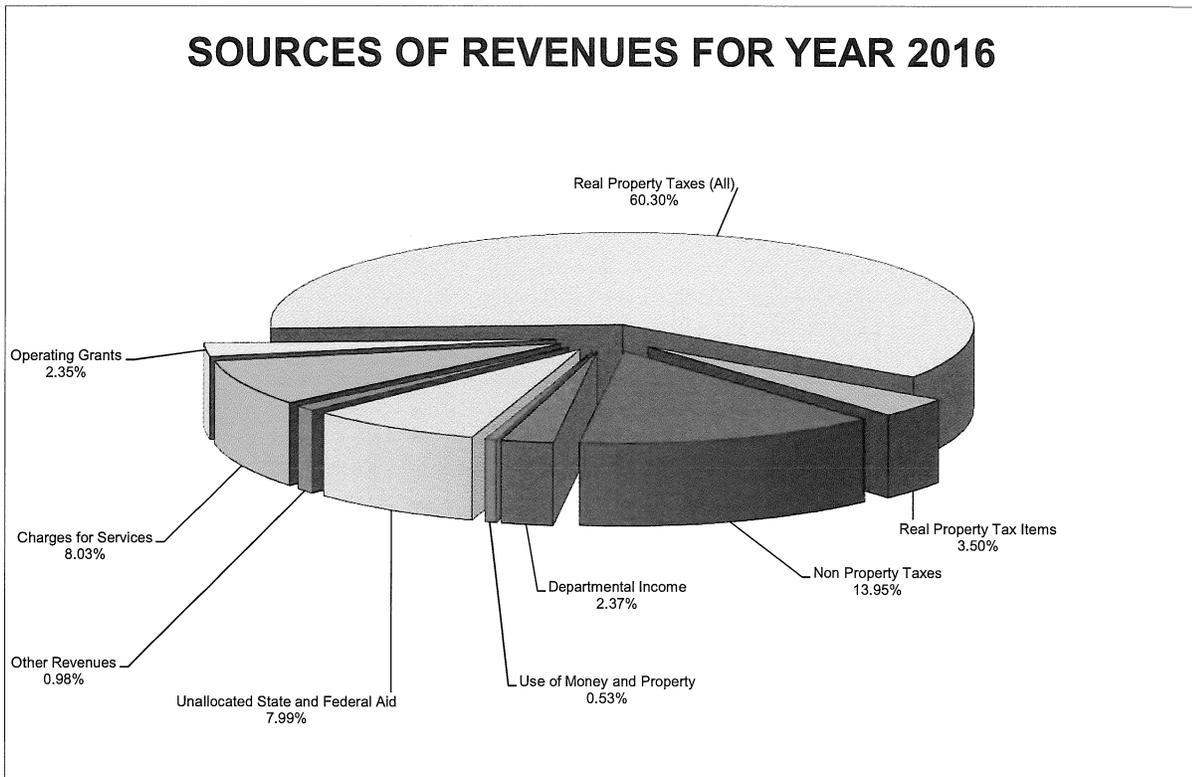
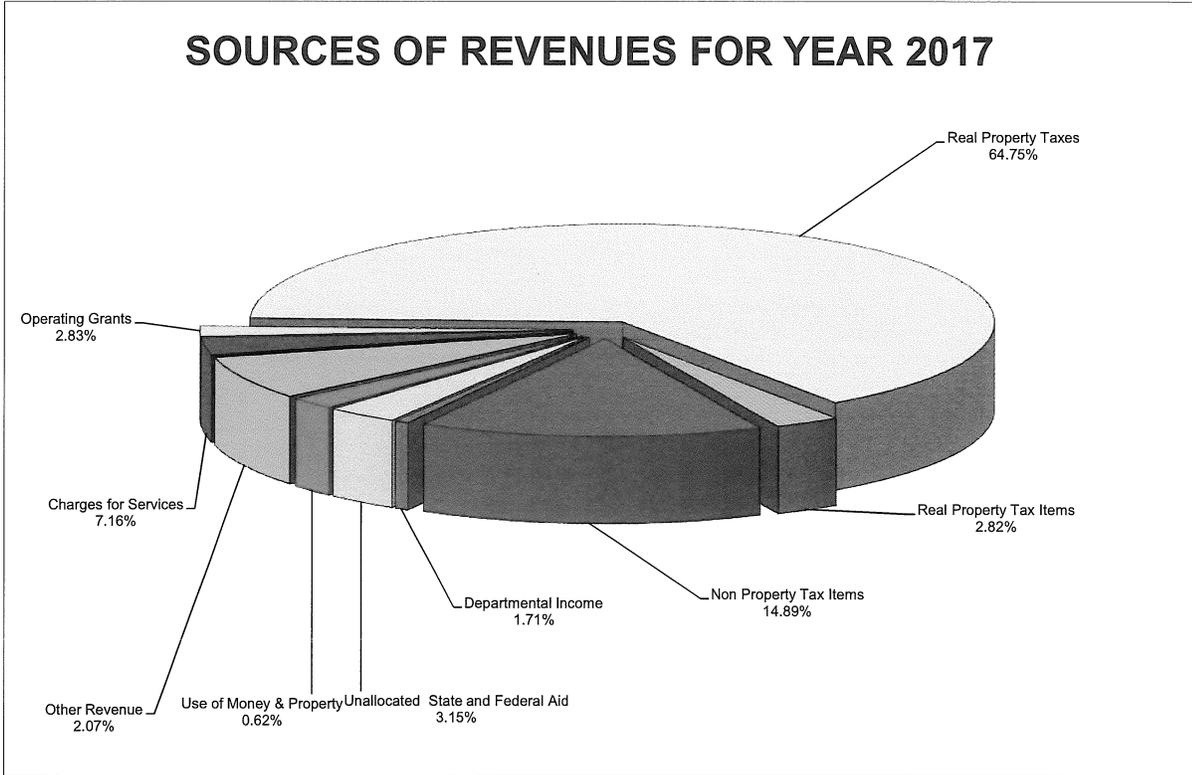
The schedule on the following pages and supporting graphs provides a summary of revenues, expenses and changes in net position for the calendar years ended December 31, 2017 and 2016:

**FIGURE A-3**

<b>REVENUES</b>	<b>2017</b>		<b>2016</b>		<b>\$ Change</b>	<b>% Change</b>
	<b>AMOUNT</b>	<b>%</b>	<b>AMOUNT</b>	<b>%</b>		
<b>PROGRAM REVENUES</b>						
Charges for Services	\$ 785,204	7.16%	\$ 916,957	8.03%	\$ (131,753)	-14.37%
Operating Grants	310,782	2.83%	268,389	2.35%	42,393	15.80%
<b>GENERAL REVENUES</b>						
Real Property Taxes	7,100,939	64.75%	6,889,756	60.30%	211,183	3.07%
Real Property Tax Items	309,527	2.82%	400,019	3.50%	(90,492)	-22.62%
Non Property Taxes	1,632,562	14.89%	1,594,265	13.95%	38,297	2.40%
Departmental Income	188,050	1.71%	270,627	2.37%	(82,577)	-30.51%
Use of Money and Property	68,051	0.62%	60,844	0.53%	7,207	11.85%
Unallocated State and Federal Aid	345,043	3.15%	912,546	7.99%	(567,503)	-62.19%
Other Revenues	226,586	2.07%	112,077	0.98%	114,509	102.17%
	<u>10,966,744</u>	<u>100.00%</u>	<u>11,425,480</u>	<u>100.00%</u>	<u>(458,736)</u>	<u>-4.02%</u>
<b>EXPENDITURES</b>						
General Government	1,665,572	15.04%	1,312,859	12.08%	352,713	26.87%
Public Safety	1,457,729	13.17%	1,506,977	13.86%	(49,248)	-3.27%
Health	106,819	0.96%	204,001	1.88%	(97,182)	-47.64%
Transportation	1,464,211	13.22%	1,418,034	13.04%	46,177	3.26%
Economic Assistance and Opportunity	46,318	0.42%	46,163	0.42%	155	0.34%
Culture and Recreation	298,265	2.69%	393,632	3.62%	(95,367)	-24.23%
Home and Community Services	2,111,308	19.07%	2,142,136	19.70%	(30,828)	-1.44%
Interest on Debt	93,123	0.84%	143,433	1.32%	(50,310)	-35.08%
Employee Benefits	3,202,389	28.92%	3,115,368	28.65%	87,021	2.79%
Depreciation	625,942	5.65%	589,776	5.42%	36,166	6.13%
	<u>11,071,676</u>	<u>100.00%</u>	<u>10,872,379</u>	<u>100.00%</u>	<u>199,297</u>	<u>1.83%</u>
<b>CHANGE IN NET POSITION</b>	<u>\$ (104,932)</u>		<u>\$ 553,101</u>		<u>\$ (658,033)</u>	

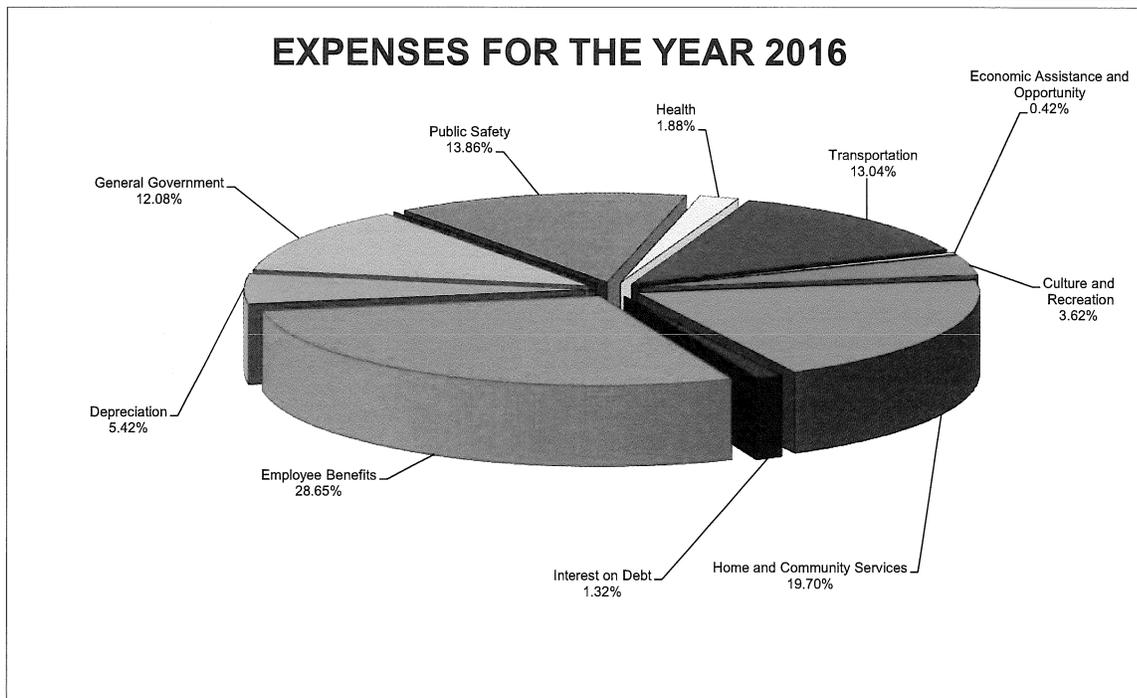
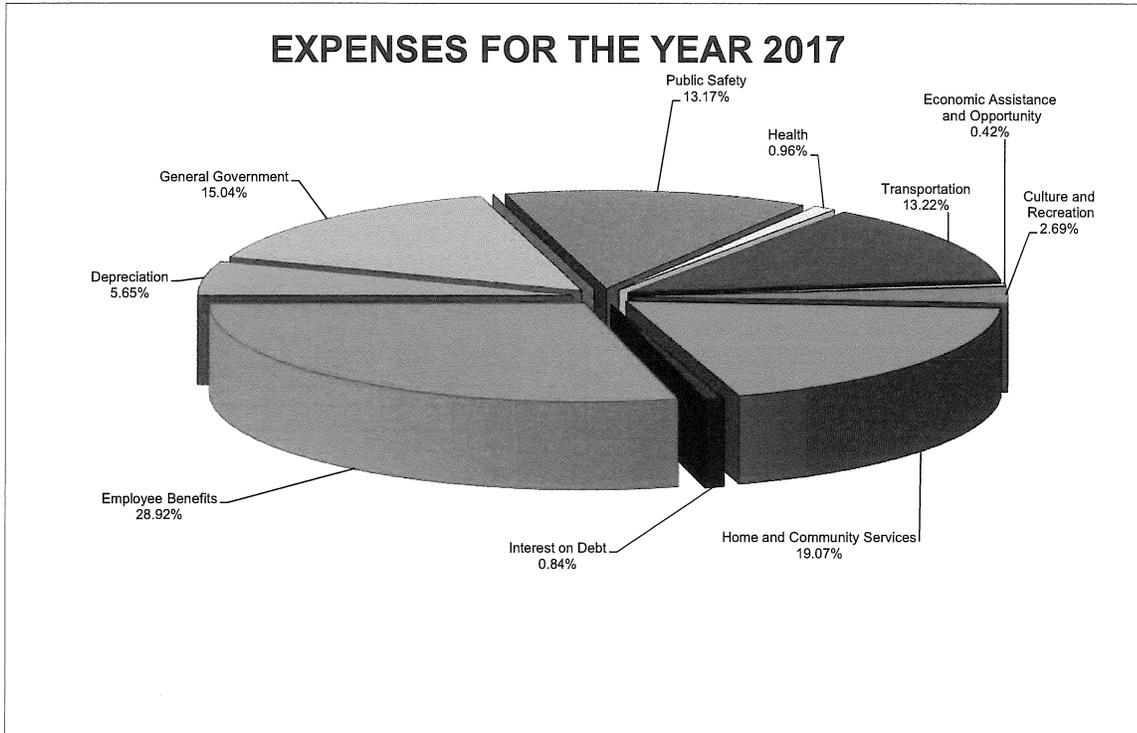
TOWN OF CORNWALL  
CORNWALL, NEW YORK  
December 31, 2017

FIGURE A-4



TOWN OF CORNWALL  
CORNWALL, NEW YORK  
December 31, 2017

FIGURE A-5

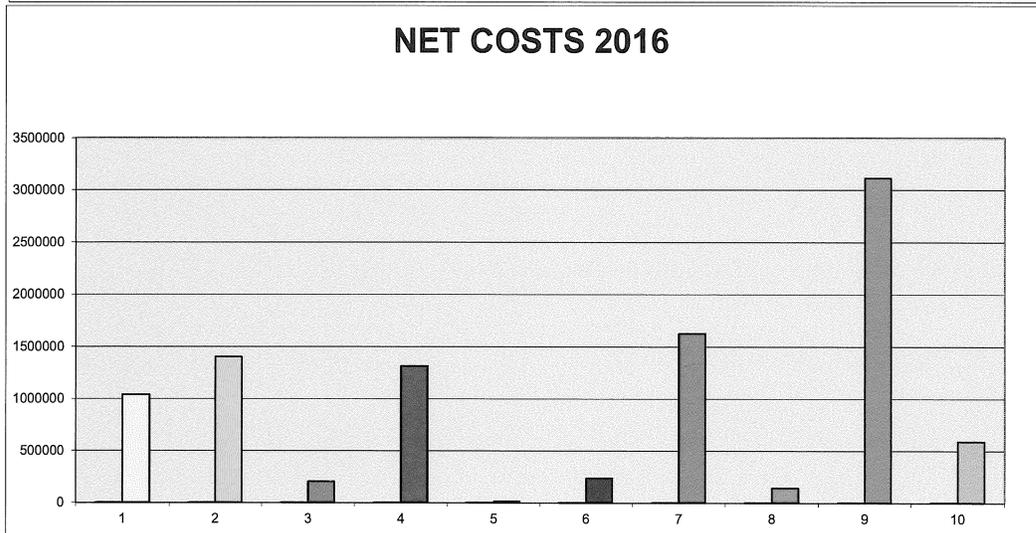
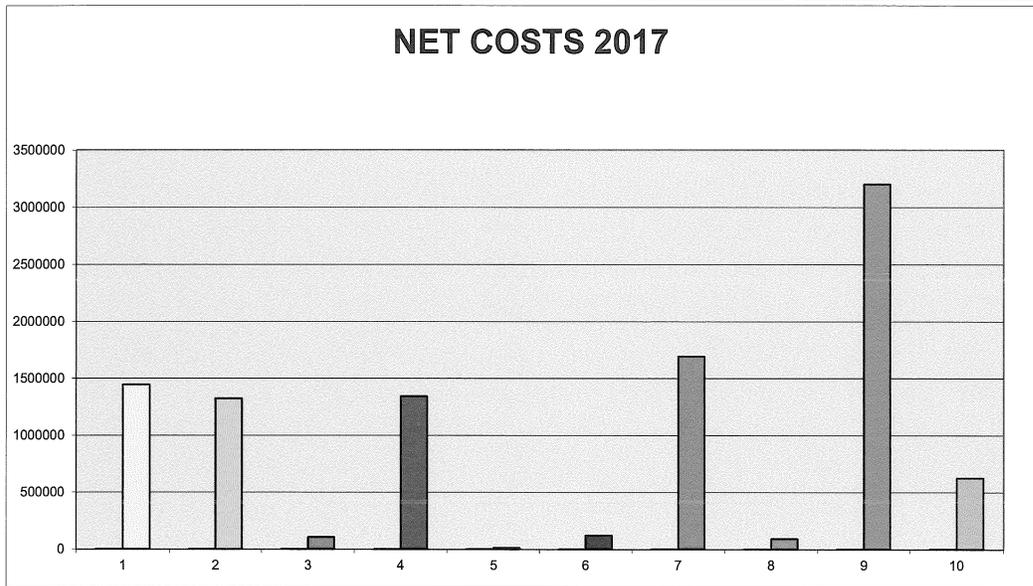


TOWN OF CORNWALL  
CORNWALL, NEW YORK

December 31, 2017

FIGURE A-6

		TOTAL COST OF SERVICES 2017	NET COST OF SERVICES 2017	TOTAL COST OF SERVICES 2016	NET COST OF SERVICES 2016
GENERAL GOVERNMENT	1	\$ 1,665,572	\$ 1,446,804	\$ 1,312,859	\$ 1,039,931
PUBLIC SAFETY	2	1,457,729	1,324,922	1,506,977	1,403,225
HEALTH	3	106,819	106,819	204,001	204,001
TRANSPORTATION	4	1,464,211	1,344,321	1,418,034	1,314,043
ECONOMIC ASSISTANCE & OPPORTUNITY	5	46,318	12,438	46,163	12,723
CULTURE AND RECREATION	6	298,265	123,120	393,632	237,818
HOME AND COMMUNITY SERVICES	7	2,111,308	1,695,812	2,142,136	1,626,715
INTEREST ON DEBT	8	93,123	93,123	143,433	143,433
EMPLOYEE BENEFITS	9	3,202,389	3,202,389	3,115,368	3,115,368
DEPRECIATION	10	625,942	625,942	589,776	589,776
		<u>\$ 11,071,676</u>	<u>\$ 9,975,690</u>	<u>\$ 10,872,379</u>	<u>\$ 9,687,033</u>



**TOWN OF CORNWALL**  
**CORNWALL, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2017**

Total costs of services provided by the Town for the calendar years ended December 31, 2017 and 2016 were \$11,071,676 and \$10,872,379, respectively. In 2017, these charges were offset by grants and contributions of \$310,782 and charges for services of \$785,204, resulting in net cost of services of \$9,975,690. This is a \$288,657 increase over last year's net costs of \$9,687,033.

The Town's governmental funds are reported in the fund statements with a modified accrual basis that uses a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financial requirements. The major governmental funds of the Town consist of the General Fund, Highway Fund, Capital Fund, Water Fund, Sewer Fund, and Sanitation Fund. The total fund balances allocated between restricted, assigned and unassigned fund balance for each of these funds is as follows:

**Figure A-7**

	<b>December 31, 2017</b>		
	<u>Restricted</u>	<u>Assigned</u>	<u>Unassigned</u>
General Fund	\$ 0	\$ 815,392	\$ 689,541
Highway Fund	510,850	130,000	0
Water Fund	0	0	(26,386)
Sewer Fund	362,761	30,000	0
Capital Fund	0	0	(2,332,723)
Sanitation Fund	181,695	55,000	0
Non-Major Funds	0	34,965	0
Total	<u>\$ 1,055,306</u>	<u>\$ 1,065,357</u>	<u>\$ (1,669,568)</u>
	<b>December 31, 2016</b>		
	<u>Restricted</u>	<u>Assigned</u>	<u>Unassigned</u>
General Fund	\$ 0	\$ 684,039	\$ 525,335
Highway Fund	326,914	55,000	0
Water Fund	0	0	(35,091)
Sewer Fund	279,634	100,000	0
Capital Fund	0	0	(797,604)
Sanitation Fund	121,203	20,000	0
Non-Major Funds	0	142,985	0
Total	<u>\$ 727,751</u>	<u>\$ 1,002,024</u>	<u>\$ (307,360)</u>

**TOWN OF CORNWALL**  
**CORNWALL, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2017**

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Over the course of the year, the Town revised the General Fund budgets to reflect additional changes in budgeted revenues and expenditures. Actual revenues exceeded revised budget estimates by \$289,435 and actual expenditures were lower than budgeted expenditures by \$282,453. Figure A-8 summarizes the General Funds original and revised budgets, actual expenditures and the variances for the year ended December 31, 2017.

**Figure A-8**

<b>Condensed Budgetary Comparison General Funds</b>	<b>Original Budget</b>	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>				
Real Property Taxes	\$ 3,471,066	\$ 3,471,066	\$ 3,471,066	\$ 0
Non Property Taxes	813,000	839,799	869,975	30,176
State and Federal Aid	348,000	416,491	535,935	119,444
All Other	455,164	469,786	609,601	139,815
<b>Total Revenues</b>	<b>5,087,230</b>	<b>5,197,142</b>	<b>5,486,577</b>	<b>289,435</b>
<b>OTHER SOURCES</b>	370,000	370,000	745,135	
<b>Total Revenues and Other Sources</b>	<b>\$ 5,457,230</b>	<b>\$ 5,567,142</b>	<b>\$ 6,231,712</b>	
<b>EXPENDITURES</b>				
General Government Support	\$ 1,792,764	\$ 1,828,417	\$ 1,705,016	\$ 123,401
Public Safety	1,588,100	1,589,784	1,497,983	91,801
Health	7,000	7,000	6,900	100
Economic Assistance and Opportunity	48,200	49,300	46,430	2,870
Culture & Recreation	320,700	352,337	320,180	32,157
Home & Community Service	75,318	89,940	89,936	4
Employee Benefits	1,496,600	1,521,816	1,502,272	19,544
Debt Service	128,548	128,548	115,972	12,576
<b>Total Expenditures</b>	<b>5,457,230</b>	<b>5,567,142</b>	<b>5,284,689</b>	<b>282,453</b>
<b>OTHER USES</b>	0	0	651,464	
<b>Total Expenditures And Other Uses</b>	<b>\$ 5,457,230</b>	<b>\$ 5,567,142</b>	<b>\$ 5,936,153</b>	

**TOWN OF CORNWALL**  
**CORNWALL, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2017**

**CAPITAL ASSETS**

The Town records expenditures for land, buildings, equipment, machinery and infrastructures (roads, water and sewer systems) as capital assets in the Statement of Net Position. Annual depreciation expense is recorded in the Statement of Activities to reflect the use of these assets over their useful lives. Land and construction in progress are not subject to depreciation. The Town's depreciation methods, assumptions regarding useful lives and capitalization thresholds are described in Notes 1 and 5 in the current year's Notes to the Financial Statements.

Under the implementation standards of GASB 34, the Town is considered a small government, and as such is required only to recognize infrastructures on a prospective (going forward) basis. The Town has maintained detailed, separate records of infrastructure additions since 2003. The Town has elected to include infrastructure additions since 2003 in the capital assets section of the Statement of Net Position, as management believes their inclusion provides the reader with a more complete accounting of the Town's investment in capital resources.

In 2017, the Town expended \$1,678,274 on capital additions. Figure A-9 reflects the changes in net capital assets.

**Figure A-9**

<i>Changes in Net Capital Assets</i>	<b>Governmental Activities</b>		<b>Total Dollar Change</b>
	<b>2017</b>	<b>2016</b>	<b>2017 - 2016</b>
Land	\$ 324,775	\$ 324,775	\$ 0
Construction in Progress	1,181,998	0	1,181,998
Buildings	1,703,936	1,774,269	(70,333)
Machinery and Equipment	524,454	348,001	176,453
Infrastructure	4,336,017	4,579,545	(243,528)
Vehicles	492,442	484,700	7,742
<b>Totals</b>	<b>\$ 8,563,622</b>	<b>\$ 7,511,290</b>	<b>\$ 1,052,332</b>

Major additions in 2017 included:

Buildings	\$ 19,775
Construction in Progress	1,181,998
Machinery and Equipment	256,353
Infrastructure	21,300
Vehicles	198,848
<b>Total</b>	<b><u>\$ 1,678,274</u></b>

**TOWN OF CORNWALL**  
**CORNWALL, NEW YORK**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2017**

**LONG-TERM LIABILITIES**

Debt, short-term and long-term, increased by \$344,754 during 2017.

The Town's liability for compensated absences decreased \$13,500 during 2017.

The Town's obligation for Other Post Retirement Benefits Payable increased by \$568,925 during 2017.

The Town's Net Pension Liability – Proportionate Share decreased \$1,024,338 during 2017.

Detailed information regarding the Town's short and long-term liabilities is presented in more detail in Note 6 and Note 7 in the current year's notes to the financial statements. Figure A-10 reflects the changes in the Town's long-term liabilities for 2017.

**Figure A-10**

	<b>Governmental Activities</b>		<b>Total Dollar Change</b>
	<b>2017</b>	<b>2016</b>	<b>2017 - 2016</b>
Serial Bonds and Notes	\$ 2,304,526	\$ 2,753,772	\$ (449,246)
Bond Anticipation Notes	1,719,853	925,853	794,000
Other Postemployment Benefits	6,563,776	5,994,851	568,925
Net Pension Liability - Proportionate Share	1,277,099	2,301,437	(1,024,338)
Compensated Absences	67,436	80,936	(13,500)

**FINANCIAL CONTACT**

The Town's financial statements are designed to present users (citizens, taxpayers, customers, investors and creditors) with a general overview of the Town's finances and to demonstrate the Town's accountability. If you have questions about the report or need additional financial information, contact Richard Randazzo, Town Supervisor, Town of Cornwall, 183 Main Street, Cornwall, New York, 12518.

TOWN OF CORNWALL  
CORNWALL, NEW YORK  
STATEMENT OF NET POSITION  
DECEMBER 31, 2017

ASSETS

Cash and Cash Equivalents	\$ 2,600,107
Accounts Receivable	489,900
Capital Assets (Net of Accumulated Depreciation)	8,563,622
TOTAL ASSETS	<u>11,653,629</u>

DEFERRED OUTFLOWS OF RESOURCES

Pensions	850,771
Deferred Amount of Refunding	98,254
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>949,025</u>

LIABILITIES

## Current Liabilities:

Accounts Payable	897,894
Accrued Liabilities	21,165
Accrued Interest Payable	22,293
Bond Anticipation Notes Payable	1,719,853

## Long-Term Liabilities:

## Due and Payable Within One Year:

Bonds and Notes Payable	738,106
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## Due and Payable More Than One Year:

Bonds and Notes Payable	1,566,420
Other Post Retirement Benefits Payable	6,563,776
Net Pension Liability - Proportionate Share	1,277,099
Compensated Absences	67,436

TOTAL LIABILITIES	<u>12,874,042</u>
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DEFERRED INFLOWS OF RESOURCES

Pensions	<u>346,132</u>
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NET POSITION

Net Investment in Capital Assets	4,637,497
Restricted	1,055,306
Unrestricted	(6,310,323)
TOTAL NET POSITION	<u>\$ (617,520)</u>

See notes to financial statements.

**TOWN OF CORNWALL  
 CORNWALL, NEW YORK  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>EXPENSES</u>	<u>CHARGES FOR SERVICES</u>	<u>PROGRAM REVENUES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION</u>
					<u>GOVERNMENTAL ACTIVITIES</u>
<u>PRIMARY GOVERNMENT:</u>					
Governmental Activities:					
General Government	\$ (2,564,662)	\$ 218,768	\$ 0	0	\$ (2,345,894)
Public Safety	(2,845,141)	126,808		5,999	(2,712,334)
Health	(115,579)	0		0	(115,579)
Transportation	(2,133,429)	0		119,890	(2,013,539)
Economic Assistance and Opportunity	(77,951)	0		33,880	(44,071)
Culture and Recreation	(472,672)	24,132		151,013	(297,527)
Home and Community Services	(2,769,119)	415,496		0	(2,353,623)
Interest on Debt	(93,123)	0		0	(93,123)
TOTAL PRIMARY GOVERNMENT	<u>\$ (11,071,676)</u>	<u>\$ 785,204</u>		<u>\$ 310,782</u>	<u>(9,975,690)</u>
<u>GENERAL REVENUES</u>					
Real Property Taxes					7,100,939
Real Property Tax Items					309,527
Non Property Taxes					1,632,562
Departmental Income					188,050
Use of Money and Property					68,051
Intergovernmental Charges					59,422
Licenses and Permits					26,768
Unallocated State and Federal Aid					345,043
Sale of Property and Compensation for Loss					72,799
Miscellaneous					67,597
TOTAL GENERAL REVENUES					<u>9,870,758</u>
Change in Net Position					<u>(104,932)</u>
Net Position - Beginning					<u>(512,588)</u>
Net Position - Ending					<u>\$ (617,520)</u>

See notes to financial statements.

**TOWN OF CORNWALL  
CORNWALL, NEW YORK  
BALANCE SHEET - GOVERNMENTAL FUNDS  
DECEMBER 31, 2017**

	GENERAL	HIGHWAY	WATER	SEWER	CAPITAL PROJECTS	SANITATION	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>								
Cash and Cash Equivalents	\$ 1,157,249	\$ 478,760	\$ 18,561	\$ 473,684	\$ 19,559	\$ 280,707	\$ 171,587	\$ 2,600,107
Accounts Receivable, Net	258,478	219,198	9,224	3,000	0	0	0	489,900
Due from Other Funds	216,135	0	0	30,000	0	0	0	246,135
<b>TOTAL ASSETS</b>	<b>\$ 1,631,862</b>	<b>\$ 697,958</b>	<b>\$ 27,785</b>	<b>\$ 506,684</b>	<b>\$ 19,559</b>	<b>\$ 280,707</b>	<b>\$ 171,587</b>	<b>\$ 3,336,142</b>
<b>LIABILITIES</b>								
Accounts Payable	\$ 112,194	\$ 52,180	\$ 1,171	\$ 68,923	\$ 612,429	\$ 42,510	\$ 8,487	\$ 897,894
Accrued Liabilities	14,735	4,928	0	0	0	1,502	0	21,165
Due to Other Funds	0	0	53,000	45,000	20,000	0	128,135	246,135
Bond Anticipation Notes Payable	0	0	0	0	1,719,853	0	0	1,719,853
<b>TOTAL LIABILITIES</b>	<b>126,929</b>	<b>57,108</b>	<b>54,171</b>	<b>113,923</b>	<b>2,352,282</b>	<b>44,012</b>	<b>136,622</b>	<b>2,885,047</b>
<b>FUND BALANCES</b>								
Restricted	0	510,850	0	362,761	0	181,695	0	1,055,306
Assigned	815,392	130,000	0	30,000	0	55,000	34,965	1,065,357
Unassigned	689,541	0	(26,386)	0	(2,332,723)	0	0	(1,669,568)
<b>TOTAL FUND BALANCES</b>	<b>1,504,933</b>	<b>640,850</b>	<b>(26,386)</b>	<b>392,761</b>	<b>(2,332,723)</b>	<b>236,695</b>	<b>34,965</b>	<b>451,095</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,631,862</b>	<b>\$ 697,958</b>	<b>\$ 27,785</b>	<b>\$ 506,684</b>	<b>\$ 19,559</b>	<b>\$ 280,707</b>	<b>\$ 171,587</b>	<b>\$ 3,336,142</b>

See notes to financial statements.

**TOWN OF CORNWALL  
CORNWALL, NEW YORK  
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEETS  
TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2017**

	TOTAL GOVERNMENTAL FUNDS	LONG-TERM ASSETS, LIABILITIES	RECLASSIFICATIONS AND ELIMINATIONS	STATEMENT OF NET POSITION TOTALS
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 2,600,107	\$ 0	\$ 0	\$ 2,600,107
Due from Other Funds	246,135	0	(246,135)	0
Accounts Receivable, Net	489,900	0	0	489,900
Capital Assets, Net	0	8,563,622	0	8,563,622
<b>TOTAL ASSETS</b>	<b>3,336,142</b>	<b>8,563,622</b>	<b>(246,135)</b>	<b>11,653,629</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension	0	850,771	0	850,771
Deferred Amount of Refunding	0	98,254	0	98,254
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>0</b>	<b>949,025</b>	<b>0</b>	<b>949,025</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 3,336,142</b>	<b>\$ 9,414,393</b>	<b>\$ (246,135)</b>	<b>\$ 12,602,654</b>
<b>LIABILITIES</b>				
Accounts Payable	\$ 897,894	\$ 0	\$ 0	\$ 897,894
Accrued Liabilities	21,165	22,293	0	43,458
Bond Anticipation Notes Payable	1,719,853	0	0	1,719,853
Bonds And Notes Payable	0	2,304,526	0	2,304,526
Due to Other Funds	246,135	0	(246,135)	0
Post Retirement Benefits Payable	0	6,563,776	0	6,563,776
Net Pension Liability - Proportionate Share	0	1,277,099	0	1,277,099
Compensated Absences Payable	0	67,436	0	67,436
<b>TOTAL LIABILITIES</b>	<b>2,885,047</b>	<b>10,235,130</b>	<b>(246,135)</b>	<b>12,874,042</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension	0	346,132	0	346,132
<b>TOTALS FUND BALANCES/NET POSITION</b>	<b>451,095</b>	<b>(1,166,869)</b>	<b>0</b>	<b>(617,520)</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES/NET POSITION</b>	<b>\$ 3,336,142</b>	<b>\$ 9,414,393</b>	<b>\$ (246,135)</b>	<b>\$ 12,602,654</b>

See notes to financial statements.

**TOWN OF CORNWALL  
CORNWALL, NEW YORK  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	GENERAL	HIGHWAY	WATER	SEWER	CAPITAL PROJECTS	SANITATION	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES</b>								
Real Property Taxes	\$ 3,471,066	\$ 1,564,444	\$ 38,489	\$ 336,887	\$ 0	\$ 1,495,682	\$ 194,371	\$ 7,100,939
Real Property Tax Items	17,987	0	0	291,540	0	0	0	309,527
Non Property Tax Items	851,988	780,574	0	0	0	0	0	1,632,562
Departmental Income	265,266	0	109,998	289,117	0	0	99,950	764,331
Intergovernmental Charges	0	59,422	0	0	0	0	0	59,422
Use of Money and Property	65,929	572	28	353	472	503	194	68,051
Licenses and Permits	14,941	0	0	20,450	0	0	0	35,391
Fines and Forfeitures	200,300	0	0	0	0	0	0	200,300
Sale of Property and Compensation for Loss	1,134	2,563	0	0	0	102	69,000	72,799
Miscellaneous	62,031	0	1,000	1,422	0	3,144	0	67,597
State and Federal Aid	535,935	119,890	0	0	0	0	0	655,825
<b>TOTAL REVENUES</b>	<b>5,486,577</b>	<b>2,527,465</b>	<b>149,515</b>	<b>939,769</b>	<b>472</b>	<b>1,499,431</b>	<b>363,515</b>	<b>10,966,744</b>
<b>EXPENDITURES</b>								
General Government Support	1,705,016	0	0	0	221,274	0	0	1,926,290
Public Safety	1,497,983	0	0	0	0	0	0	1,497,983
Health	6,900	0	0	0	0	0	99,950	106,850
Transportation	0	1,365,894	0	0	166,373	0	97,790	1,630,057
Economic Assistance and Opportunity	46,430	0	0	0	0	0	0	46,430
Culture and Recreation	320,180	0	0	0	0	0	0	320,180
Home and Community Service	89,936	0	134,702	853,011	1,181,998	968,559	86,000	3,314,206
Employee Benefits	1,502,272	578,906	470	8,553	0	368,880	0	2,459,081
Debt Service	115,972	323,729	5,638	64,433	0	66,500	54,251	630,523
<b>TOTAL EXPENDITURES</b>	<b>5,284,689</b>	<b>2,268,529</b>	<b>140,810</b>	<b>925,997</b>	<b>1,569,645</b>	<b>1,403,939</b>	<b>337,991</b>	<b>11,931,600</b>
<b>OTHER FINANCING SOURCES (USES)</b>								
BANS Redeemed from Appropriations	0	0	0	0	45,000	0	0	45,000
Proceeds from Advanced Refunding	600,000	0	0	0	0	0	0	600,000
Payments to Escrow Agent	(651,464)	0	0	0	0	0	0	(651,464)
Operating Transfers In	145,135	0	0	0	645	0	11,591	157,371
Operating Transfers Out	0	0	0	(645)	(11,591)	0	(145,135)	(157,371)
<b>TOTAL FINANCING SOURCES (USES)</b>	<b>93,671</b>	<b>0</b>	<b>0</b>	<b>(645)</b>	<b>34,054</b>	<b>0</b>	<b>(133,544)</b>	<b>(6,464)</b>
Net Change in Fund Balances	295,559	258,936	8,705	13,127	(1,535,119)	95,492	(108,020)	(971,320)
Fund Balances-Beginning	1,209,374	381,914	(35,091)	379,634	(797,604)	141,203	142,985	1,422,415
Fund Balances-Ending	\$ 1,504,933	\$ 640,850	\$ (26,386)	\$ 392,761	\$ (2,332,723)	\$ 236,695	\$ 34,965	\$ 451,095

See notes to financial statements.

**TOWN OF CORNWALL  
CORNWALL, NEW YORK  
RECONCILIATION OF GOVERNMENTAL FUNDS, REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	TOTAL GOVERNMENTAL FUNDS	LONG-TERM REVENUE, EXPENSES	CAPITAL RELATED ITEMS	LONG-TERM DEBT TRANSACTIONS	RECLASSIFICATIONS AND ELIMINATIONS	STATEMENT OF ACTIVITIES TOTALS
<b>REVENUES</b>						
Real Property Taxes	\$ 7,100,939	\$ 0	\$ 0	\$ 0	\$ 0	\$ 7,100,939
Real Property Tax Items	309,527	0	0	0	0	309,527
Non Property Tax Items	1,632,562	0	0	0	0	1,632,562
Departmental Income	764,331	0	0	0	0	764,331
Intergovernmental Charges	59,422	0	0	0	0	59,422
Use of Money and Property	68,051	0	0	0	0	68,051
Licenses and Permits	35,391	0	0	0	0	35,391
Fines and Forfeitures	200,300	0	0	0	0	200,300
Sale of Property and Compensation for Loss	72,799	0	0	0	0	72,799
Miscellaneous	67,597	0	0	0	0	67,597
State and Federal Aid	655,825	0	0	0	0	655,825
<b>TOTAL REVENUES</b>	<b>10,966,744</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10,966,744</b>
<b>EXPENDITURES</b>						
General Government Support	1,926,290	(3,169)	147,003	0	494,537	2,564,662
Public Safety	1,497,983	(4,892)	226,845	0	1,125,205	2,845,141
Health	106,850	(31)	1,432	0	7,328	115,579
Transportation	1,630,057	(2,360)	109,419	0	396,313	2,133,429
Economic Assistance and Opportunity	46,430	(112)	5,172	0	26,461	77,951
Culture and Recreation	320,180	(615)	28,516	0	124,591	472,672
Home and Community Service	3,314,206	(2,321)	107,554	0	(650,320)	2,769,119
Employee Benefits	2,459,081	743,308	0	0	(3,202,389)	0
Capital Outlay	0	0	(1,678,274)	0	1,678,274	0
Debt Service	630,523	3,636	0	(541,036)	0	93,123
<b>TOTAL EXPENDITURES</b>	<b>11,931,600</b>	<b>733,444</b>	<b>(1,052,332)</b>	<b>(541,036)</b>	<b>0</b>	<b>11,071,676</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(964,856)</b>	<b>(733,444)</b>	<b>1,052,332</b>	<b>541,036</b>	<b>0</b>	<b>(104,932)</b>
<b>OTHER SOURCES (USES):</b>						
BANS Redeemed from Appropriations	45,000	0	0	(45,000)	0	0
Proceeds from Advanced Refunding	600,000	0	0	(600,000)	0	0
Payments to Escrow Agent	(651,464)	0	0	651,464	0	0
Operating Transfers In	157,371	0	0	0	(157,371)	0
Operating Transfers Out	(157,371)	0	0	0	157,371	0
<b>TOTAL OTHER SOURCES (USES)</b>	<b>(6,464)</b>	<b>0</b>	<b>0</b>	<b>6,464</b>	<b>0</b>	<b>0</b>
<b>NET CHANGE FOR THE YEAR</b>	<b>\$ (971,320)</b>	<b>\$ (733,444)</b>	<b>\$ 1,052,332</b>	<b>\$ 547,500</b>	<b>\$ 0</b>	<b>\$ (104,932)</b>

See notes to financial statements.

**TOWN OF CORNWALL**  
**CORNWALL, NEW YORK**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**DECEMBER 31, 2017**

	<u>AGENCY FUNDS</u>
<b>ASSETS</b>	
Cash	\$ 278,321
TOTAL ASSETS	<u>\$ 278,321</u>
 <b>LIABILITIES</b>	
Escrow Deposits	\$ 185,069
Other Agency Liabilities	<u>93,252</u>
TOTAL LIABILITIES	<u>\$ 278,321</u>

See notes to financial statements.

**TOWN OF CORNWALL**  
**CORNWALL, NEW YORK**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.**

The accompanying financial statements of the Town of Cornwall have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

These financial statements follow the guidance of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and contain the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the Town's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Town's activities.
- Fund financial statements that focus on the major funds.

**A. Financial Reporting Entity**

The Town of Cornwall was established in 1788, is governed by the Town Law, other general municipal laws of the State of New York, and various local laws. The Town Board is the legislative body responsible for the overall operation, the Town Supervisor serves as Chief Executive Officer and Chief Fiscal Officer.

The Town provides the following principal services: police protection, transportation (streets and highways), recreation, planning and zoning, general administration, public improvements, water and sewer and other home and community services.

All governmental activities and functions performed for the Town of Cornwall are its direct responsibility. No other governmental organization has been included or excluded from the reporting entity.

**TOWN OF CORNWALL**  
**CORNWALL, NEW YORK**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.** (Continued)

**A. Financial Reporting Entity** (Continued)

The financial reporting entity consists of the following, as defined by Governmental Accounting Standards Board (GASB) Statement #14, "The Financial Reporting Entity:"

1. The primary government which is the Town of Cornwall.
2. Organizations for which the primary government is financially accountable, and;
3. Other organizations for which the nature and significance of their relationship with the primary government is such that exclusion would cause the reporting entities general purpose financial statements to be misleading or incomplete.

The decision to include a potential component unit in the reporting entity is based on the criteria set forth in GASB Statement #14, including legal standing, fiscal dependency, and financial accountability.

Based on the application of the above criteria, no other entities are included in the reporting entity.

**B. Basis of Presentation**

1. Government-wide Statements

The Statement of Net Position and the Statement of Activities present financial information about the Town's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Government activities generally are financed through taxes, state aid, intergovernmental revenues, and other exchange and non-exchange 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 direct expenses and program revenues for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. 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.

**TOWN OF CORNWALL**  
**CORNWALL, NEW YORK**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.** (Continued)

**B. Basis of Presentation** (Continued)

2. Fund Financial Statements

The fund statements provide information about the Town's funds, including fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major Governmental Funds, each displayed in a separate column. All remaining Governmental Funds are aggregated and reported as non-major funds.

The Town of Cornwall reports the following major Governmental Funds:

- General Fund: This is the Town's primary operating fund. It accounts for all financial transactions that are not required by law or other provision to be accounted for in other funds.
- Highway Fund: Used to account for revenues and expenditures for highway purposes.
- Water Fund: Established by law to account for revenues derived from charges for water consumption and benefited assessments and the application of such revenues toward related operating expenses and debt retirement.
- Sewer Fund: Established by law to account for revenues derived from sewer rents and benefited assessments and used for related operating expenses and debt retirement.
- Capital Projects Fund: Used to account for capital improvement finances from current monies transferred from other funds, federal and state grants and proceeds of obligations.
- Sanitation Fund: Used to account for revenues and expenditures of the sanitation districts.

The Town of Cornwall reports the following non major Governmental Funds:

- Drainage Fund: Used to account for the operation of the Town's drainage district.
- Lighting Fund: Used to account for the operation of the Town's light district.
- Hydrant Fund: Used to account for the operation of the Town's hydrant's district.

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES. (Continued)**

**B. Basis of Presentation (Continued)**

- Ambulance Fund: Used to account for the operation of the Town's ambulance district.
- Main Street Parking Fund: Used to account for the operation of the Town's parking district.

The Town reports the following fiduciary funds:

- Agency Fund: Used to account for those funds held in custody and subsequent distributions, transmittal or release to other governments, individuals or to other funds.

**C. Measurement Focus and Basis of Accounting**

The Government-Wide 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 Town gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this basis of accounting, revenues are recorded when measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

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 federal and state grants are accrued when the expenditure is made.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in Governmental Funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES. (Continued)**

**D. Property Taxes**

Town real property taxes are levied annually on January 1, and become a lien on that date. Taxes are collected during the period January 1 to March 31. Taxes for county purposes are levied together with taxes for Town and special district purposes as a single bill. The towns and special districts receive the full amount of their levies annually out of the first amounts collected on the combined bills. The county assumes enforcement responsibility for all taxes levied in the towns. Unpaid town taxes are turned over to the county for enforcement. Any such taxes remaining unpaid at year-end are relieved as county taxes in the subsequent year.

**E. Budgetary Data**

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

- a. No later than October 5, the budget officer submits a tentative budget to the Town Board for the fiscal year commencing the following January 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 November 20, the Town Board adopts the budget.
- c. All modifications of the budget must be approved by the Town Board. However, the Town Supervisor is authorized to transfer certain budgeted amounts within departments.

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 all funds. Encumbrances are reported as reservations of fund balances since they do not constitute expenditures or liabilities. Expenditures for such commitments are recorded in the period in which the liability is incurred.

3. Budget Basis Accounting

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

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES. (Continued)**

**F. Cash and Investments**

The Town of Cornwall's investment policies are governed by State statutes. In addition, the Town of Cornwall has its own written investment policy. Town of Cornwall's monies must be deposited in FDIC insured commercial banks or trust companies located within the State. The supervisor is authorized to use demand account and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, and obligations of New York State or its localities.

Collateral is required for demand deposits and certificates of deposit 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 school districts.

**G. Accounts Receivable**

Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material. All receivables are expected to be collected within the subsequent fiscal year.

**H. Due To/From Other Funds**

Amounts due to and due from within the same fund type have been eliminated in the Government-wide statements. A detailed description of the individual fund balances is provided subsequently in these notes.

**I. Inventories and Prepaid Items**

Purchases of inventoriable items are recorded as expenditures in the Government Funds at the time of purchase. Inventory-type items are considered immaterial and, consequently, are not provided in the Government-wide statements.

Prepaid items represent payments made by the Town for which benefits extend beyond year-end.

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES. (Continued)**

**J. Capital Assets**

Capital assets are reported at historical costs. The Town depreciates capital assets using the straight-line method over the estimated useful life of the assets. The range of estimated useful lives by type of asset is as follows.

	<u>Capitalization</u> <u>Threshold</u>	<u>Useful</u> <u>Life</u>
Building	5,000	20-50 years
Machinery and Equipment	5,000	5-50 years
Vehicles	5,000	3-10 years

**K. Infrastructure**

The Town includes long-lived improvements to roads, water and sewer systems as capital assets in the Government-wide statements. Infrastructures are reported at historical costs and are depreciated using the straight-line method over their estimated useful lives.

Estimated useful lives for infrastructure are as follows:

	<u>Capitalization</u> <u>Threshold</u>	<u>Useful</u> <u>Life</u>
Infrastructure	5,000	15-40 years

**L. Compensatory Absences**

Town employees accrue vacation time under CSEA and the Town of Cornwall Policeman's Benevolent Association, Inc. collective bargaining agreements. For employees not covered by collective bargaining agreements, the Town has provided the same vacation benefits as the collective bargaining agreements. Employees may be entitled to compensation for accumulated time upon retirement or termination. In addition, employees covered under the Policeman's contract retiring after 15 years of service are entitled to payment for one-half of their accumulated sick time. The Town has reported the accrual for earned but unused vacation and certain sick time.

**M. Insurance**

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

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES. (Continued)**

**N. Deferred Outflows and Inflows 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 then. The government has two items that qualify for reporting in this category. The first item is a result of bond refunding. The second is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the Town's proportion of the collective net pension asset or liability and difference during the measurement period between the Town's contributions and its proportion share of total contributions to the pension systems not included in pension expense. Lastly is the Town contributions to the pension systems (PFRS and ERS Systems) subsequent to the measurement date.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has one item that qualifies for reporting in this category. This item is related to pensions reported in the town – wide Statement of Net Position. This represents the effect of the net change in the Town's proportion of the collective net pension liability (ERS and PFRS System) and difference during the measurement periods between the Town's contributions and its proportionate share of total contributions to the pension systems not included in pension expense.

**O. Post Employment Benefits**

See Note 6 for details about the Town's postemployment health insurance benefits.

**P. Long-Term Obligations**

The accounting treatment of long-term debt depends on whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes and bonds payable, other post retirement benefits payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as revenue and payment of principal and interest reported as expenditures.

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NOTES TO FINANCIAL STATEMENTS  
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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES. (Continued)

**Q. Equity Classification**

1. Government-wide Statements

In the government-wide statements there are three classes of net position:

Invested in capital assets, net of related debt - consists of net capital assets (cost less accumulated depreciation) reduced by outstanding balances of related debt obligations from the acquisition, constructions or improvements of those assets.

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

Unrestricted - reports all other net position that do not meet the definition of the above two classifications and are deemed to be available for general use by the Town.

2. Funds Statements

In the fund basis statements there are five classifications of fund balance:

Nonspendable: Includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted: Constraints have been imposed on the use of these amounts either (a) externally by creditors, grantors, contributors or laws or regulations of other governments; or (b) by law through constitutional provisions or enabling legislation.

Committed: Includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Trustees.

Assigned: Includes amounts that are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. Assigned fund balance includes (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the General Fund that are intended to be used for a specific purpose. Assigned fund balance in the General, Highway, Sanitation, Sewer, and Non-Major Funds also includes \$400,000, \$130,000, \$55,000, \$30,000, and \$10,000 respectively assigned to be used to reduce the tax levy for the year ending December 31, 2017. This assignment is made when the tax levy is set by the Board of Trustees pursuant to the Town's annual budget policy.

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES. (Continued)**

**Q. Equity Classification (Continued)**

2. Funds Statements (Continued)

Unassigned: Includes fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, negative unassigned fund balance is reported.

**R. Restricted Resources**

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, it is the Town's policy to apply restricted funds before unrestricted funds, unless otherwise prohibited by legal requirements.

**S. New Accounting Standards**

The Town has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At December 31, 2017, the Town implemented the following new standards issued by GASB:

- GASB Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, effective for the year ending December 31, 2017.
- GASB Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, effective for the year ending December 31, 2017.
- GASB Statement 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*, effective for the year ending December 31, 2017.
- GASB Statement 81, *Irrevocable Split-Interest Agreements*, effective for the year ending December 31, 2017.

TOWN OF CORNWALL  
CORNWALL, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.** (Continued)

**S. New Accounting Standards** (Continued)

GASB has issued Statement 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The Town has implemented Statement 73 as required.

GASB has issued Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which improves the usefulness of information about postemployment benefits other than pensions included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The Town has implemented Statement 74, as required.

GASB has issued Statement 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*, which improves financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The Town has implemented Statement 80, as required.

GASB has issued Statement 81, *Irrevocable Split-Interest Agreements*, to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The Town has implemented Statement 81, as required.

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES. (Continued)**

**T. Interfund Transfers**

The operations of the Town gives rise to certain transactions between funds, including transfers to provide services and construct assets. The amounts reported on the Statement of Revenues, Expenditures and Changes in Fund Balance-Governmental Funds for interfund transfers have been eliminated for the Statement of Activities. A detailed description of the individual fund transfers that occurred during the year is provided subsequently in these Notes.

**U. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported 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 or long-lived assets.

**NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND GOVERNMENT-WIDE STATEMENTS.**

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the Government-wide statements, certain financial transactions are treated differently. The differences result primarily from the economic focus of the Statement of Activities, compared with the current financial resources focus of the Government Funds.

**A. Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities:**

Total fund balances of the Town'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 Fund Balance Sheet.

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**NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND GOVERNMENT-WIDE STATEMENTS.** (Continued)

A. Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities:  
(Continued)

The basic financial statements contain a detailed reconciliation of the items creating the differences between fund balance reported in the Governmental Fund Statements and Net Position reported on the Statement of Net Position. These differences are as follows:

(1) The costs of building and acquiring capital assets (land, buildings and equipment) financed from the governmental funds are reported as expenditures in the year they are incurred, and the assets do not appear on the Balance Sheet. However, the Statement of Net Position includes those capital assets among the assets of the Town as a whole, with their original costs capitalized and depreciation expensed annually over their useful lives.

Original Cost of Capital Assets	\$ 17,007,317
Accumulated Depreciation	(8,443,695)
Capital Assets, Net	\$ 8,563,622

(2) Interest payable is recognized in the entity wide statements under full accrual accounting. No accrual is recognized in the governmental fund statements for interest that was not paid from current financial resources.

Interest Payable at December 31, 2017	\$ <u>22,293</u>
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(3) Long-term liabilities are reported in the Statement of Net Position, but not in the governmental funds, because they are not due and payable in the current period. Balances at year-end were:

Bonds and Notes Payable	\$ 2,251,272
Premium on Obligations	53,254
Other Postemployment Benefits	6,563,776
Compensated Absences	67,436
	\$ 8,935,738

TOWN OF CORNWALL  
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**NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND GOVERNMENT-WIDE STATEMENTS. (Continued)**

A. Total Fund Balances of Governmental Funds vs. Net Position of Governmental Activities:  
(Continued)

(4) In the Statement of Net Position, a liability is recognized for the Town’s proportionate share of the net pension liability attributable to each defined benefit pension plan in which the Town participates. A net pension liability is measured as the proportionate share of the portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service (proportionate share of total pension liability), net of the proportionate share of that pension plan’s fiduciary net position. If a pension plan’s fiduciary net position exceeds its total pension liability, the Town’s proportionate share of the pension plan’s net pension asset is recognized. Also, deferred outflows and inflows of resources related to pensions primarily result from contributions subsequent to the measurement date, as well as changes in the components of the net pension liability or asset. However, none of these amounts are included on the Balance Sheet as they are only recognized to the extent the pension liability is normally expected to be liquidated with expendable available financial resources. These balances at December 31, 2017 were as follows:

Deferred Outflows of Resources – Pensions	\$ 850,771
Net Pension Liability, Proportionate Share (ERS & PFRS)	(1,277,099)
Deferred Inflows of Resources – Pensions	<u>(346,132)</u>
	<u>\$ (772,460)</u>

B. Explanation of Difference between Governmental Funds Operating Statement and the Statement of Activities:

Differences between the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities fall into one of four broad categories. The amounts shown below represent these differences as follows:

- 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.

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**NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND GOVERNMENT-WIDE STATEMENTS.** (Continued)

B. Explanation of Difference between Governmental Funds Operating Statement and the Statement of Activities: (Continued)

- Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the Statement of Activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the Statement of Activities.
- Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the Governmental Fund statements, whereas interest payments are recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.
- Pension plan transaction differences occur as a result of changes in the Town's proportion of the collective net pension asset/liability and differences between the Town's contributions and its proportionate share of the total contributions to the pension systems.

The basic financial statements contain a detailed reconciliation of the items creating the differences between the change in fund balance reported in the Government Fund Statements and the change in net position reported in the Statement of Activities.

Explanation of Differences between Governmental Funds Operating Statement  
And the Statement of Activities and Changes in Net Position

Total Revenues and Other Funding Sources:	
Total Revenues of Governmental Funds	\$ 10,966,744
Differences	<u>0</u>
Total Revenues of Governmental Activities	<u>\$ 10,966,744</u>

TOWN OF CORNWALL  
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**NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND GOVERNMENT-WIDE STATEMENTS.** (Continued)

B. Explanation of Difference between Governmental Funds Operating Statement and the Statement of Activities: (Continued)

Total Expenditures/Expenses:

Total Expenditures reported in Governmental Funds \$ 11,931,600

In the Statement of Activities, certain operating expenses (compensated absences) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The liability for compensated absences decreased by \$13,500 during the year. Other postemployment benefits earned exceeded the amount paid by \$568,925. 555,425

When the purchase or construction of capital assets is financed through governmental funds, the resources expended for those assets are reported as expenditures in the years they are incurred. However, in the Statement of Activities, the cost of those is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital expenditures of \$1,678,274 was more than depreciation of \$625,924 in the current year. (1,052,332)

Interest payable is recognized in the entity wide statements under full accrual accounting whereas it is not under the governmental fund statements. This is the amount by which interest payable this year is more than the interest payable last year. 3,636

(Increases) decreases in proportionate share of net pension asset/liability reported in the Statement of Activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds. (PFRS of \$93,624 and ERS of \$80,759) 174,383

Bond Issuance Costs from debt refunding are recognized in the fiscal year in which the transaction occurred in the government-wide statements. 1,464

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**NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND GOVERNMENT-WIDE STATEMENTS. (Continued)**

B. Explanation of Difference between Governmental Funds Operating Statement and the Statement of Activities: (Continued)

Total Expenditures/Expenses: (Continued)

Premiums and discounts on long-term debt issuance costs and deferred amounts from debt refunding are recognized in the fiscal year in which the transactions occur in the governmental fund statements. These amounts are amortized in the Statement of Activities and Change in Net Position. This is the amount that was amortized during the current year. 5,000

Repayment of bond principal is an expenditure in the governmental funds, but reduces long-term liabilities in the Statement of Net Assets, and does not affect the Statement of Activities. (547,500)

Total Expenses of Governmental Activities \$ 11,071,676

**NOTE 3. CASH**

The Town's investment policies are governed by State statutes, as previously described in these Notes. Deposits are valued at cost or cost plus interest and are categorized as either:

1. Insured or collateralized with securities held by the entity or by its agent in the entity's name;
2. Collateralized with securities held by the pledging financial institution's trust department or agency in the entity's name; or
3. Uncollateralized.

Total financial institution (bank) balances at December 31, 2017, per the bank, are categorized as follows:

	<u>1</u>	<u>2</u>	<u>3</u>
Governmental & Agency Funds	\$ 2,926,461	\$ 0	\$ 0

**TOWN OF CORNWALL**  
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**NOTE 4. INTERFUND ACTIVITY.**

The interfund receivables and payables at December 31, 2017 were as follows:

	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ 216,135	\$ 0
Water Fund	0	53,000
Sewer Fund	30,000	45,000
Capital Projects Fund	0	20,000
Non-Major Funds	0	128,135
	<u>\$ 246,135</u>	<u>\$ 246,135</u>

The interfund transfers in and transfers out at December 31, 2017 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 145,135	\$ 0
Sewer Fund	0	645
Capital Projects Fund	645	11,591
Ambulance	11,591	145,135
	<u>\$ 157,371</u>	<u>\$ 157,371</u>

**TOWN OF CORNWALL**  
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**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 5. CAPITAL ASSETS.**

Capital asset balances and activity for the year ended December 31, 2017, were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals and Reclassifications</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>				
Capital Assets that are not Depreciated:				
Land	\$ 324,775	\$ 0	\$ 0	\$ 324,775
Construction in Progress	0	1,181,998	0	1,181,998
Total Not Depreciated	<u>324,775</u>	<u>1,181,998</u>	<u>0</u>	<u>1,506,773</u>
Capital Assets that are Depreciated:				
Buildings	2,765,205	19,775	0	2,784,980
Machinery and Equipment	1,531,368	256,353	0	1,787,721
Infrastructure	6,623,102	21,300	0	6,644,402
Vehicles	4,110,593	198,848	26,000	4,283,441
Total Depreciated	<u>15,030,268</u>	<u>496,276</u>	<u>26,000</u>	<u>15,500,544</u>
Less Accumulated Depreciation:				
Buildings	990,936	90,108	0	1,081,044
Machinery and Equipment	1,183,367	79,900	0	1,263,267
Infrastructure	2,043,557	264,828	0	2,308,385
Vehicles	3,625,893	191,106	26,000	3,790,999
Total Accumulated Depreciation	<u>7,843,753</u>	<u>625,942</u>	<u>26,000</u>	<u>8,443,695</u>
Total Historical Cost, Net	<u>\$ 7,511,290</u>	<u>\$ 1,052,332</u>	<u>\$ 0</u>	<u>\$ 8,563,622</u>

Depreciation was charged to governmental functions as follows:

General government support	\$ 147,003
Public safety	226,845
Transportation	109,419
Economic Assistance and Opportunity	5,172
Culture and Recreation	28,516
Health	1,432
Home and Community Services	<u>107,554</u>

Total Depreciation Expense	<u>\$ 625,942</u>
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**TOWN OF CORNWALL**  
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**NOTE 6. LIABILITIES.**

**A. Short-Term Debt**

Liabilities for bond anticipation notes (BAN's) are generally accounted for in the Capital Projects Fund. The notes or renewal thereof may not extend more than five years beyond the original date of issue unless a portion is redeemed within five years and within each 12 month period thereafter. For short-term financing, the Town of Cornwall redeems (pays down) one-fifth (1/5) of the original BAN borrowing each year.

State law requires that BAN's issued for capital purposes be converted to long-term obligations within five years after the original issue date. However, BAN's issued for assessable improvement projects may be renewed for periods equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made. As of December 31, 2017, there was one Bond Anticipation Notes (BAN) outstanding for \$1,719,853.

Interest on short-term debt for the year was composed of:

Interest paid	\$ 10,277
Less: Interest accrued - prior year	(4,223)
Plus: Interest accrued - current year	<u>10,531</u>
Total Short-Term Interest	<u>\$ 16,585</u>

**B. Long-Term Debt**

Bonds and notes payable - Represents money borrowed by the Town to acquire land, equipment or construct buildings and improvements.

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

Interest paid	\$ 72,746
Less: Interest accrued - prior year	(14,433)
Plus: Interest accrued - current year	<u>11,762</u>
Total Long-Term Interest	<u>\$ 70,075</u>

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**NOTE 6. LIABILITIES.** (Continued)

**B. Long-Term Debt** (Continued)

On June 1, 2017, the Town issued \$600,000 in general obligation bonds with an average interest rate of 1.65% to advance refund \$600,000 of outstanding serial bonds with an average interest rate of 4.38%. The net proceeds of \$676,464 (after payment of \$76,464 in underwriting fees, insurance and other issuance costs) were used to purchase United States government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, the bonds are considered defeased and the liability for those bonds has been removed from the Town's financial statements. The economic gain (loss) on the transaction (the difference between the present values of the debt service payments on the old and the new debt) is approximately \$76,550.

The town defeased certain obligations and other bonds by placing proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Town's financial statements. At December 31, 2017 \$600,000 of bonds outstanding are considered defeased.

Long-term liability activity for the year ended December 31, 2017, was as follows:

	<u>Balance</u> <u>01/01/17</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/17</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities					
Bonds and Notes Payable:					
General Obligation					
Debt	\$ 2,753,772	\$ 600,000	\$ 1,102,500	\$ 2,251,272	\$ 726,272
Premium on Obligations	0	59,171	5,917	53,254	11,834
Other Liabilities					
Other Postemployment					
Benefits	5,994,851	791,606	222,681	6,563,776	0
Net Pension Liability –					
Proportionate Share	2,301,437	0	1,024,338	1,277,099	0
Vested Compensated					
Absences	<u>80,936</u>	<u>0</u>	<u>13,500</u>	<u>67,436</u>	<u>0</u>
Total	<u>\$ 11,130,996</u>	<u>\$ 1,450,777</u>	<u>\$ 2,368,936</u>	<u>\$ 10,212,837</u>	<u>\$ 738,106</u>

At December 31, 2017, the deferred amount on refunding includes unamortized premiums of \$53,254. This amount is being amortized over the life of the debt issuance to which it relates.

Vested compensation absences – Represents the value earned and unused portion of the liability for compensated absences. Activity for compensated absences is shown at net due the impracticability of determining these amounts separately. Payments of compensated absences are dependent upon future factors and, therefore, the timing of such payments cannot be determined. Compensated absences are reflected as a long-term liability in the Statement of Net Position.

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**NOTE 6. LIABILITIES.** (Continued)

**B. Long-Term Debt** (Continued)

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 726,272	\$ 44,107	\$ 770,379
2019	300,000	38,725	338,725
2020	310,000	31,879	341,879
2021	320,000	24,156	344,156
2022	300,000	16,119	316,119
2023-2024	295,000	9,663	304,663
Total	<u>\$2,251,272</u>	<u>\$ 164,649</u>	<u>\$2,415,921</u>

**C. Postemployment Benefits**

The Town provides medical coverage to actives, retirees and spouses through the NYSHIP Empire Plan. The Empire Plan provides comprehensive coverage through various programs.

The Town implemented GASB Statement #45, Accounting and Financial Reporting by employers for Postemployment Benefits Other than Pensions, in the year ended December 31, 2009. This required the Town to calculate and record a net other post-employment benefit obligation at year-end. The net other post-employment benefit obligation is basically the cumulative difference between the actuarially required contribution and the actual contributions made.

The Town recognizes the cost of providing health insurance annually as expenditures in the General Fund of the funds financial statements as payments are made. For the year ended December 31, 2017, the Town recognized \$222,681 for its share of insurance premiums for currently enrolled retirees.

The Town has obtained an actuarially prepared valuation report as of December 31, 2017 which indicates that the total liability for other post-employment benefits is \$8,108,422.

Plan Description:

**Medical Benefits Program:** Provides coverage for physician, lab, and therapy services. By using a participating provider, care is generally covered 100%, subject to a \$20 copayment, depending on the group. Non-participating services are covered under the Empire Plan Basic Medical Program which is subject to a deductible and coinsurance.

**Hospital Benefits Program:** Provides inpatient and outpatient hospital services. In-network inpatient services are covered in full, while outpatient services are subject to a copayment. Non-network inpatient and outpatient require a 10% coinsurance payment and is subject to a combined out-of-pocket maximum.

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NOTE 6. LIABILITIES. (Continued)

**C. Postemployment Benefits (continued)**

**Mental Health & Substance Abuse Program:** Inpatient services covered in full if approved by ValueOptions, while outpatient services are subject to the copayment. Without ValueOptions approval services are subject to non-network care with a \$2,000 deductible for inpatient care and \$500 for outpatient care with 50% coinsurance.

**Prescription Drug Program:** Provides coverage for drugs dispensed through retail pharmacy, mail service pharmacy, and non-participating pharmacies.

Retiree Eligibility & Contribution Requirements:

The Town of Cornwall grants postemployment benefits to any employee who provides a minimum of ten (10) years of service. However, based on discussions with the Town, the Town's actual experience is that employees will meet the requirements of their respective New York State Retirement System before retiring in order to receive retirement benefits from the State. Therefore, it has been assumed for this valuation no ERS members will retire before fifty-five (55) years of age regardless of the years of service provided.

Retiree contributions to the Town's postemployment medical plan are based on the years of service provided to the Town as follows:

- 10-19 years of service: 50% for individual coverage, 65% for family coverage
- 20+ years of services: 25% for individual coverage, 50% for family coverage.

Surviving spouses are eligible to continue coverage through the Town by contributing 50% of the individual plan premium.

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

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**NOTE 6. LIABILITIES.** (Continued)

**C. Postemployment Benefits** (continued)

Annual required contribution	\$950,693
Interest on net OPEB obligation	239,794
Adjustment to annual required contribution	<u>(398,881)</u>
Annual OPEB cost (expense)	791,606
Contributions made	<u>(222,681)</u>
Increase in net OPEB obligation	568,925
Net OPEB obligation - beginning of year	<u>5,994,851</u>
Net OPEB obligation - end of year	<u><u>\$ 6,563,776</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended December 31, 2017 and the two preceding years were as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2017	\$ 791,606	28.13%	\$ 568,925
12/31/2016	\$ 754,692	30.08%	\$ 527,653
12/31/2015	\$ 719,903	31.85%	\$ 490,639

Funded Status and Funding Progress: As of December 31, 2017, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$8,108,422, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$8,108,422. The covered payroll (annual payroll of active employees covered by the plan) was \$3,637,067., and the ratio of the UAAL to the covered payroll was 223%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

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**NOTE 6. LIABILITIES.** (Continued)

**C. Postemployment Benefits** (continued)

The following assumptions were made:

Mortality: Life expectancies were based on the RP-2000 Mortality Table.

Discount Rate: 4% compounded annually.

Turnover: Rates of decrement due to turnover based on the experience under the New York State & Local Retirement System as prepared by the Department of Civil Service's actuarial consultant in the report titled, Development of Recommended Actuarial Assumptions for New York State/SUNY GASB 45 Valuation.

Retirement Incidence: Rates of decrement due to retirement based on the experience under the New York State & Local Retirement System as prepared by the Civil Service's actuarial consultant in the report titled, Development of Recommended Actuarial Assumptions for New York State/SUNY GASB 45 Valuation.

Marriage Rate: It is assumed that 70% of retirees will be married at the time of their retirement, with the male spouse assumed to be approximately 3 years older than female.

Per Capita Costs: According to GASB 45; costs for retirees should be segregated from costs for actives in developing per capita costs for valuation purposes. However, the Standard provides an exception allowing community-rated plans to use unadjusted net premium rates charged for both active employees and retirees. While the Empire Plan is experience rated at the policyholder level, it is community rated at the Town's level. The Town pays a contribution to the Empire Plan based on the overall experience of the Plan, irrespective of their individual claim experience; therefore the community rated rule was used in the valuation of the postemployment plan.

Amortization Period: 30 years. The remaining amortization period at December 31, 2017 is 21 years.

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**NOTE 7. PENSION PLANS**

**Plan Description**

The Town participates in the New York State and Local Employees' Retirement System (ERS). ERS and the New York State and Local Police and Fire Retirement System (PFRS) which are collectively referred to as New York State and Local Retirement System (the ERS System). These are cost-sharing multiple-employer defined benefit retirement systems. The net position of the ERS 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 ERS System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the ERS 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 Town also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report may be found at [www.osc.state.ny.us/retire/publications/index.php](http://www.osc.state.ny.us/retire/publications/index.php) or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

**ERS and PFRS Benefits Provided**

The ERS and PFRS Systems provide 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.

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**NOTE 7. PENSION PLANS. (Continued)**

**ERS and PFRS Benefits Provided (Continued)**

*Tiers 1 and 2 (Continued)*

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 10 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 10 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 10 years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 6 is 63 for ERS members and 62 for PFRS members.

Benefit Calculation: Generally, the benefit is 1.67 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 10 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.

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**NOTE 7. PENSION PLANS. (Continued)**

**ERS and PFRS Benefits Provided (Continued)**

*Special Plans*

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

*Ordinary Disability Benefits*

Generally, ordinary disability benefits, usually one-third of salary, are provided to eligible members after 10 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 ERS and PFRS 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 10 years; (iii) all disability pensioners, regardless of age, who have been retired for five years; (iv) ERS recipients of an accidental death benefit, regardless of age, who have been receiving such benefit for five years and (v) the spouse of a deceased retiree receiving a lifetime benefit under an option elected by the retiree at retirement. An eligible spouse is entitled to one-half the cost-of-living adjustment amount that would have been paid to the retiree when the retiree would have met the eligibility criteria. 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.

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**NOTE 7. PENSION PLANS. (Continued)**

**Funding Policy**

The Systems are noncontributory, except for employees who joined the Systems after July 27, 1976 and prior to January 1, 2010, who contribute 3% of their salary for the first ten years of membership. For employees who joined after January 1, 2010, employees in NYSERS contribute 3% of their salary throughout their active membership. For NYSERS, the Comptroller annually certifies the actuarially determined rates expressly used in computing the employers' contributions based on salaries paid during the NYSERS fiscal year ending March 31. The Town's contributions for the current year and two preceding years were equal to 100% of the contributions required, and were as follows:

	<u>ERS</u>	<u>PFRS</u>
2017	\$ 341,440	\$ 189,518
2016	367,979	182,962
2015	217,047	266,070

Town contributions made to the Systems were equal to 100% of the contributions required for each year. Since 1989, the Systems' billings have been based on Chapter 62 of the Laws of 1989 of the State of New York. This legislation requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the Systems' fiscal year ended March 31, 2005 (which otherwise were to have been paid on December 15, 2005) over a 10 year period, with an 8.00% interest factor added. Local governments were given the option to prepay this liability. The Town elected to prepay this liability.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At December 31, 2017, the Town reported the following asset/(liability) for its proportionate share of the net pension liability/(asset) for each of the Systems. The net pension asset/(liability) was measured as of March 31, 2017 for ERS and PFRS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. Town's proportion of the net pension asset/(liability) was based on a projection of the Town's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and PFRS Systems in reports provided to the Town.

	<u>ERS</u>	<u>PFRS</u>
Actuarial Valuation Date	3/31/2017	3/31/2017
Net Pension Asset/(Liability)	\$ (755,888)	\$ (521,211)
Town's Portion of the Plan's Total Net Pension Asset/(Liability)	0.0080446%	0.0251471%

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**NOTE 7. PENSION PLANS. (Continued)**

For the year ended December 31, 2017, the Town's recognized pension expense of \$422,198 for ERS and the actuarial value \$283,143 for PFRS. At December 31, 2017 the Town's reported deferred outflows of resources and deferred inflows of resources related to pensions for the following sources:

	Deferred Outflows of Resources		
	<u>ERS</u>	<u>PFRS</u>	<u>Total</u>
Differences between expected and actual experience	\$ 18,942	\$ 68,374	\$ 87,316
Changes of Assumptions	258,239	256,779	515,018
Net difference between projected and actual earnings on pension plan investments	150,982	77,842	228,824
Changes in proportion and difference between the Town's contributions and proportionate share of contributions	19,613	0	19,613
Town's contributions subsequent to the measurement date	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 447,776</u>	<u>\$ 402,995</u>	<u>\$ 850,771</u>

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**NOTE 7. PENSION PLANS. (Continued)**

	Deferred Inflows or Resources		
	<u>ERS</u>	<u>PFRS</u>	<u>Total</u>
Differences between expected and actual experience	\$ 114,786	\$ 90,054	\$ 204,840
Changes of Assumptions	0	0	0
Net difference between projected and actual earnings on pension plan investments	0	0	0
Changes in proportion and difference between the District's contributions and proportionate share of contributions	49,003	92,289	141,292
District's contributions subsequent to the measurement date	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 163,789</u>	<u>\$ 182,343</u>	<u>\$ 346,132</u>

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

Year Ended:	<u>ERS</u>	<u>PFRS</u>
2018	\$ 132,282	\$ 79,913
2019	132,282	79,913
2020	123,150	74,103
2021	(103,729)	(19,227)
2022	-	5,950

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**NOTE 7. PENSION PLANS. (Continued)**

Actuarial Assumptions

The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuation used the following actuarial assumptions.

Significant actuarial assumptions used in the valuations were as follows:

	<u>ERS</u>	<u>PFRS</u>
Inflation Rate	2.5%	2.5%
Projected Salary Increases	3.80%	4.50%
Projected Cost of Living Adjustments	1.3%	1.3%
Investment Rate of Return	7% compounded annually, net of investment expenses	7% compounded annually, net of investment expenses
Decrements	Actuarial experience study for the period April 1, 2010 to March 31, 2015	Actuarial experience study for the period April 1, 2010 to March 31, 2015
Mortality Improvement	Society of Actuaries Scale MP-2014	Society of Actuaries Scale MP-2014

For ERS and PFRS, annuitant mortality rates are based on April 1, 2010 – March 31, 2015 System’s experience with adjustments for mortality improvements based on MP-2014.

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

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**NOTE 7. PENSION PLANS.** (Continued)

The long term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, Selection of Economic Assumptions for Measuring Pension Obligations. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation are summarized below:

Measurement Date	ERS & PFRS	
	March 31, 2017	
	Target Allocation	Long-term expected real rate of return
<u>Asset Class:</u>		
Domestic Equity	36%	4.55%
International Equity	14%	6.35%
Private Equity	10%	7.75%
Real Estate	10%	5.80%
Absolute Return Strategies	2%	4.00%
Opportunistic Portfolio	3%	5.89%
Real Assets	3%	5.54%
Bonds and Mortgages	17%	1.31%
Cash	1%	-0.25%
Inflation-indexed bonds	4%	1.50%
Total	100%	

Discount Rate

The discount rate used to calculate the total pension liability was 7% for ERS and PFRS. 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.

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**NOTE 7. PENSION PLANS. (Continued)**

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7% for ERS and PFRS, as well as what the Town's proportionate share of the net pension asset/(liability) would be if it were calculated using a discount rate that is 1-percentage-point lower (6% for ERS and PFRS) or 1-percentage-point higher (8% for ERS and PFRS) than the current rate:

ERS	1% Decrease 6.00%	Current Assumption 7.00%	1% Increase 8.00%
Employer's Proportionate Share of the Net Pension Asset/(Liability)	\$ (2,414,158)	\$ (755,888)	\$ 646,175

PFRS	1% Decrease 6.00%	Current Assumption 7.00%	1% Increase 8.00%
Employer's Proportionate Share of the Net Pension Asset/(Liability)	(1,477,603)	(521,211)	280,968

Pension Plan Fiduciary Net Position

The components of the current-year net pension liability of the employers as of the respective measurements dates were as follows:

	(Dollars in Thousands)	
	ERS	PFRS
Measurement Date	March 31, 2017	March 31, 2017
Employers' total pension asset/(liability)	\$ (177,400,586)	\$ (31,670,483)
Plan net position	168,004,363	29,597,830
Employer's net pension asset/(liability)	<u>\$ (9,396,223)</u>	<u>\$ (2,072,653)</u>
Ratio of plan net position to the employers' total pension asset/(liability)	94.70%	93.50%

**TOWN OF CORNWALL**  
**CORNWALL, NEW YORK**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**NOTE 7. PENSION PLANS.** (Continued)

Payables to the Pension Plan

For ERS and PFRS, employer contributions are paid annually based on the System's fiscal year which ends on March 31<sup>st</sup>. Accrued retirement contributions as of December 31, 2017 represent the projected employer contributions for the period of April 1, 2017 through December 31, 2017 based on paid ERS wages multiplied by the employer's contribution rate, by tier.

**NOTE 8. DEFICIT FUND BALANCES.**

The Water Fund had a deficit fund balance of \$26,386 at December 31, 2017. This deficit will be eliminated by increasing water rates and controlling expenditures. The Capital fund also had a deficit fund balance of \$2,332,723 at December 31, 2017. This deficit will be eliminated through long term financing.

**NOTE 9. CONTINGENCIES.**

**A. Compliance with Grant Programs**

The Town has received 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 Federal and State governments. Based on past audits, the Town administration believes disallowances, if any, will be immaterial.

**B. Litigation**

The Town is party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accrual or provision for loss contingencies that may result from these proceedings. While the outcome cannot be predicted, the Town believes that any settlement not covered by insurance would not have a material adverse effect on the financial condition of the Town.

**NOTE 10. RISK MANAGEMENT.**

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; Workers' Compensation; and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial coverage in any of the past three years. There has been no reduction in insurance coverage from that in prior years.

TOWN OF CORNWALL  
CORNWALL, NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017

**NOTE 11. SUBSEQUENT EVENTS**

Subsequent events have been evaluated through May 1, 2018, the date these financial statements were available to be issued. No significant subsequent events have been identified that would require adjustment of or disclosure in the accompanying financial statements.

**TOWN OF CORNWALL**  
**CORNWALL, NEW YORK**  
**SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET -**  
**GENERAL FUND A**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>REVENUES</b>				
Real Property Taxes	\$ 2,141,148	\$ 2,141,148	\$ 2,141,148	\$ 0
Real Property Tax Items	18,000	18,000	17,987	(13)
Non-Property Tax Items	95,000	95,000	71,414	(23,586)
Departmental Income	39,000	39,000	129,700	90,700
Use of Money and Property	55,764	55,764	65,319	9,555
Licenses and Permits	13,000	13,000	14,941	1,941
Fines and Forfeitures	230,000	230,000	200,300	(29,700)
Miscellaneous	0	0	61,171	61,171
State Aid	265,000	327,331	415,152	87,821
Federal Aid	83,000	89,160	33,880	(55,280)
TOTAL REVENUES	2,939,912	3,008,403	3,151,012	\$ 142,609
<b>OTHER SOURCES</b>				
Proceeds from Advanced Refunding	0	0	600,000	
Interfund Transfers	0	0	145,135	
Appropriated Fund Balance	150,000	150,000	0	
TOTAL REVENUES AND OTHER SOURCES	\$ 3,089,912	\$ 3,158,403	\$ 3,896,147	
<b>EXPENDITURES</b>				
General Government Support	\$ 1,792,764	\$ 1,828,417	\$ 1,705,016	\$ 123,401
Public Safety	161,000	162,684	162,682	2
Health	7,000	7,000	6,900	100
Economic Assistance and Opportunity	48,200	49,300	46,430	2,870
Culture and Recreation	265,700	295,754	263,598	32,156
Employee Benefits	686,700	686,700	679,879	6,821
Debt Service	128,548	128,548	115,972	12,576
TOTAL EXPENDITURES	3,089,912	3,158,403	2,980,477	177,926
<b>OTHER USES</b>				
Payments to Escrow Agent	0	0	651,464	(651,464)
TOTAL EXPENDITURES AND OTHER USES	\$ 3,089,912	\$ 3,158,403	\$ 3,631,941	\$ (473,538)

See paragraph on supplementary schedules included in auditor's report.

**TOWN OF CORNWALL**  
**CORNWALL, NEW YORK**  
**SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET-**  
**GENERAL FUND B**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>ORIGINAL BUDGET</u>	<u>ADJUSTED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b>REVENUES</b>				
Real Property Taxes	\$ 1,329,918	\$ 1,329,918	\$ 1,329,918	\$ 0
Non-Property Tax Items	700,000	726,799	780,574	53,775
Departmental Income	117,000	131,622	135,566	3,944
Use of Money and Property	400	400	610	210
Sale of Property and Compensation for Loss	0	0	1,134	1,134
Miscellaneous	0	0	860	860
State Aid	0	0	86,903	86,903
TOTAL REVENUES	<u>2,147,318</u>	<u>2,188,739</u>	<u>\$ 2,335,565</u>	<u>\$ 146,826</u>
<b>OTHER SOURCES</b>				
Appropriated Fund Balance	220,000	220,000		
TOTAL REVENUES AND OTHER SOURCES	<u>\$ 2,367,318</u>	<u>\$ 2,408,739</u>		
<b>EXPENDITURES</b>				
Public Safety	\$ 1,427,100	\$ 1,427,100	\$ 1,335,300	\$ 91,800
Culture and Recreation	55,000	56,583	56,582	1
Home and Community Services	75,318	89,940	89,936	4
Employee Benefits	809,900	835,116	822,393	12,723
TOTAL EXPENDITURES	<u>\$ 2,367,318</u>	<u>\$ 2,408,739</u>	<u>\$ 2,304,211</u>	<u>\$ 104,528</u>

See paragraph on supplementary schedules included in auditor's report.

**TOWN OF CORNWALL**  
**CORNWALL, NEW YORK**  
**SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET-**  
**HIGHWAY FUND-TOWN WIDE**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>REVENUES</b>				
Real Property Taxes	\$ 217,071	\$ 217,071	\$ 217,071	\$ 0
TOTAL REVENUES	<u>217,071</u>	<u>217,071</u>	<u>\$ 217,071</u>	<u>\$ 0</u>
<b>OTHER SOURCES</b>				
Appropriated Fund Balance	<u>5,000</u>	<u>5,000</u>		
TOTAL REVENUES AND OTHER SOURCES	<u>\$ 222,071</u>	<u>\$ 222,071</u>		
<b>EXPENDITURES</b>				
Transportation	\$ 120,000	\$ 120,000	\$ 117,801	\$ 2,199
Debt Service	<u>102,071</u>	<u>102,071</u>	<u>101,629</u>	<u>442</u>
TOTAL EXPENDITURES	<u>\$ 222,071</u>	<u>\$ 222,071</u>	<u>\$ 219,430</u>	<u>\$ 2,641</u>

See paragraph on supplementary schedules included in auditor's report.

**TOWN OF CORNWALL**  
**CORNWALL, NEW YORK**  
**SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET-**  
**HIGHWAY FUND-PART TOWN**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>ORIGINAL BUDGET</u>	<u>ADJUSTED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b>REVENUES</b>				
Real Property Taxes	\$ 1,347,373	\$ 1,347,373	\$ 1,347,373	\$ 0
Non Property Tax Items	700,000	700,000	780,574	80,574
Intergovernmental	58,000	58,000	59,422	1,422
Use of Money and Property	0	0	572	572
Sale of Property and Compensation for Loss	0	0	2,563	2,563
State and Federal Aid	84,665	119,890	119,890	0
TOTAL REVENUES	<u>2,190,038</u>	<u>2,225,263</u>	<u>2,310,394</u>	<u>\$ 85,131</u>
<b>OTHER SOURCES</b>				
Appropriated Fund Balance	<u>50,000</u>	<u>50,000</u>	<u>0</u>	
TOTAL REVENUES AND OTHER SOURCES	<u>\$ 2,240,038</u>	<u>\$ 2,275,263</u>	<u>\$ 2,310,394</u>	
<b>EXPENDITURES</b>				
Transportation	\$ 1,379,865	\$ 1,415,990	\$ 1,248,093	\$ 167,897
Employee Benefits	632,600	631,700	578,906	52,794
Debt Service	<u>227,573</u>	<u>227,573</u>	<u>222,100</u>	<u>5,473</u>
TOTAL EXPENDITURES	<u>\$ 2,240,038</u>	<u>\$ 2,275,263</u>	<u>\$ 2,049,099</u>	<u>\$ 226,164</u>

See paragraph on supplementary schedules included in auditor's report..

**TOWN OF CORNWALL**  
**CORNWALL, NEW YORK**  
**SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET -**  
**WATER FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>ORIGINAL BUDGET</u>	<u>ADJUSTED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b>REVENUES</b>				
Real Property Taxes	\$ 38,489	\$ 38,489	\$ 38,489	\$ 0
Departmental Income	140,500	140,500	109,998	(30,502)
Use of Money and Property	0	0	28	28
Miscellaneous	0	0	1,000	1,000
TOTAL REVENUES	<u>\$ 178,989</u>	<u>\$ 178,989</u>	<u>\$ 149,515</u>	<u>\$ (29,474)</u>
<b>EXPENDITURES</b>				
Home and Community Services	\$ 172,829	\$ 172,829	\$ 134,702	\$ 38,127
Employee Benefits	522	522	470	52
Debt Service	5,638	5,638	5,638	0
TOTAL EXPENDITURES	<u>\$ 178,989</u>	<u>\$ 178,989</u>	<u>\$ 140,810</u>	<u>\$ 38,179</u>

See paragraph on supplementary schedules included in auditor's report.

**TOWN OF CORNWALL**  
**CORNWALL, NEW YORK**  
**SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET-**  
**SEWER FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>ORIGINAL BUDGET</u>	<u>ADJUSTED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b>REVENUES</b>				
Real Property Taxes	\$ 336,887	\$ 336,887	336,887	\$ 0
Real Property Tax Items	291,540	291,540	291,540	0
Departmental Income	304,000	304,000	289,117	(14,883)
Use of Money and Property	0	0	353	353
Licenses and Permits	0	0	20,450	20,450
Miscellaneous	0	0	1,422	1,422
TOTAL REVENUES	<u>932,427</u>	<u>932,427</u>	<u>\$ 939,769</u>	<u>\$ 7,342</u>
<b>OTHER SOURCES</b>				
Appropriated Fund Balance	<u>100,000</u>	<u>100,000</u>		
TOTAL REVENUES AND OTHER SOURCES	<u>\$ 1,032,427</u>	<u>\$ 1,032,427</u>		
<b>EXPENDITURES</b>				
Home and Community Services	\$ 876,940	\$ 876,687	\$ 853,011	\$ 23,676
Employee Benefits	8,300	8,553	8,553	0
Debt Service	<u>147,187</u>	<u>147,187</u>	<u>64,433</u>	<u>82,754</u>
TOTAL EXPENDITURES	<u>1,032,427</u>	<u>1,032,427</u>	<u>925,997</u>	<u>106,430</u>
<b>OTHER USES</b>				
Operating Transfers Out	<u>0</u>	<u>0</u>	<u>645</u>	<u>(645)</u>
TOTAL EXPENDITURES AND OTHER USES	<u>\$ 1,032,427</u>	<u>\$ 1,032,427</u>	<u>\$ 926,642</u>	<u>\$ 105,785</u>

See paragraph on supplementary schedules included in auditor's report.

**TOWN OF CORNWALL**  
**CORNWALL, NEW YORK**  
**SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET-**  
**SANITATION FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>ORIGINAL BUDGET</u>	<u>ADJUSTED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b>REVENUES</b>				
Real Property Taxes	\$ 1,495,682	\$ 1,495,682	1,495,682	\$ 0
Use of Money and Property	300	300	503	203
Sale of Property and Compensation for Loss	0	0	102	102
Miscellaneous	0	0	3,144	3,144
<b>TOTAL REVENUES</b>	<u>1,495,982</u>	<u>1,495,982</u>	<u>\$ 1,499,431</u>	<u>\$ 3,449</u>
<b>OTHER SOURCES</b>				
Appropriated Fund Balance	<u>20,000</u>	<u>20,000</u>		
<b>TOTAL REVENUES AND OTHER SOURCES</b>	<u>\$ 1,515,982</u>	<u>\$ 1,515,982</u>		
<b>EXPENDITURES</b>				
Home and Community Services	\$ 1,078,000	\$ 1,078,000	\$ 968,559	109,441
Employee Benefits	370,014	370,014	368,880	1,134
Debt Service	<u>67,968</u>	<u>67,968</u>	<u>66,500</u>	<u>1,468</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 1,515,982</u>	<u>\$ 1,515,982</u>	<u>\$ 1,403,939</u>	<u>\$ 112,043</u>

See paragraph on supplementary schedules included in auditor's report.

**TOWN OF CORNWALL**  
**CORNWALL, NEW YORK**  
**SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
12/31/2015	\$0	\$ 7,234,346	\$ 7,234,346	0%	\$ 3,476,112	208.12%
12/31/2012	\$0	\$ 9,489,010	\$ 9,489,010	0%	\$ 3,493,091	271.65%
12/31/2009	\$0	\$ 5,559,972	\$ 5,559,972	0%	\$ 2,792,354	199.00%

In accordance with GASB Statement 45, the Town is required to have an actuarial valuation done triennially. Rolled over valuations are prepared for the years that full actuarial valuations are not completed.

**TOWN OF CORNWALL**  
**CORNWALL, NEW YORK**  
**SCHEDULE OF THE TOWN'S PROPORTIONATE**  
**SHARE OF THE NET PENSION LIABILITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

NYSERS Pension Plan Last 10 Fiscal Years*				
	<u>3/31/2017</u>	<u>3/31/2016</u>	<u>3/31/2015</u>	<u>3/31/2014</u>
Town's proportion of the net pension asset/(liability)	0.0080446%	0.0089016%	0.0088611%	0.0088611%
Town's proportionate share of the net pension asset/(liability)	\$ (755,888)	\$ (1,428,724)	\$ (299,348)	\$ (400,419)
Town's covered-employee payroll	\$ 2,253,470	\$ 2,392,800	\$ 2,345,882	\$ 2,261,428
Town's proportionate share of the net pension asset/(liability) as a percentage of its covered-employee payroll	-33.54%	-59.71%	-12.76%	-17.71%
Plan fiduciary net position as a percentage of the total pension liability	94.70%	90.70%	97.90%	97.15%
NYSPFRS Pension Plan Last 10 Fiscal Years*				
	<u>3/31/2017</u>	<u>3/31/2016</u>	<u>3/31/2015</u>	<u>3/31/2014</u>
Town's proportion of the net pension asset/(liability)	0.0251471%	0.0294757%	0.0294855%	0.0294855%
Town's proportionate share of the net pension asset/(liability)	\$ (521,211)	\$ (872,713)	\$ (81,162)	\$ (122,751)
Town's covered-employee payroll	\$ 939,764	\$ 1,195,574	\$ 1,172,131	\$ 1,208,558
Town's proportionate share of the net pension asset/(liability) as a percentage of its covered-employee payroll	-55.46%	-73.00%	-6.92%	-10.16%
Plan fiduciary net position as a percentage of the total pension liability	93.50%	90.20%	99.00%	98.50%

\* GASB 68 requires that the past 10 years of information be presented. The data will be accumulated over time and presented according to GASB 68.

See paragraph on supplementary schedules included in auditor's report.

**TOWN OF CORNWALL**  
**CORNWALL, NEW YORK**  
**SCHEDULE OF TOWN CONTRIBUTIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

NYSERS Pension Plan  
Last 10 Fiscal Years\*

	<u>3/31/2017</u>	<u>3/31/2016</u>	<u>3/31/2015</u>	<u>3/31/2014</u>
Contractually required contribution	\$ 341,440	\$ 367,979	\$ 409,341	\$ 421,428
Contributions in relation to the contractually required contribution	<u>341,440</u>	<u>367,979</u>	<u>409,341</u>	<u>421,428</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered Employee Payroll	\$ 2,253,470	\$ 2,392,800	\$ 2,345,882	\$ 2,261,428
Contributions as a percentage of its covered-employee payroll	15.15%	15.38%	17.45%	18.64%

NYSPFRS Pension Plan  
Last 10 Fiscal Years\*

	<u>3/31/2017</u>	<u>3/31/2016</u>	<u>3/31/2015</u>	<u>3/31/2014</u>
Contractually required contribution	\$ 189,518	\$ 182,962	\$ 217,047	\$ 218,592
Contributions in relation to the contractually required contribution	<u>189,518</u>	<u>182,962</u>	<u>217,047</u>	<u>218,592</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered Employee Payroll	\$ 939,764	\$ 1,195,574	\$ 1,172,131	\$ 1,208,558
Contributions as a percentage of its covered-employee payroll	20.17%	15.30%	18.52%	18.09%

\* GASB 68 requires that the past 10 years of information be presented. The data will be accumulated over time and presented according to GASB 68.

See paragraph on supplementary schedules included in auditor's report.

**TOWN OF CORNWALL  
 CORNWALL, NEW YORK  
 NON-MAJOR GOVERNMENTAL FUNDS  
 COMBINING BALANCE SHEETS  
 DECEMBER 31, 2017**

	DRAINAGE	LIGHTING	HYDRANT	AMBULANCE	MAIN STREET PARKING	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 13,611	\$ 25,391	\$ 9,645	\$ 120,135	\$ 2,805	\$ 171,587
<b>TOTAL ASSETS</b>	<u>\$ 13,611</u>	<u>\$ 25,391</u>	<u>\$ 9,645</u>	<u>\$ 120,135</u>	<u>\$ 2,805</u>	<u>\$ 171,587</u>
<b>LIABILITIES</b>						
Accounts Payable	\$ 0	\$ 8,487	\$ 0	\$ 0	\$ 0	\$ 8,487
Due to Other Funds	0	8,000	0	120,135	0	128,135
<b>TOTAL LIABILITIES</b>	<u>0</u>	<u>16,487</u>	<u>0</u>	<u>120,135</u>	<u>0</u>	<u>136,622</u>
<b>FUND BALANCES</b>						
Assigned	13,611	8,904	9,645	0	2,805	34,965
<b>TOTAL FUND BALANCES</b>	<u>13,611</u>	<u>8,904</u>	<u>9,645</u>	<u>0</u>	<u>2,805</u>	<u>34,965</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 13,611</u>	<u>\$ 25,391</u>	<u>\$ 9,645</u>	<u>\$ 120,135</u>	<u>\$ 2,805</u>	<u>\$ 171,587</u>

See paragraph on supplementary schedules included in auditor's report.

**TOWN OF CORNWALL  
CORNWALL, NEW YORK  
NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	DRAINAGE	LIGHTING	HYDRANT	AMBULANCE	MAIN STREET PARKING	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
<b>REVENUES</b>						
Real Property Taxes	\$ 0	\$ 102,000	\$ 79,000	\$ 11,371	\$ 2,000	\$ 194,371
Use of Money and Property	8	40	50	95	1	194
Sale of Property and						
Compensation for Loss	0	0	0	69,000	0	69,000
Departmental Income	0	0	0	99,950	0	99,950
<b>TOTAL REVENUES</b>	<b>8</b>	<b>102,040</b>	<b>79,050</b>	<b>180,416</b>	<b>2,001</b>	<b>363,515</b>
<b>EXPENDITURES</b>						
Transportation	0	97,121	0	0	669	97,790
Home and Community Service	0	0	86,000	0	0	86,000
Health	0	0	0	99,950	0	99,950
Debt Service	0	0	0	54,251	0	54,251
<b>TOTAL EXPENDITURES</b>	<b>0</b>	<b>97,121</b>	<b>86,000</b>	<b>154,201</b>	<b>669</b>	<b>337,991</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Operating Transfers In	0	0	0	11,591	0	11,591
Operating Transfers Out	0	0	0	(145,135)	0	(145,135)
<b>TOTAL FINANCING SOURCES (USES)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(133,544)</b>	<b>0</b>	<b>(133,544)</b>
Net Change in Fund Balances	8	4,919	(6,950)	(107,329)	1,332	(108,020)
Fund Balances-Beginning	13,603	3,985	16,595	107,329	1,473	142,985
Fund Balances-Ending	\$ 13,611	\$ 8,904	\$ 9,645	\$ 0	\$ 2,805	\$ 34,965

See paragraph on supplementary schedules included in auditor's report.

**TOWN OF CORNWALL**  
**CORNWALL, NEW YORK**  
**COMBINED GENERAL FUNDS**  
**BALANCE SHEETS**  
**DECEMBER 31, 2017**

	<u>GENERAL FUND (A)</u>	<u>GENERAL FUND (B)</u>	<u>TOTAL OF GENERAL FUNDS</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 777,386	\$ 379,863	\$ 1,157,249
Accounts Receivable	48,869	209,609	258,478
Due from Other Funds	216,135	0	216,135
TOTAL ASSETS	<u>\$ 1,042,390</u>	<u>\$ 589,472</u>	<u>\$ 1,631,862</u>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 98,929	\$ 13,265	\$ 112,194
Accrued Liabilities	3,920	10,815	14,735
TOTAL LIABILITIES	<u>102,849</u>	<u>24,080</u>	<u>126,929</u>
<b>FUND BALANCE</b>			
Assigned	250,000	565,392	815,392
Unassigned	689,541	0	689,541
TOTAL FUND BALANCE	<u>939,541</u>	<u>565,392</u>	<u>1,504,933</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,042,390</u>	<u>\$ 589,472</u>	<u>\$ 1,631,862</u>

**TOWN OF CORNWALL**  
**CORNWALL, NEW YORK**  
**GENERAL FUND**  
**STATEMENT OF CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

FUND BALANCE - January 1, 2017	\$ 675,335	\$ 534,038	\$ 1,209,373
ADD: Revenues and Other Sources	3,896,147	2,335,565	6,231,712
	<u>4,571,482</u>	<u>2,869,603</u>	<u>7,441,085</u>
LESS: Expenditures and Other Uses	3,631,941	2,304,211	5,936,152
FUND BALANCE - December 31, 2017	<u>\$ 939,541</u>	<u>\$ 565,392</u>	<u>\$ 1,504,933</u>

See paragraph on supplementary schedules included in auditor's report.

**TOWN OF CORNWALL**  
**CORNWALL, NEW YORK**  
**SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET-**  
**COMBINED GENERAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>ORIGINAL BUDGET</u>	<u>ADJUSTED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b>REVENUES</b>				
Real Property Taxes	\$ 3,471,066	\$ 3,471,066	\$ 3,471,066	\$ 0
Real Property Tax Items	18,000	18,000	17,987	(13)
Non Property Tax Items	795,000	821,799	851,988	30,189
Departmental Income	156,000	170,622	265,266	94,644
Use of Money and Property	56,164	56,164	65,929	9,765
Licences and Permits	13,000	13,000	14,941	1,941
Fines and Forfeitures	230,000	230,000	200,300	(29,700)
Sale of Property and Compensation for Loss	0	0	1,134	1,134
Miscellaneous	0	0	62,031	62,031
State and Federal Aid	348,000	416,491	535,935	119,444
<b>TOTAL REVENUES</b>	<u>5,087,230</u>	<u>5,197,142</u>	<u>5,486,577</u>	<u>\$ 289,435</u>
<b>OTHER SOURCES</b>				
Proceeds from Advanced Refunding	0	0	600,000	
Interfund Transfers	0	0	145,135	
Appropriated Fund Balance	370,000	370,000	0	
<b>TOTAL</b>	<u>\$ 5,457,230</u>	<u>\$ 5,567,142</u>	<u>\$ 6,231,712</u>	
<b>EXPENDITURES</b>				
General Government Support	\$ 1,792,764	\$ 1,828,417	\$ 1,705,016	\$ 123,401
Public Safety	1,588,100	1,589,784	1,497,983	91,801
Health	7,000	7,000	6,900	100
Economic Assistance and Opportunity	48,200	49,300	46,430	2,870
Culture and Recreation	320,700	352,337	320,180	32,157
Home and Community Service	75,318	89,940	89,936	4
Employee Benefits	1,496,600	1,521,816	1,502,272	19,544
Debt Service	128,548	128,548	115,972	12,576
<b>TOTAL EXPENDITURES</b>	<u>5,457,230</u>	<u>5,567,142</u>	<u>5,284,689</u>	<u>282,453</u>
<b>OTHER USES</b>				
Payments to Escrow Agent	0	0	651,464	(651,464)
<b>TOTAL</b>	<u>\$ 5,457,230</u>	<u>\$ 5,567,142</u>	<u>\$ 5,936,153</u>	<u>\$ (369,011)</u>

See paragraph on supplementary schedules included in auditor's report.

**TOWN OF CORNWALL**  
**CORNWALL, NEW YORK**  
**NET INVESTMENT IN CAPITAL ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

Capital Assets, Net		\$ 8,563,622
ADDITIONS:		
Deferred Amount of Refunding		98,254
		8,661,876
DEDUCTIONS:		
Bond Anticipation Notes	\$ 1,719,853	
Short-Term Portion of Bonds Payable (including an unamortized bond premium of \$11,834)	738,106	
Long-Term Portion of Bonds Payable (including an unamortized bond premium of \$41,420)	1,566,420	
		4,024,379
NET INVESTMENT IN CAPITAL ASSETS		\$ 4,637,497

See paragraph on supplementary schedules included in auditor's report.

**TOWN OF CORNWALL  
CORNWALL, NEW YORK  
STATEMENT OF INDEBTEDNESS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	DATE OF ORIGINAL ISSUE	MATURITY	INTEREST RATE	OUTSTANDING BEGINNING OF YEAR	ISSUED DURING YEAR	REFINANCED TO BAN/BOND	PAID DURING YEAR	OUTSTANDING END OF YEAR	AMOUNT OF INTEREST PAID DURING YEAR	AMOUNT OF INTEREST ACCRUED AT DECEMBER 31, 2017
<b>BOND ANTICIPATION NOTES</b>										
Sewer District Improvements	7/30/2015	7/27/2018	1.49%	\$ 650,853	\$ 1,099,000	\$ 0	\$ 30,000	\$ 1,719,853	\$ 7,277	\$ 10,531
Sewer District Improvements	7/30/2015	7/28/2017	1.11%	275,000	0	260,000	15,000	0	3,000	0
<b>TOTAL BOND ANTICIPATION NOTES</b>				<b>925,853</b>	<b>1,099,000</b>	<b>260,000</b>	<b>45,000</b>	<b>1,719,853</b>	<b>10,277</b>	<b>10,531</b>
<b>SERIAL BONDS &amp; NOTES</b>										
2009 Serial Bond	10/1/2009	3/1/2024	3.00%	850,000	0	0	95,000	755,000	26,219	7,447
2003 Serial Bond	12/1/2003	12/1/2017	3.50%	165,000	0	0	165,000	0	6,188	0
2007 Serial Bond	8/15/2007	5/15/2022	4.38%	750,000	0	600,000	150,000	0	24,977	0
2017 Bond Refunding	6/1/2017	6/1/2022	1.25%	0	600,000	0	0	600,000	0	4,315
EFC Loan	7/1/2016	7/1/2018	0.00%	438,772	0	0	7,500	431,272	0	0
2013 Public Improvements	10/29/2013	5/15/2023	2.50%	550,000	0	0	85,000	465,000	15,362	1,433
<b>TOTAL SERIAL BONDS AND NOTES</b>				<b>2,753,772</b>	<b>600,000</b>	<b>600,000</b>	<b>502,500</b>	<b>2,251,272</b>	<b>72,746</b>	<b>11,762</b>
<b>TOTAL INDEBTEDNESS</b>				<b>\$ 3,679,625</b>	<b>\$ 1,699,000</b>	<b>\$ 860,000</b>	<b>\$ 547,500</b>	<b>\$ 3,971,125</b>	<b>\$ 83,023</b>	<b>\$ 22,293</b>

See paragraph on supplementary schedules included in auditor's report.



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

To the Supervisor and Members  
 of the Town Board  
 Town of Cornwall  
 Cornwall, New York

We have audited, in accordance with the 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, and the aggregate remaining fund information of Town of Cornwall, as of and for the year ended December 31, 2017 and the related notes to the financial statements, which collectively comprise Town of Cornwall’s basic financial statements and have issued our report thereon dated May 1, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Town of Cornwall’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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Cornwall’s internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Cornwall’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 a 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any

deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies, identified as findings 2017-001 and 2017-002.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Town of Cornwall'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 direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Town of Cornwall's Response to Findings**

Town of Cornwall's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Town of Cornwall's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is 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.

*Jugent + Hausler, P.C.*

Montgomery, New York  
May 1, 2018

TOWN OF CORNWALL  
CORNWALL, NEW YORK  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2017

SECTION I – SUMMARY OF AUDITOR’S RESULTS

FINANCIAL STATEMENTS

Type of Auditor's Report Issued: Unqualified

Internal Control Over Financial Reporting:

Material weakness(es) identified?  Yes  No

Significant deficiencies identified that are not considered to be material weaknesses  Yes  No

Noncompliance material to financial statements noted?  Yes  No

TOWN OF CORNWALL  
CORNWALL, NEW YORK  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2017

SECTION II - FINANCIAL STATEMENT FINDINGS

SIGNIFICANT DEFICIENCIES:

Finding 2017-001 Limited Segregation of Duties

- Condition: The auditor found instances where segregation of duties was limited. Limitations in control activities may be addressed through additional management oversight. Through interviews with management and staff we were able to satisfy ourselves that direct involvement and knowledge of these activities reduced the potential for errors or irregularities.
- Criteria: Segregation of duties relates to how various duties are assigned to different people within the organization. Generally, the responsibility for authorizing transactions, recording transactions, and maintaining custody of assets should be assigned to different people so that no single person is in a position to both commit and conceal errors, irregularities or fraud.
- Cause: Limited resources and personnel available contribute directly to the level of segregation achieved. Another factor is the organizational structure and the assignment of responsibilities within that structure.
- Effect: The financial statements could have been significantly misstated due to errors or irregularities and fraud or misappropriation could occur and not be detected without adequate segregation of duties and responsibilities.
- Recommendation: We recommend that the management review the responsibilities of business staff, as well as the duties actually being performed currently. This review should focus on segregating the functions for authorizing transactions, recording transactions, and maintaining custody of assets. As part of this review, management should consider whether the current staffing level is sufficient to achieve the desired internal control. It may be necessary to hire additional staff.

Finding 2017-002 Management Oversight and Monitoring

- Condition: The Auditor found instances where oversight and monitoring by management were not documented. Through interviews with management and related personnel we were able to satisfy ourselves that the necessary oversight and monitoring was performed.
- Criteria: Effective internal control over financial reporting requires management oversight and monitoring to establish reasonable assurance that financial reporting is being reliably and accurately completed. Documentation of this oversight and monitoring is necessary to insure that this criteria is met.

TOWN OF CORNWALL  
CORNWALL, NEW YORK  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2017

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued).

- Cause:                    These activities are often informal and performed as a part of the overall management of the entity's operations. Management's close involvement in operations will typically identify inaccuracies in financial data.
- Effect:                    The financial statements could have been significantly misstated without adequate documentation and performance of oversight functions.
- Recommendation:      We recommend that management formally document its review of all elements of the financial data reflected in the financial reporting. This would include but not be limited to ledger account reconciliations, journal entries, trial balances, revenue status and budget status reports

Management has not completed a response to the above findings as of the date of this report. Government Auditing Standards requires management's responses and planned corrective action to be included in this report.