

**TOWN OF CORNWALL
CORNWALL, NEW YORK
AUDIT REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2018**

TOWN OF CORNWALL
CORNWALL, NEW YORK
DECEMBER 31, 2018

TABLE OF CONTENTS

SCHEDULE
NUMBER

	<u>PAGE</u>
Independent Auditor's Report	1 - 3
Management's Discussion and Analysis	4 - 16
Basic Financial Statements	
1 Statement of Net Position	17
2 Statement of Activities	18
3 Balance Sheet - Governmental Funds	19
4 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	20
5 Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	21
6 Reconciliation of Governmental Funds Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	22
7 Statement of Fiduciary Net Position	23
Notes to Financial Statements	24 – 59
Required Supplementary Information	
8 Schedule of Revenues and Expenditures Compared to Budget - General Fund A	60
9 Schedule of Revenues and Expenditures Compared to Budget - General Fund B	61
10 Schedule of Revenues and Expenditures Compared to Budget - Highway Fund – Town Wide	62
11 Schedule of Revenues and Expenditures Compared to Budget - Highway Fund – Part Town	63
12 Schedule of Revenues and Expenditures Compared to Budget - Water Fund	64
13 Schedule of Revenues and Expenditures Compared to Budget - Sewer Funds	65
14 Schedule of Revenues and Expenditures Compared to Budget - Sanitation Fund	66
15 Schedule of Changes in the Town's Total OPEB Liability and Related Ratios	67

TOWN OF CORNWALL
CORNWALL, NEW YORK
DECEMBER 31, 2018

TABLE OF CONTENTS
(Continued)

<u>SCHEDULE NUMBER</u>		<u>PAGE</u>
Required Supplementary Information (Continued)		
16	Schedule of the Town's Proportionate Share of the Net Pension Liability	68
17	Schedule of Town Contributions	69
Other Supplemental Information		
18	Non-Major Governmental Funds Combining Balance Sheet	70
19	Non-Major Governmental Funds Combining Statement of Revenues, Expenditures and Changes in Fund Balances	71
20	Combined General Funds - Balance Sheet	72
21	Combined General Funds - Statement of Revenues, Expenditures, and Changes in Fund	73
22	Schedule of Revenues and Expenditures Compared to Budget- Combined General Funds	74
23	Net Investment in Capital Assets	75
24	Statement of Indebtedness	76
	Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with Government Auditing Standards	77 - 78
	Schedule of Findings and Responses	79 - 81



Nugent & Haeussler, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
ESTABLISHED 1925

101 Bracken Road
Montgomery, New York 12549
Tel (845) 457-1100
Fax (845) 457-1160
e-mail: nh@nhcpas.com

Peter J. Bullis, CPA, FACFEI, DABFA
Norman M. Sassi, CPA
Christopher E. Melley, CPA
Gary C. Theodore, CPA
Julia R. Fraino, CPA
William T. Trainor, CPA
Mark M. Levy, CPA, CFP
Thomas R. Busse, Jr., CPA
Brent T. Napoleon, CPA
Jennifer L. Capicchioni, CPA
Patrick M. Bullis, CPA
Justin B. Wood, CPA

Richard P. Capicchioni, CPA
Walter J. Jung, CPA
Jennifer A. Traverse, CPA

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 fiduciary fund of the Town of Cornwall, as of and for the year ended December 31, 2018, 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 fiduciary fund of the Town of Cornwall, as of December 31, 2018, 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.

Emphasis of Matter

As discussed in Note 3 to the financial statements, management has adopted Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pensions. Our opinion is not modified with respect to that matter.

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, schedule of changes in total OPEB liability and related ratios, 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 13, 2019 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.

Mugent & Hausler, P.C.

Montgomery, New York
May 13, 2019

TOWN OF CORNWALL
CORNWALL, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018

The following is a discussion and analysis of the Town of Cornwall's financial performance for the year ended December 31, 2018. 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 2018 and 2017 were \$(4,421,086) and \$(5,036,066) (as restated) (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 deficit of \$(1,721,572), a decrease of \$1,741,395 in comparison with the prior year.
- At the end of the current calendar year, the unassigned fund balance for the General Fund was \$745,954 at 13.97% of the total General Fund expenditures.
- The Town of Cornwall's total debt increased by \$2,931,734 (73.83%) during the current calendar year.

TOWN OF CORNWALL
CORNWALL, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018

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, 2018

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, 2018

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, 2018

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 \$(4,421,086). This is a \$614,980 increase over last year's net position of \$(5,036,066) (as restated). The following table provides a summary of the Town's net position:

FIGURE A-2

<i>Condensed Statement of Net Position</i>		As Restated	Total Dollar Change
	2018	2017	2018 -2017
Current Assets	\$ 3,874,675	\$ 3,090,007	\$ 784,668
Capital Assets	10,736,514	8,563,622	2,172,892
Deferred Outflows	1,788,363	949,025	839,338
Total Assets and Deferred Outflows	16,399,552	12,602,654	3,796,898
Long-Term Debt Outstanding	12,646,908	14,631,383	(1,984,475)
Other Liabilities	5,626,419	2,661,205	2,965,214
Deferred Inflows	2,547,311	346,132	2,201,179
Total Liabilities and Deferred Inflows	20,820,638	17,638,720	3,181,918
Investment in Capital Assets, Net of Debt	3,868,655	4,637,497	(768,842)
Restricted	1,418,251	1,055,306	362,945
Unrestricted Net Assets	(9,707,992)	(10,728,869)	1,020,877
Total Net Position	\$ (4,421,086)	\$ (5,036,066)	\$ 614,980

TOWN OF CORNWALL
CORNWALL, NEW YORK
STATEMENT OF ACTIVITIES
SUMMARY OF CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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, 2018 and 2017:

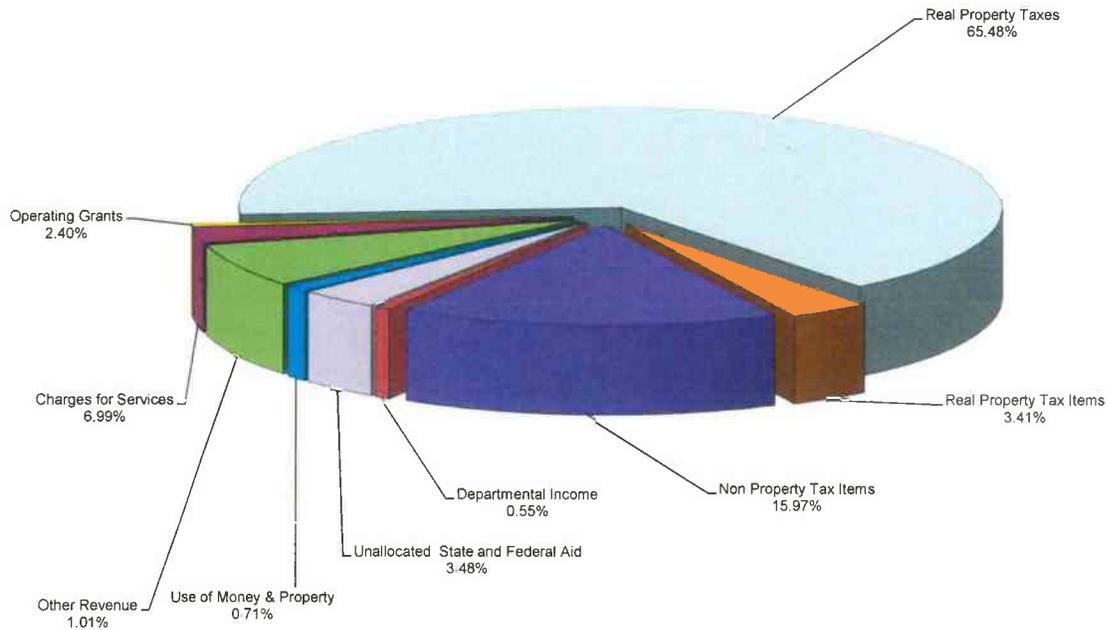
FIGURE A-3

REVENUES	2018		2017		\$ Change	% Change
	AMOUNT	%	AMOUNT	%		
PROGRAM REVENUES						
Charges for Services	\$ 769,840	6.99%	\$ 785,204	7.16%	\$ (15,364)	-1.96%
Operating Grants	264,174	2.40%	310,782	2.83%	(46,608)	-15.00%
GENERAL REVENUES						
Real Property Taxes	7,212,214	65.48%	7,100,939	64.75%	111,275	1.57%
Real Property Tax Items	375,858	3.41%	309,527	2.82%	66,331	21.43%
Non Property Taxes	1,758,930	15.97%	1,632,562	14.89%	126,368	7.74%
Departmental Income	60,724	0.55%	188,050	1.71%	(127,326)	-67.71%
Use of Money and Property	78,109	0.71%	68,051	0.62%	10,058	14.78%
Unallocated State and Federal Aid	382,780	3.48%	345,043	3.15%	37,737	10.94%
Other Revenues	111,181	1.01%	226,586	2.07%	(115,405)	-50.93%
	<u>11,013,810</u>	<u>100.00%</u>	<u>10,966,744</u>	<u>100.00%</u>	<u>47,066</u>	<u>0.43%</u>
EXPENDITURES						
General Government	1,573,417	15.13%	1,665,572	15.04%	(92,155)	-5.53%
Public Safety	1,517,223	14.59%	1,457,729	13.17%	59,494	4.08%
Health	18,385	0.18%	106,819	0.96%	(88,434)	-82.79%
Transportation	1,496,129	14.39%	1,464,211	13.22%	31,918	2.18%
Economic Assistance and Opportunity	46,690	0.45%	46,318	0.42%	372	0.80%
Culture and Recreation	246,939	2.37%	298,265	2.69%	(51,326)	-17.21%
Home and Community Services	2,005,080	19.28%	2,111,308	19.07%	(106,228)	-5.03%
Interest on Debt	91,273	0.88%	93,123	0.84%	(1,850)	-1.99%
Employee Benefits	2,699,339	25.96%	3,202,389	28.92%	(503,050)	-15.71%
Depreciation	704,355	6.77%	625,942	5.65%	78,413	12.53%
	<u>10,398,830</u>	<u>100.00%</u>	<u>11,071,676</u>	<u>100.00%</u>	<u>(672,846)</u>	<u>-6.08%</u>
CHANGE IN NET POSITION	<u>\$ 614,980</u>		<u>\$ (104,932)</u>		<u>\$ 719,912</u>	

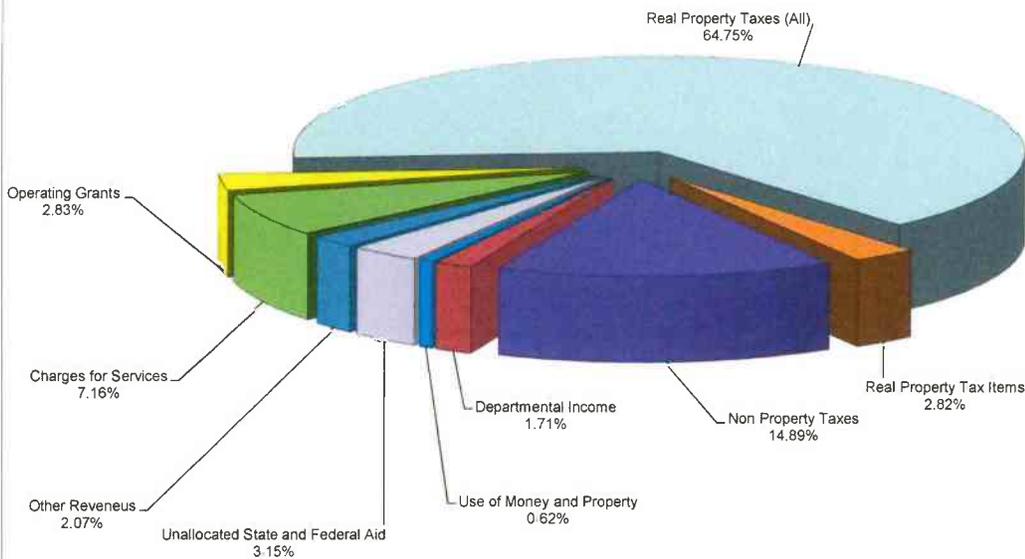
TOWN OF CORNWALL
CORNWALL, NEW YORK
December 31, 2018

FIGURE A-4

SOURCES OF REVENUES FOR YEAR 2018



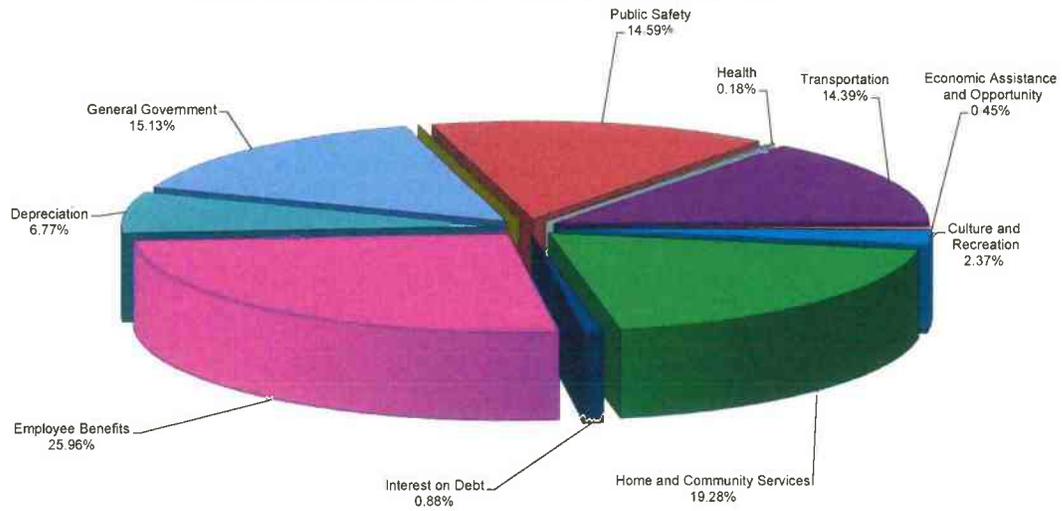
SOURCES OF REVENUES FOR YEAR 2017



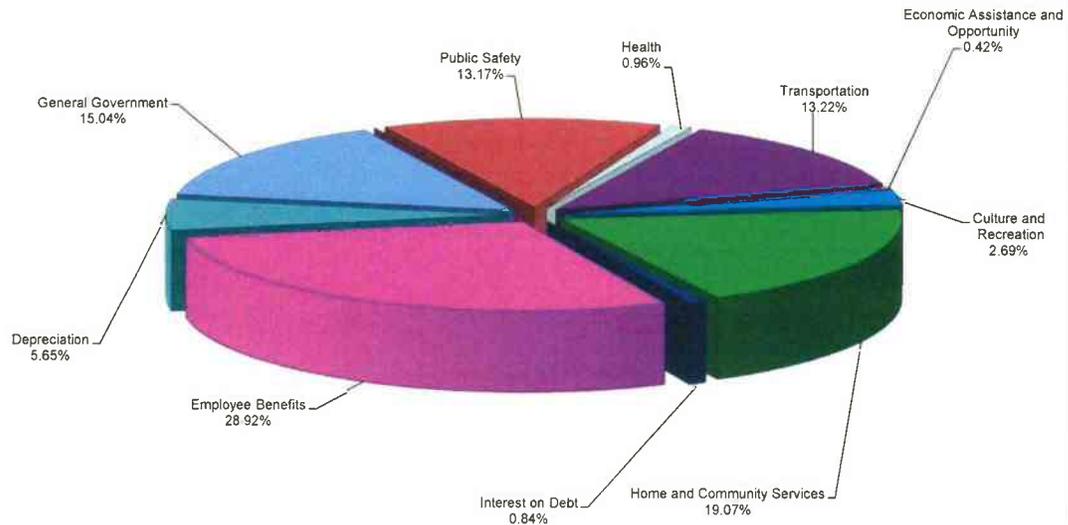
TOWN OF CORNWALL
CORNWALL, NEW YORK
December 31, 2018

FIGURE A-5

EXPENSES FOR THE YEAR 2018



EXPENSES FOR THE YEAR 2017



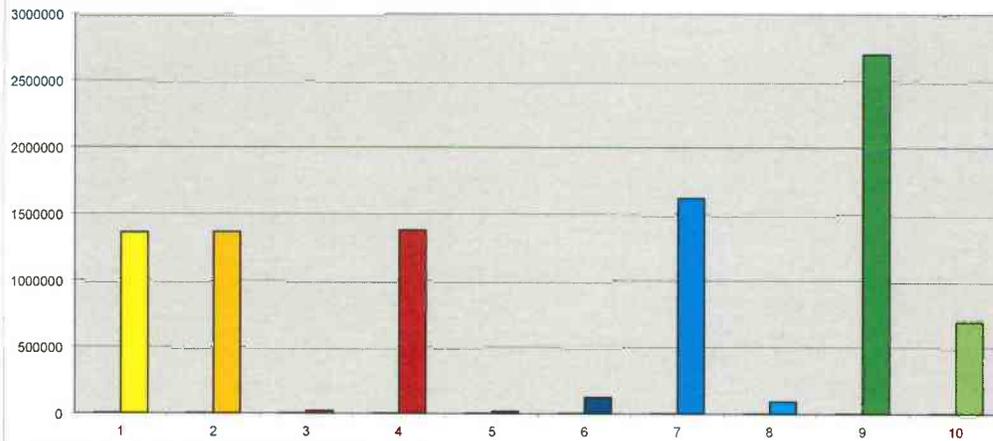
TOWN OF CORNWALL
CORNWALL, NEW YORK

December 31, 2018

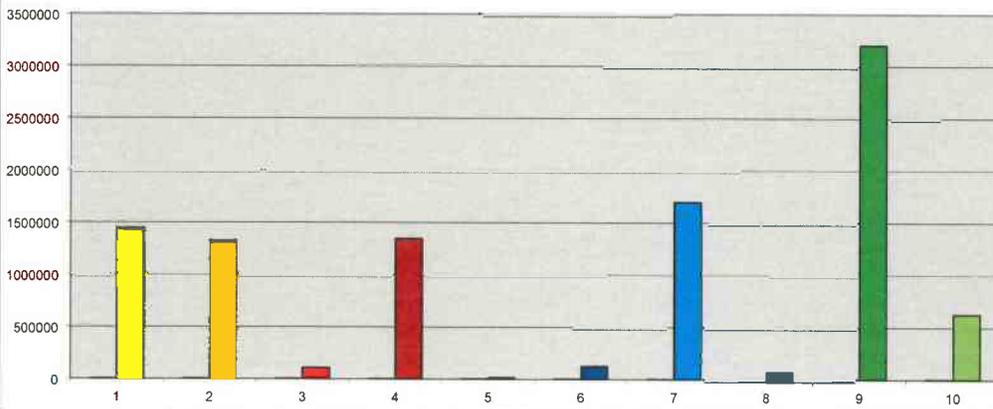
FIGURE A-6

	TOTAL COST OF SERVICES 2018	NET COST OF SERVICES 2018	TOTAL COST OF SERVICES 2017	NET COST OF SERVICES 2017
GENERAL GOVERNMENT	1 \$ 1,573,417	\$ 1,358,190	\$ 1,665,572	\$ 1,446,804
PUBLIC SAFETY	2 1,517,223	1,362,695	1,457,729	1,324,922
HEALTH	3 18,385	18,385	106,819	106,819
TRANSPORTATION	4 1,496,129	1,376,176	1,464,211	1,344,321
ECONOMIC ASSISTANCE & OPPORTUNITY	5 46,690	15,998	46,318	12,438
CULTURE AND RECREATION	6 246,939	120,240	298,265	123,120
HOME AND COMMUNITY SERVICES	7 2,005,080	1,618,165	2,111,308	1,695,812
INTEREST ON DEBT	8 91,273	91,273	93,123	93,123
EMPLOYEE BENEFITS	9 2,699,339	2,699,339	3,202,389	3,202,389
DEPRECIATION	10 704,355	704,355	625,942	625,942
	<u>\$ 10,398,830</u>	<u>\$ 9,364,816</u>	<u>\$ 11,071,676</u>	<u>\$ 9,975,690</u>

NET COSTS 2018



NET COSTS 2017



TOWN OF CORNWALL
CORNWALL, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018

Total costs of services provided by the Town for the calendar years ended December 31, 2018 and 2017 were \$10,398,830 and \$11,071,676, respectively. In 2018, these charges were offset by grants and contributions of \$264,174 and charges for services of \$769,840, resulting in net cost of services of \$9,364,816. This is a \$610,874 decrease under last year's net costs of \$9,975,690.

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

	December 31, 2018		
	Restricted	Assigned	Unassigned
General Fund	\$ 0	\$ 1,174,384	\$ 745,954
Highway Fund	842,593	100,000	0
Water Fund	13,902	0	0
Sewer Fund	355,404	24,000	0
Capital Fund	0	0	(5,289,074)
Sanitation Fund	206,352	75,000	0
Non-Major Funds	0	29,913	0
Total	\$ 1,418,251	\$ 1,403,297	\$ (4,543,120)
	December 31, 2017		
	Restricted	Assigned	Unassigned
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	\$ 1,055,306	\$ 1,065,357	\$ (1,669,568)

TOWN OF CORNWALL
CORNWALL, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018

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 \$393,790 and actual expenditures were lower than budgeted expenditures by \$426,115. Figure A-8 summarizes the General Funds original and revised budgets, actual expenditures and the variances for the year ended December 31, 2018.

Figure A-8

Condensed Budgetary Comparison General Funds	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Real Property Taxes	\$ 3,692,948	\$ 3,692,948	\$ 3,692,948	\$ 0
Non Property Taxes	813,000	813,000	965,215	152,215
State and Federal Aid	365,000	365,000	522,792	157,792
All Other	459,364	490,332	574,115	83,783
Total Revenues	5,330,312	5,361,280	5,755,070	393,790
OTHER SOURCES	400,000	404,500		
Total Revenues and Other Sources	\$ 5,730,312	\$ 5,765,780	\$ 5,755,070	
EXPENDITURES				
General Government Support	\$ 1,775,990	\$ 1,780,108	\$ 1,626,993	\$ 153,115
Public Safety	1,693,144	1,693,144	1,552,399	140,745
Health	7,000	7,353	18,382	(11,029)
Economic Assistance and Opportunity	50,200	50,229	46,680	3,549
Culture & Recreation	338,700	338,700	312,732	25,968
Home & Community Service	106,720	137,688	107,695	29,993
Employee Benefits	1,648,200	1,648,200	1,564,509	83,691
Debt Service	110,358	110,358	110,275	83
Total Expenditures	\$ 5,730,312	\$ 5,765,780	\$ 5,339,665	\$ 426,115

TOWN OF CORNWALL
CORNWALL, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018

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 6 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 2018, the Town expended \$2,877,247 on capital additions. Figure A-9 reflects the changes in net capital assets.

Figure A-9

<i>Changes in Net Capital Assets</i>	Governmental Activities		Total Dollar Change
	2018	2017	2018 - 2017
Land	\$ 324,775	\$ 324,775	\$ 0
Construction in Progress	3,341,950	1,181,998	2,159,952
Buildings	1,770,813	1,703,936	66,877
Machinery and Equipment	468,782	524,454	(55,672)
Infrastructure	4,134,744	4,336,017	(201,273)
Vehicles	695,450	492,442	203,008
Totals	\$ 10,736,514	\$ 8,563,622	\$ 2,172,892

Major additions in 2018 included:

Buildings	\$ 157,585
Construction in Progress	2,159,952
Machinery and Equipment	36,034
Infrastructure	65,847
Vehicles	457,829
Total	<u>\$ 2,877,247</u>

TOWN OF CORNWALL
CORNWALL, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018

DEBT ADMINISTRATION

Debt, short-term and long-term, increased by \$2,931,734 during 2018.

Detailed information regarding the Town's short and long-term liabilities is presented in more detail in 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 2018.

Figure A-10

	Governmental Activities		Total Dollar Change
	2018	2017	2018 - 2017
Serial Bonds and Notes	\$ 1,525,000	\$ 1,820,000	\$ (295,000)
Bond Anticipation Notes	5,377,859	2,151,125	3,226,734
Totals	\$ 6,902,859	\$ 3,971,125	\$ 2,931,734

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, 2018

ASSETS

Cash and Cash Equivalents	\$ 3,232,211
Accounts Receivable	642,464
Non Depreciable Capital Assets	3,666,725
Capital Assets (Net of Accumulated Depreciation)	7,069,789
TOTAL ASSETS	14,611,189

DEFERRED OUTFLOWS OF RESOURCES

Pensions	1,204,210
Other Postemployment Benefits	507,733
Deferred Amount of Refunding	76,420
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,788,363

LIABILITIES

Current Liabilities:

Accounts Payable	188,168
Accrued Liabilities	30,220
Accrued Interest Payable	30,172
Bond Anticipation Notes Payable	5,377,859

Long-Term Liabilities:

Due and Payable Within One Year:

Bonds and Notes Payable	311,834
-------------------------	---------

Due and Payable More Than One Year:

Bonds and Notes Payable	1,254,586
Other Post Retirement Benefits Payable	10,494,393
Net Pension Liability - Proportionate Share	517,477
Compensated Absences	68,618

TOTAL LIABILITIES **18,273,327**

DEFERRED INFLOWS OF RESOURCES

Pensions	1,425,550
Other Postemployment Benefits	1,121,761
TOTAL DEFERRED INFLOWS OF RESOURCES	2,547,311

NET POSITION

Net Investment in Capital Assets	3,868,655
Restricted	1,418,251
Unrestricted	(9,707,992)
TOTAL NET POSITION	\$ (4,421,086)

See notes to financial statements.

**TOWN OF CORNWALL
 CORNWALL, NEW YORK
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2018**

	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION
EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	
<u>PRIMARY GOVERNMENT:</u>				
Governmental Activities:				
General Government	\$ (2,372,780)	\$ 215,227	\$ 0	\$ (2,157,553)
Public Safety	(2,750,743)	148,198	6,330	(2,596,215)
Health	(26,173)	0	0	(26,173)
Transportation	(2,091,118)	0	119,953	(1,971,165)
Economic Assistance and Opportunity	(74,815)	0	30,692	(44,123)
Culture and Recreation	(402,000)	19,500	107,199	(275,301)
Home and Community Services	(2,589,927)	386,915	0	(2,203,012)
Interest on Debt	(91,273)	0	0	(91,273)
TOTAL PRIMARY GOVERNMENT	\$ (10,398,830)	\$ 769,840	\$ 264,174	(9,364,816)
 <u>GENERAL REVENUES</u>				
Real Property Taxes				7,212,214
Real Property Tax Items				375,858
Non Property Taxes				1,758,930
Departmental Income				60,724
Use of Money and Property				78,109
Intergovernmental Charges				59,422
Licenses and Permits				20,251
Unallocated State and Federal Aid				382,780
Sale of Property and Compensation for Loss				14,143
Miscellaneous				17,365
TOTAL GENERAL REVENUES				9,979,796
Change in Net Position				614,980
Net Position - Beginning (As Restated)				(5,036,066)
Net Position - Ending				\$ (4,421,086)

See notes to financial statements.

TOWN OF CORNWALL
CORNWALL, NEW YORK
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	GENERAL	HIGHWAY	WATER	SEWER	CAPITAL PROJECTS	SANITATION	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS								
Cash and Cash Equivalents	\$ 935,419	\$ 656,819	\$ 51,114	\$ 397,411	\$ 787,347	\$ 357,260	\$ 46,841	\$ 3,232,211
Accounts Receivable, Net	303,805	322,871	15,788	0	0	0	0	642,464
Due from Other Funds	747,000	0	0	48,625	0	0	0	795,625
TOTAL ASSETS	\$ 1,986,224	\$ 979,690	\$ 66,902	\$ 446,036	\$ 787,347	\$ 357,260	\$ 46,841	\$ 4,670,300
LIABILITIES								
Accounts Payable	\$ 44,871	\$ 31,317	\$ 0	\$ 3,007	\$ 28,562	\$ 72,483	\$ 7,928	\$ 188,168
Accrued Liabilities	21,015	5,780	0	0	0	3,425	0	30,220
Due to Other Funds	0	0	53,000	63,625	670,000	0	9,000	795,625
Bond Anticipation Notes Payable	0	0	0	0	5,377,859	0	0	5,377,859
TOTAL LIABILITIES	65,886	37,097	53,000	66,632	6,076,421	75,908	16,928	6,391,872
FUND BALANCES								
Restricted	0	842,593	13,902	355,404	0	206,352	0	1,418,251
Assigned	1,174,384	100,000	0	24,000	0	75,000	29,913	1,403,297
Unassigned	745,954	0	0	0	(5,289,074)	0	0	(4,543,120)
TOTAL FUND BALANCES	1,920,338	942,593	13,902	379,404	(5,289,074)	281,352	29,913	(1,721,572)
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,986,224	\$ 979,690	\$ 66,902	\$ 446,036	\$ 787,347	\$ 357,260	\$ 46,841	\$ 4,670,300

See notes to financial statements.

TOWN OF CORNWALL
CORNWALL, NEW YORK
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2018

	TOTAL GOVERNMENTAL FUNDS	LONG-TERM ASSETS, LIABILITIES	RECLASSIFICATIONS AND ELIMINATIONS	STATEMENT OF NET POSITION TOTALS
ASSETS				
Cash and Cash Equivalents	\$ 3,232,211	\$ 0	\$ 0	\$ 3,232,211
Due from Other Funds	795,625	0	(795,625)	0
Accounts Receivable, Net	642,464	0	0	642,464
Capital Assets, Net	0	10,736,514	0	10,736,514
TOTAL ASSETS	4,670,300	10,736,514	(795,625)	14,611,189
DEFERRED OUTFLOWS OF RESOURCES				
Pension	0	1,204,210	0	1,204,210
Other Postemployment Benefits	0	507,733	0	507,733
Deferred Amount of Refunding	0	76,420	0	76,420
TOTAL DEFERRED OUTFLOWS OF RESOURCES	0	1,788,363	0	1,788,363
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 4,670,300	\$ 12,524,877	\$ (795,625)	\$ 16,399,552
LIABILITIES				
Accounts Payable	\$ 188,168	\$ 0	\$ 0	\$ 188,168
Accrued Liabilities	30,220	30,172	0	60,392
Bond Anticipation Notes Payable	5,377,859	0	0	5,377,859
Bonds And Notes Payable	0	1,566,420	0	1,566,420
Due to Other Funds	795,625	0	(795,625)	0
Post Retirement Benefits Payable	0	10,494,393	0	10,494,393
Net Pension Liability - Proportionate Share	0	517,477	0	517,477
Compensated Absences Payable	0	68,618	0	68,618
TOTAL LIABILITIES	6,391,872	12,677,080	(795,625)	18,273,327
DEFERRED INFLOWS OF RESOURCES				
Pension	0	1,425,550	0	1,425,550
Other Postemployment Benefits	0	1,121,761	0	1,121,761
TOTAL DEFERRED INFLOWS OF RESOURCES	0	2,547,311	0	2,547,311
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	6,391,872	15,224,391	(795,625)	20,820,638
TOTALS FUND BALANCES/NET POSITION	(1,721,572)	(2,699,514)	0	(4,421,086)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES/NET POSITION	\$ 4,670,300	\$ 12,524,877	\$ (795,625)	\$ 16,399,552

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, 2018

	GENERAL	HIGHWAY	WATER	SEWER	CAPITAL PROJECTS	SANITATION	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES								
Real Property Taxes	\$ 3,692,948	\$ 1,402,435	\$ 38,983	\$ 338,048	\$ 0	\$ 1,550,800	\$ 189,000	\$ 7,212,214
Real Property Tax Items	14,718	0	0	361,140	0	0	0	375,858
Non Property Tax Items	950,497	808,433	0	0	0	0	0	1,758,930
Departmental Income	270,539	0	119,575	232,963	0	0	0	623,077
Intergovernmental Charges	0	59,422	0	0	0	0	0	59,422
Use of Money and Property	74,649	1,142	73	694	447	947	157	78,109
Licenses and Permits	10,055	0	0	15,100	0	0	0	25,155
Fines and Forfeitures	202,583	0	0	0	0	0	0	202,583
Sale of Property and Compensation for Loss	13,215	928	0	0	0	0	0	14,143
Miscellaneous	3,074	0	2,494	0	11,532	265	0	17,365
State and Federal Aid	522,792	119,953	0	0	0	4,209	0	646,954
TOTAL REVENUES	5,755,070	2,392,313	161,125	947,945	11,979	1,556,221	189,157	11,013,810
EXPENDITURES								
General Government Support	1,626,993	0	0	0	103,731	0	0	1,730,724
Public Safety	1,552,399	0	0	0	0	0	0	1,552,399
Health	18,382	0	0	0	0	0	0	18,382
Transportation	0	1,227,700	0	0	422,225	0	99,208	1,749,133
Economic Assistance and Opportunity	46,680	0	0	0	0	0	0	46,680
Culture and Recreation	312,732	0	0	0	0	0	0	312,732
Home and Community Service	107,695	0	114,849	870,891	2,159,952	1,021,491	95,000	4,369,878
Employee Benefits	1,564,509	627,799	475	9,156	0	404,944	0	2,606,883
Debt Service	110,275	235,075	5,513	81,254	0	85,130	0	517,247
TOTAL EXPENDITURES	5,339,665	2,090,574	120,837	961,301	2,685,908	1,511,565	194,208	12,904,058
OTHER FINANCING SOURCES (USES)								
BANS Redeemed from Appropriations	0	0	0	0	148,853	0	0	148,853
TOTAL FINANCING SOURCES (USES)	0	0	0	0	148,853	0	0	148,853
Net Change in Fund Balances	415,405	301,739	40,288	(13,356)	(2,525,076)	44,656	(5,051)	(1,741,395)
Fund Balances-Beginning (As Restated)	1,504,933	640,854	(26,386)	392,760	(2,763,998)	236,696	34,964	19,823
Fund Balances-Ending	<u>\$ 1,920,338</u>	<u>\$ 942,593</u>	<u>\$ 13,902</u>	<u>\$ 379,404</u>	<u>\$ (5,289,074)</u>	<u>\$ 281,352</u>	<u>\$ 29,913</u>	<u>\$ (1,721,572)</u>

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, 2018

	TOTAL GOVERNMENTAL FUNDS	LONG-TERM REVENUE, EXPENSES	CAPITAL RELATED ITEMS	LONG-TERM DEBT TRANSACTIONS	RECLASSIFICATIONS AND ELIMINATIONS	STATEMENT OF ACTIVITIES TOTALS
REVENUES						
Real Property Taxes	\$ 7,212,214	\$ 0	\$ 0	\$ 0	\$ 0	\$ 7,212,214
Real Property Tax Items	375,858	0	0	0	0	375,858
Non Property Tax Items	1,758,930	0	0	0	0	1,758,930
Departmental Income	623,077	0	0	0	0	623,077
Intergovernmental Charges	59,422	0	0	0	0	59,422
Use of Money and Property	78,109	0	0	0	0	78,109
Licenses and Permits	25,155	0	0	0	0	25,155
Fines and Forfeitures	202,583	0	0	0	0	202,583
Sale of Property and Compensation for Loss	14,143	0	0	0	0	14,143
Miscellaneous	17,365	0	0	0	0	17,365
State and Federal Aid	646,954	0	0	0	0	646,954
TOTAL REVENUES	11,013,810	0	0	0	0	11,013,810
EXPENDITURES						
General Government Support	1,730,724	278	165,419	0	476,359	2,372,780
Public Safety	1,552,399	428	255,263	0	942,654	2,750,743
Health	18,382	3	1,612	0	6,177	26,173
Transportation	1,749,133	207	123,126	0	218,652	2,091,118
Economic Assistance and Opportunity	46,680	10	5,820	0	22,305	74,815
Culture and Recreation	312,732	54	32,088	0	57,126	402,000
Home and Community Service	4,369,878	202	121,027	0	(1,901,181)	2,589,927
Employee Benefits	2,606,883	92,456	0	0	(2,699,339)	0
Capital Outlay	0	0	(2,877,247)	0	2,877,247	0
Debt Service	517,247	7,879	0	(433,853)	0	91,273
TOTAL EXPENDITURES	12,904,058	101,517	(2,172,892)	(433,853)	0	10,398,830
Excess (Deficiency) of Revenues Over Expenditures	(1,890,248)	(101,517)	2,172,892	433,853	0	614,980
OTHER SOURCES (USES):						
BANS Redeemed from Appropriations	148,853	0	0	(148,853)	0	0
TOTAL OTHER SOURCES (USES)	148,853	0	0	(148,853)	0	0
NET CHANGE FOR THE YEAR	\$ (1,741,395)	\$ (101,517)	\$ 2,172,892	\$ 285,000	\$ 0	\$ 614,980

See notes to financial statements.

TOWN OF CORNWALL
CORNWALL, NEW YORK
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2018

	<u>AGENCY FUNDS</u>
ASSETS	
Cash	\$ 384,495
	<hr/>
TOTAL ASSETS	\$ 384,495
	<hr/> <hr/>
LIABILITIES	
Escrow Deposits	\$ 190,469
Other Agency Liabilities	194,026
	<hr/>
TOTAL LIABILITIES	\$ 384,495
	<hr/> <hr/>

See notes to financial statements.

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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, 2018

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, 2018

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.

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

B. Basis of Presentation (Continued)

- 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.

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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.

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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 inventorable 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.

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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 Threshold</u>	<u>Useful 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 Threshold</u>	<u>Useful 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.

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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 three 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. The third deferred outflow is related to postemployment benefits reported in the Statement of Net Position. For additional information on these deferred outflows related to other postemployment benefits, see Note 7.

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 two items that qualify for reporting in this category. The first 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. The second deferred inflow is related to postemployment benefits reported in the Statement of Net Position. For additional information on these deferred outflows related to other postemployment benefits, see Note 7.

O. Post Employment Benefits

See Note 7 for details about the Town's postemployment health insurance benefits.

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

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.

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.

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

Q. Equity Classification (Continued)

2. Funds Statements (Continued)

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 \$440,000, \$100,000, \$75,000, \$24,000, and \$5,000 respectively assigned to be used to reduce the tax levy for the year ending December 31, 2019. This assignment is made when the tax levy is set by the Board of Trustees pursuant to the Town's annual budget policy.

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, 2018, the Town implemented the following new standards issued by GASB:

- GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for the year ending December 31, 2018.

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

S. New Accounting Standards (Continued)

- GASB Statement 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*, effective for the year ending December 31, 2018.
- GASB Statement 83, *Certain Asset Retirement Obligations*, effective for the year ending December 31, 2018.
- GASB Statement 85, *Omnibus 2017*, effective for the year ending December 31, 2018.
- GASB Statement 86, *Certain Debt Extinguishment Issues*, effective for the year ending December 31, 2018.

GASB has issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions. It also improves the information provided by state and local governmental employers about support for OPEB that is provided by other entities. The Town has implemented Statement 75, as required.

GASB has issued Statement 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*, which addresses certain issues that have been raised with respect to Statements No. 67, 68, and 73. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The Town has implemented Statement 82, as required.

GASB has issued Statement 83, *Certain Asset Retirement Obligations*, which will enhance comparability of governments by establishing uniform criteria for governments to recognize and measure certain asset retirement obligations (AROs), including obligations that may not have been previously reported. An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. The Town has implemented Statement 83, as required.

GASB has issued Statement 85, *Omnibus 2017*, which will enhance consistency in the application of accounting and financial reporting requirements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OBEB)). The Town has implemented Statement 85, as required.

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

S. New Accounting Standards (Continued)

GASB has issued Statement 86, *Certain Debt Extinguishment Issues*, which will increase consistency in accounting and financial reporting for debt extinguishments by establishing uniform guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irrevocable trust for the purpose of extinguishing that debt were acquired. The requirements of this Statement also will enhance consistency in financial reporting of prepaid insurance related to debt that has been extinguished. The Town has implemented Statement 86, as required.

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.

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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:

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.

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	\$ 19,836,207
Accumulated Depreciation	<u>(9,099,693)</u>
Capital Assets, Net	<u><u>\$ 10,736,514</u></u>

(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, 2018	<u><u>\$ 30,172</u></u>
---------------------------------------	-------------------------

(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	\$ 1,525,000
Premium on Obligations	41,420
Deferred Outflows of Resources – OPEB	(507,733)
Other Postemployment Benefits	10,494,393
Deferred Inflows of Resources – OPEB	1,121,761
Compensated Absences	<u>68,618</u>
	<u><u>\$ 12,743,459</u></u>

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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, 2018 were as follows:

Deferred Outflows of Resources – Pensions	\$ (1,204,210)
Net Pension Liability, Proportionate Share (ERS & PFRS)	517,477
Deferred Inflows of Resources – Pensions	<u>1,425,550</u>
	<u>\$ 738,817</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 five 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.

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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

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	\$ 11,013,810
Differences	<u>0</u>
Total Revenues of Governmental Activities	<u>\$ 11,013,810</u>

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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 \$ 12,904,058

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 increased by \$1,182 during the year. 1,182

In the Statement of Activities, the expense for other postemployment benefits (OPEB) includes changes in the OPEB liability such as service cost, interest cost and changes in benefit terms, as well as amortization of deferred outflows of resources and deferred inflows of resources related to OPEB. In the governmental funds, however, OPEB expenditures are measured by the amount of financial resources used (essentially the amounts actually paid). This is the amount by which OPEB expense in the Statement of Activities exceeded the amount of financial resources used during the year. (Schedule 6) 126,099

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 \$2,877,247 was more than depreciation of \$704,355 in the current year. (2,172,892)

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. 7,879

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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)

(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 \$17,326 and ERS of \$(50,969)) (33,643)

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. 10,000

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. (443,853)

Total Expenses of Governmental Activities \$ 10,398,830

NOTE 3. CHANGE IN ACCOUNTING PRINCIPLES

For the year ended December 31, 2018, the Town implemented GASB Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of the statement requires Town to report Other Postemployment Benefits (OPEB) liabilities, OPEB expenses, deferred outflows and deferred inflows of resources related to OPEB. See note 13 for the financial statement impact of the implementation of the statement.

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 4. 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, 2018, per the bank, are categorized as follows:

	<u>1</u>	<u>2</u>	<u>3</u>
Governmental & Agency Funds	\$ 3,651,331	\$ 0	\$ 0

NOTE 5. INTERFUND ACTIVITY.

The interfund receivables and payables at December 31, 2018 were as follows:

	Receivables	Payables
General Fund	\$ 747,000	\$ 0
Water Fund	0	53,000
Sewer Fund	48,625	63,625
Capital Projects Fund	0	670,000
Non-Major Funds	0	9,000
	\$ 795,625	\$ 795,625

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 6. CAPITAL ASSETS.

Capital asset balances and activity for the year ended December 31, 2018, 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	1,181,998	2,159,952	0	3,341,950
Total Not Depreciated	<u>1,506,773</u>	<u>2,159,952</u>	<u>0</u>	<u>3,666,725</u>
Capital Assets that are Depreciated:				
Buildings	2,784,980	157,585	0	2,942,565
Machinery and Equipment	1,787,721	36,034	0	1,823,755
Infrastructure	6,644,402	65,847	0	6,710,249
Vehicles	4,283,441	457,829	48,357	4,692,913
Total Depreciated	<u>15,500,544</u>	<u>717,295</u>	<u>48,357</u>	<u>16,169,482</u>
Less Accumulated Depreciation:				
Buildings	1,081,044	90,708	0	1,171,752
Machinery and Equipment	1,263,267	91,706	0	1,354,973
Infrastructure	2,308,385	267,120	0	2,575,505
Vehicles	3,790,999	254,821	48,357	3,997,463
Total Accumulated Depreciation	<u>8,443,695</u>	<u>704,355</u>	<u>48,357</u>	<u>9,099,693</u>
Total Historical Cost, Net	<u>\$ 8,563,622</u>	<u>\$ 2,172,892</u>	<u>\$ 0</u>	<u>\$ 10,736,514</u>

Depreciation was charged to governmental functions as follows:

General government support	\$ 165,419
Public safety	255,263
Transportation	123,126
Economic Assistance and Opportunity	5,820
Culture and Recreation	32,088
Health	1,612
Home and Community Services	<u>121,027</u>
Total Depreciation Expense	<u>\$ 704,355</u>

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 7. 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, 2018, there were three Bond Anticipation Notes (BAN) outstanding for \$5,377,859.

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

Interest paid	\$ 27,706
Less: Interest accrued - prior year	(10,531)
Plus: Interest accrued - current year	<u>19,003</u>
Total Short-Term Interest	<u>\$ 36,178</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	\$ 45,688
Less: Interest accrued - prior year	(11,762)
Plus: Interest accrued - current year	<u>11,169</u>
Total Long-Term Interest	<u>\$ 45,095</u>

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 7. LIABILITIES. (Continued)

B. Long-Term Debt (Continued)

Long-term liability activity for the year ended December 31, 2018, was as follows:

	<u>Balance</u> <u>01/01/18</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/18</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities					
Bonds and Notes Payable:					
General Obligation					
Debt	\$ 1,820,000	\$ 0	\$ 295,000	\$ 1,525,000	\$ 300,000
Premium on Obligations	53,254	0	11,834	41,420	11,834
Other Liabilities					
Other Postemployment					
Benefits	10,982,322	1,204,859	1,692,788	10,494,393	0
Net Pension Liability –					
Proportionate Share	1,277,099	0	759,622	517,477	0
Vested Compensated					
Absences	<u>67,436</u>	<u>1,182</u>	<u>0</u>	<u>68,618</u>	<u>0</u>
Total	<u>\$ 14,200,111</u>	<u>\$ 1,206,041</u>	<u>\$ 2,759,244</u>	<u>\$ 12,646,908</u>	<u>\$ 311,834</u>

At December 31, 2018, the deferred amount on refunding includes unamortized premiums of \$41,420. 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.

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	175,000	7,488	182,488
2024	<u>120,000</u>	<u>2,175</u>	<u>122,175</u>
Total	<u>\$ 1,525,000</u>	<u>\$ 120,542</u>	<u>\$ 1,645,542</u>

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 7. LIABILITIES. (Continued)

C. Postemployment Benefits

General Information about the OPEB Plan

Plan Description – The Town’s defined benefit OPEB plan (“the Town’s OPEB plan”), provides OPEB for all permanent full-time general and public safety employees of the Town. The Town’s OPEB plan is a single-employer defined benefit OPEB plan administered by the Town.

Benefits Provided – The Town’s OPEB plan provides healthcare benefits for retirees and their dependents.

Medical Benefits: The Plan is a fully insured plan. Current retiree premium rates are as follows:

a)Individual Pre-age 65:	Generally \$1,015 per month.
b)Family Pre-age 65:	Generally \$2,348 per month.
c)Individual Post-age 65:	Generally \$444 per month.
d)Family Post-age 65:	Generally \$1,207 per month.

The Town provides full Medicare Part B reimbursement to eligible retirees, spouses, and surviving spouses.

Minimum eligibility requirements for postemployment benefits are as follows:

- The retiree has attained age 55 years while in the employment of the Town and has a minimum of ten years of service.

Funding Policy: The contribution requirements of Plan members and the Town are established by the Town. The required contribution is based on projected pay-as-you-go financing requirements. For the 2018 year, the Town contributed \$190,436 to the plan, the total amount for current premiums. For the Police Department, the Town will generally contribute 100% of the NYSHIP/State Empire medical premium amounts for both individual coverage and family (dependent) coverage. For other eligibles, the Town will continue to contribute at the pre-retirement level.

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 7. LIABILITIES. (Continued)

C. Postemployment Benefits (continued)

Employees Covered by Benefit Terms – At December 31, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	22
Active employees	<u>47</u>
Total Employees Covered by Benefit Terms	<u><u>69</u></u>

Total OPEB Liability

The Town's total OPEB liability of \$10,494,393 was measured as of December 31, 2018, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs – The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	1/1/2018
Measurement Date	1/1/2018
Projected Salary Increases	3.50%
Discount Rate	3.44% (2.44% and 4.44% are illustrated for sensitivity)
Rate of Inflation	2.50%
Mortality	RP-2014 mortality table, MP-2018 projection
Actuarial Cost Method	Entry Age Normal - Level Percent of Pay
Plan Type	Single Employer Defined Plan
Marriage Rate	It is assumed that 70% of retirees will be married at the time of their retirement, with male spouses assumed to be approximately 3 years older than female
Participation Rate	100% of Retirees, 85% of Spouses, 50% of Surviving Spouses
Medicare Part B Trend	5.00%

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 7. LIABILITIES. (Continued)

C. Postemployment Benefits (continued)

The discount rate was an input tied to a 20-year tax-exempt general obligation municipal bond rated AA/Aa (or equivalent) or higher as of the Measurement Date. The discount rate and the corresponding liability must be updated annually even if in an interim year.

The actuarial assumptions used in the January 1, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2018 - December 31, 2018.

Changes in the Total OPEB Liability

Balance at December 31, 2017	<u>\$ 10,982,322</u>
<u>Changes for the Year:</u>	
Service cost	435,540
Interest	427,996
Changes of benefit terms	(165,694)
Differences between expected and actual experience	341,323
Changes in assumptions or other inputs	(1,336,658)
Benefit payments	<u>(190,436)</u>
Net Changes	<u>(487,929)</u>
Balance at December 31, 2018	<u><u>\$ 10,494,393</u></u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the Town, as well as what the Town’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.44 percent) or 1 percentage point higher (4.44 percent) than the current discount rate:

	1% Decrease (2.44%)	Current Discount Rate (3.44%)	1% Increase (4.44%)
Total OPEB Liability	<u>\$ 12,442,043</u>	<u>\$ 10,494,393</u>	<u>\$ 8,962,204</u>

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 7. LIABILITIES. (Continued)

C. Postemployment Benefits (continued)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the Town, as well as what the Town’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rate:

	Trend Rate Less 1%	Current Health Care Cost Trend Rates	Trend Rate Plus 1%
Total OPEB Liability	\$ 8,776,402	\$ 10,494,393	\$ 12,736,945

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2018, the Town recognized OPEB expense of \$126,099. At December 31, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 286,448	\$ 0
Changes of assumptions or other inputs	0	1,121,761
Town's contributions subsequent to the measurement date	221,285	0
Total	\$ 507,733	\$ 1,121,761

Town contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the fiscal year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending December 31,	Amount
2019	\$ (160,022)
2020	(160,022)
2021	(160,022)
2022	(160,022)
2023	(195,225)

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 8. 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 or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

ERS and PFRS Benefits

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.

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 8. 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.

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 8. PENSION PLANS. (Continued)

ERS and PFRS Benefits Provided (Continued)

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.

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.

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 8. 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:

	ERS	PFRS
2018	\$ 346,773	\$ 209,794
2017	341,440	189,518
2016	367,979	182,962

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, 2018, 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, 2018 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.

	ERS	PFRS
	3/31/2018	3/31/2018
Actuarial Valuation Date		
Net Pension Asset/(Liability)	\$ (249,133)	\$ (268,344)
Town's Portion of the Plan's Total Net Pension Asset/(Liability)	0.0077192%	0.0265488%

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 8. PENSION PLANS. (Continued)

For the year ended December 31, 2018, the Town's recognized pension expense of \$295,204 for ERS and the actuarial value \$234,054 for PFRS. At December 31, 2018 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	\$ 88,858	\$ 110,448	\$ 199,306
Changes of Assumptions	165,196	203,319	368,515
Net difference between projected and actual earnings on pension plan investments	361,846	217,193	579,039
Changes in proportion and difference between the Town's contributions and proportionate share of contributions	47,676	9,674	57,350
Town's contributions subsequent to the measurement date	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 663,576</u>	<u>\$ 540,634</u>	<u>\$ 1,204,210</u>

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 8. PENSION PLANS. (Continued)

	Deferred Inflows or Resources		
	<u>ERS</u>	<u>PFRS</u>	<u>Total</u>
Differences between expected and actual experience	\$ 73,429	\$ 71,305	\$ 144,734
Changes of Assumptions	0	0	0
Net difference between projected and actual earnings on pension plan investments	714,247	437,414	1,151,661
Changes in proportion and difference between the District's contributions and proportionate share of contributions	47,699	81,456	129,155
District's contributions subsequent to the measurement date	0	0	0
Total	<u>\$ 835,375</u>	<u>\$ 590,175</u>	<u>\$ 1,425,550</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, 2018. 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>
2019	\$ 47,348	\$ 32,663
2020	38,781	26,529
2021	(178,776)	(72,466)
2022	(79,152)	(46,357)
2023	-	10,089

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 8. 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.

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 8. 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, 2018	
	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%	7.50%
Real Estate	10%	5.55%
Absolute Return Strategies	2%	3.75%
Opportunistic Portfolio	3%	5.68%
Real Assets	3%	5.29%
Bonds and Mortgages	17%	1.31%
Cash	1%	-0.25%
Inflation-indexed bonds	4%	1.25%
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.

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 8. 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)	\$ (1,885,006)	\$ (249,133)	\$ 1,134,750
PFRS	1% Decrease 6.00%	Current Assumption 7.00%	1% Increase 8.00%
Employer's Proportionate Share of the Net Pension Asset/(Liability)	(1,314,420)	(268,344)	609,069

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, 2018	March 31, 2018
Employers' total pension asset/(liability)	\$ (183,400,590)	\$ (32,914,423)
Plan net position	180,173,145	31,903,666
Employer's net pension asset/(liability)	\$ (3,227,445)	\$ (1,010,757)
Ratio of plan net position to the employers' total pension asset/(liability)	98.24%	96.93%

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 8. 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 31st. Accrued retirement contributions as of December 31, 2018 represent the projected employer contributions for the period of April 1, 2017 through December 31, 2018 based on paid ERS wages multiplied by the employer's contribution rate, by tier.

NOTE 9. DEFICIT FUND BALANCES.

The Hydrant Fund had a deficit fund balance of \$283 at December 31, 2018. This deficit will be eliminated by increasing the tax levy for the fund and controlling expenditures. The Capital fund also had a deficit fund balance of \$5,289,074 at December 31, 2018. This deficit will be eliminated through long term financing.

NOTE 10. 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 11. 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, 2018

NOTE 12. SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 13, 2019, 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.

NOTE 13. RESTATEMENT OF NET POSITION

For the year ended December 31, 2018, the Town implemented GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement replaces the requirements of Statements 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended*, and 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB*. GASB Statement 75 requires the liability of employers and nonemployer contributing entities to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position (if any). The Town's net position has been restated as follows:

Net Position Beginning of Year, as Previously Stated	<u>\$ (617,520)</u>
 <u>GASB Statement 75 Implementation</u>	
Removal of Total OPEB Liability under Statement 45	6,563,776
Restated Total OPEB Liability under Statement 75	<u>(10,982,322)</u>
Net Change in Net Position for Statement 75 Implementation	<u>(4,418,546)</u>
 Net Position Beginning of Year, As Restated	 <u><u>\$ (5,036,066)</u></u>

NOTE 14. PRIOR PERIOD ADJUSTMENT – CAPITAL FUND

For the year ended December 31, 2017 the EFC loan was recognized as long-term debt. During the year ended December 31, 2018 the EFC loan has been reclassified to be recognized as short-term debt. As a result the beginning balance of the Capital Fund deficit fund balance has changed as follows:

Balance at December 31, 2017	\$ (2,332,726)
Reclassification of EFC loan to Short-Term Debt	<u>(431,272)</u>
Balance at December 31, 2018	<u><u>\$ (2,763,998)</u></u>

TOWN OF CORNWALL
CORNWALL, NEW YORK
SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET -
GENERAL FUND A
FOR THE YEAR ENDED DECEMBER 31, 2018

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES				
Real Property Taxes	\$ 2,073,484	\$ 2,073,484	\$ 2,073,484	\$ 0
Real Property Tax Items	18,000	18,000	14,718	(3,282)
Non-Property Tax Items	95,000	95,000	142,065	47,065
Departmental Income	41,000	41,000	92,868	51,868
Use of Money and Property	67,264	67,264	73,361	6,097
Licenses and Permits	13,000	13,000	10,055	(2,945)
Fines and Forfeitures	220,000	220,000	202,583	(17,417)
Miscellaneous	0	3,550	2,530	(1,020)
State Aid	280,000	280,000	388,098	108,098
Federal Aid	85,000	85,000	70,692	(14,308)
TOTAL REVENUES	<u>2,892,748</u>	<u>2,896,298</u>	<u>\$ 3,070,454</u>	<u>\$ 174,156</u>
OTHER SOURCES				
Appropriated Fund Balance	250,000	254,500		
TOTAL REVENUES AND OTHER SOURCES	<u>\$ 3,142,748</u>	<u>\$ 3,150,798</u>		
EXPENDITURES				
General Government Support	\$ 1,775,990	\$ 1,780,108	\$ 1,626,994	\$ 153,114
Public Safety	168,000	168,000	158,943	9,057
Health	7,000	7,353	18,382	(11,029)
Economic Assistance and Opportunity	50,200	50,229	46,680	3,549
Culture and Recreation	280,700	280,700	259,813	20,887
Home and Community Services	1,000	4,550	233	4,317
Employee Benefits	749,500	749,500	709,067	40,433
Debt Service	110,358	110,358	110,275	83
TOTAL EXPENDITURES	<u>\$ 3,142,748</u>	<u>\$ 3,150,798</u>	<u>\$ 2,930,387</u>	<u>\$ 220,411</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-
GENERAL FUND B
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>ORIGINAL BUDGET</u>	<u>ADJUSTED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES				
Real Property Taxes	\$ 1,619,464	\$ 1,619,464	\$ 1,619,464	\$ 0
Non-Property Tax Items	700,000	700,000	808,432	108,432
Departmental Income	117,700	145,118	177,671	32,553
Use of Money and Property	400	400	1,288	888
Sale of Property and Compensation for Loss	0	0	13,215	13,215
Miscellaneous	0	0	544	544
State Aid	0	0	64,002	64,002
TOTAL REVENUES	<u>2,437,564</u>	<u>2,464,982</u>	<u>\$ 2,684,616</u>	<u>\$ 219,634</u>
OTHER SOURCES				
Appropriated Fund Balance	150,000	150,000		
TOTAL REVENUES AND OTHER SOURCES	<u>\$ 2,587,564</u>	<u>\$ 2,614,982</u>		
EXPENDITURES				
Public Safety	\$ 1,525,144	\$ 1,525,144	\$ 1,393,455	\$ 131,689
Culture and Recreation	58,000	58,000	52,919	5,081
Home and Community Services	105,720	133,138	107,462	25,676
Employee Benefits	898,700	898,700	855,442	43,258
TOTAL EXPENDITURES	<u>\$ 2,587,564</u>	<u>\$ 2,614,982</u>	<u>\$ 2,409,278</u>	<u>\$ 205,704</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, 2018

	<u>ORIGINAL BUDGET</u>	<u>ADJUSTED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES				
Real Property Taxes	\$ 263,095	\$ 263,095	\$ 263,095	\$ 0
Sale of Property and Compensation for Loss	0	0	124	124
TOTAL REVENUES	<u>\$ 263,095</u>	<u>\$ 263,095</u>	<u>\$ 263,219</u>	<u>\$ 124</u>
EXPENDITURES				
Transportation	\$ 150,000	\$ 150,000	\$ 108,784	\$ 41,216
Debt Service	113,095	113,095	113,093	2
TOTAL EXPENDITURES	<u>\$ 263,095</u>	<u>\$ 263,095</u>	<u>\$ 221,877</u>	<u>\$ 41,218</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, 2018

	<u>ORIGINAL BUDGET</u>	<u>ADJUSTED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES				
Real Property Taxes	\$ 1,139,340	\$ 1,139,340	\$ 1,139,340	\$ 0
Non Property Tax Items	700,000	700,000	808,433	108,433
Intergovernmental	58,000	58,000	59,422	1,422
Use of Money and Property	400	400	1,142	742
Sale of Property and Compensation for Loss	0	0	804	804
State and Federal Aid	84,665	104,065	119,953	15,888
TOTAL REVENUES	<u>1,982,405</u>	<u>2,001,805</u>	<u>\$ 2,129,094</u>	<u>\$ 127,289</u>
OTHER SOURCES				
Appropriated Fund Balance	<u>130,000</u>	<u>130,000</u>		
TOTAL REVENUES AND OTHER SOURCES	<u>\$ 2,112,405</u>	<u>\$ 2,131,805</u>		
EXPENDITURES				
Transportation	\$ 1,347,665	\$ 1,367,065	\$ 1,118,916	\$ 248,149
Employee Benefits	642,710	642,710	627,799	14,911
Debt Service	<u>122,030</u>	<u>122,030</u>	<u>121,982</u>	<u>48</u>
TOTAL EXPENDITURES	<u>\$ 2,112,405</u>	<u>\$ 2,131,805</u>	<u>\$ 1,868,697</u>	<u>\$ 263,108</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, 2018

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES				
Real Property Taxes	\$ 38,983	\$ 38,983	\$ 38,983	\$ 0
Departmental Income	130,000	130,000	119,575	(10,425)
Use of Money and Property	0	0	73	73
Miscellaneous	0	0	2,494	2,494
TOTAL REVENUES	<u>\$ 168,983</u>	<u>\$ 168,983</u>	<u>\$ 161,125</u>	<u>\$ (7,858)</u>
EXPENDITURES				
Home and Community Services	\$ 162,946	\$ 162,946	\$ 114,849	\$ 48,097
Employee Benefits	522	522	475	47
Debt Service	5,515	5,515	5,513	2
TOTAL EXPENDITURES	<u>\$ 168,983</u>	<u>\$ 168,983</u>	<u>\$ 120,837</u>	<u>\$ 48,146</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, 2018

	<u>ORIGINAL BUDGET</u>	<u>ADJUSTED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES				
Real Property Taxes	\$ 338,048	\$ 338,048	338,048	\$ 0
Real Property Tax Items	361,140	361,140	361,140	0
Departmental Income	304,000	304,000	232,963	(71,037)
Use of Money and Property	0	0	694	694
Licenses and Permits	0	0	15,100	15,100
Miscellaneous	0	0	-	-
TOTAL REVENUES	<u>1,003,188</u>	<u>1,003,188</u>	<u>\$ 947,945</u>	<u>\$ (55,243)</u>
OTHER SOURCES				
Appropriated Fund Balance	<u>30,000</u>	<u>30,000</u>		
TOTAL REVENUES AND OTHER SOURCES	<u>\$ 1,033,188</u>	<u>\$ 1,033,188</u>		
EXPENDITURES				
Home and Community Services	\$ 913,080	\$ 935,147	\$ 870,891	\$ 64,256
Employee Benefits	9,400	9,400	9,156	244
Debt Service	110,708	88,641	81,254	7,387
TOTAL EXPENDITURES	<u>\$ 1,033,188</u>	<u>\$ 1,033,188</u>	<u>\$ 961,301</u>	<u>\$ 71,887</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, 2018

	<u>ORIGINAL BUDGET</u>	<u>ADJUSTED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES				
Real Property Taxes	\$ 1,550,800	\$ 1,550,800	1,550,800	\$ 0
Use of Money and Property	300	300	947	647
Miscellaneous	0	0	265	265
State Aid	0	0	4,209	4,209
TOTAL REVENUES	<u>1,551,100</u>	<u>1,551,100</u>	<u>\$ 1,556,221</u>	<u>\$ 5,121</u>
OTHER SOURCES				
Appropriated Fund Balance	<u>55,000</u>	<u>55,000</u>		
TOTAL REVENUES AND OTHER SOURCES	<u>\$ 1,606,100</u>	<u>\$ 1,606,100</u>		
EXPENDITURES				
Home and Community Services	\$ 1,100,000	\$ 1,100,000	\$ 1,021,491	78,509
Employee Benefits	420,960	420,960	404,944	16,016
Debt Service	<u>85,140</u>	<u>85,140</u>	<u>85,130</u>	<u>10</u>
TOTAL EXPENDITURES	<u>\$ 1,606,100</u>	<u>\$ 1,606,100</u>	<u>\$ 1,511,565</u>	<u>\$ 94,535</u>

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

TOWN OF CORNWALL
CORNWALL, NEW YORK
SCHEDULE OF CHANGES IN THE TOWN'S TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>12/31/18</u>	<u>12/31/17</u>
<u>Total OPEB Liability</u>		
Service cost	\$ 435,540	\$ 0
Interest	427,996	0
Changes of benefit terms	(165,694)	0
Differences between expected and actual experience	341,323	0
Changes in assumptions or other inputs	(1,336,658)	10,982,322
Benefit payments	<u>(190,436)</u>	<u>0</u>
Net change in total OPEB liability	(487,929)	10,982,322
Total OPEB liability-beginning	<u>10,982,322</u>	<u>0</u>
Total OPEB liability-ending	<u>\$ 10,494,393</u>	<u>\$ 10,982,322</u>
Covered-employee payroll	\$ 3,637,067	\$ 3,637,067
Total OPEB liability as a percentage of covered-employee payroll	288.54%	301.96%

Notes to Schedule:

No Assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75 to pay related benefits.

* GASB 75 requires that the past 10 years of information be presented. Due to the fact that this statement was implemented for the year ended December 31, 2018, prior year information is not available for 10 years. The data will be accumulated over time and presented according to GASB 75.

TOWN OF CORNWALL
CORNWALL, NEW YORK
SCHEDULE OF THE TOWN'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED DECEMBER 31, 2018

	NYSERS Pension Plan Last 10 Fiscal Years*				
	<u>3/31/2018</u>	<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)	0.0077192%	0.0080446%	0.0089016%	0.0088611%	0.0088611%
Town's proportionate share of the net pension asset/(liability) \$	(249,133)	(755,888)	\$ (1,428,724)	\$ (299,348)	(400,419)
Town's covered-employee payroll \$	2,248,167	\$ 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	-11.08%	-33.54%	-59.71%	-12.76%	-17.71%
Plan fiduciary net position as a percentage of the total pension liability	98.24%	94.70%	90.70%	97.90%	97.15%
	NYSPFRS Pension Plan Last 10 Fiscal Years*				
	<u>3/31/2018</u>	<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)	0.0265488%	0.0251471%	0.0294757%	0.0294855%	0.0294855%
Town's proportionate share of the net pension asset/(liability) \$	(268,344)	\$ (521,211)	\$ (872,713)	\$ (81,162)	(122,751)
Town's covered-employee payroll \$	907,315	\$ 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	-29.58%	-55.46%	-73.00%	-6.92%	-10.16%
Plan fiduciary net position as a percentage of the total pension liability	96.93%	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, 2018**

NYSERS Pension Plan Last 10 Fiscal Years*					
	<u>3/31/2018</u>	<u>3/31/2017</u>	<u>3/31/2016</u>	<u>3/31/2015</u>	<u>3/31/2014</u>
Contractually required contribution	\$ 346,773	\$ 341,440	\$ 367,979	\$ 409,341	\$ 421,428
Contributions in relation to the contractually required contribution	<u>346,773</u>	<u>341,440</u>	<u>367,979</u>	<u>409,341</u>	<u>421,428</u>
Contribution deficiency (excess)	<u>\$ 0</u>				
Covered Employee Payroll	\$ 2,248,167	\$ 2,253,470	\$ 2,392,800	\$ 2,345,882	\$ 2,261,428
Contributions as a percentage of its covered-employee payroll	15.42%	15.15%	15.38%	17.45%	18.64%
NYSPPRS Pension Plan Last 10 Fiscal Years*					
	<u>3/31/2018</u>	<u>3/31/2017</u>	<u>3/31/2016</u>	<u>3/31/2015</u>	<u>3/31/2014</u>
Contractually required contribution	\$ 209,794	\$ 189,518	\$ 182,962	\$ 217,047	\$ 218,592
Contributions in relation to the contractually required contribution	<u>209,794</u>	<u>189,518</u>	<u>182,962</u>	<u>217,047</u>	<u>218,592</u>
Contribution deficiency (excess)	<u>\$ 0</u>				
Covered Employee Payroll	\$ 907,315	\$ 939,764	\$ 1,195,574	\$ 1,172,131	\$ 1,208,558
Contributions as a percentage of its covered-employee payroll	23.12%	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 SHEET
DECEMBER 31, 2018

	<u>DRAINAGE</u>	<u>LIGHTING</u>	<u>HYDRANT</u>	<u>MAIN STREET PARKING</u>	<u>TOTAL NON-MAJOR GOVERNMENTAL FUNDS</u>
ASSETS					
Cash and Cash Equivalents	\$ 13,624	\$ 28,244	\$ 717	\$ 4,256	\$ 46,841
TOTAL ASSETS	<u>\$ 13,624</u>	<u>\$ 28,244</u>	<u>\$ 717</u>	<u>\$ 4,256</u>	<u>\$ 46,841</u>
LIABILITIES					
Accounts Payable	\$ 0	\$ 7,928	\$ 0	\$ 0	\$ 7,928
Due to Other Funds	0	8,000	1,000	0	9,000
TOTAL LIABILITIES	<u>0</u>	<u>15,928</u>	<u>1,000</u>	<u>0</u>	<u>16,928</u>
FUND BALANCES					
Assigned	13,624	12,316	(283)	4,256	29,913
TOTAL FUND BALANCES	<u>13,624</u>	<u>12,316</u>	<u>(283)</u>	<u>4,256</u>	<u>29,913</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 13,624</u>	<u>\$ 28,244</u>	<u>\$ 717</u>	<u>\$ 4,256</u>	<u>\$ 46,841</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, 2018

	<u>DRAINAGE</u>	<u>LIGHTING</u>	<u>HYDRANT</u>	<u>MAIN STREET PARKING</u>	<u>TOTAL NON-MAJOR GOVERNMENTAL FUNDS</u>
REVENUES					
Real Property Taxes	\$ 0	\$ 102,000	\$ 85,000	\$ 2,000	\$ 189,000
Use of Money and Property	13	67	73	4	157
TOTAL REVENUES	<u>13</u>	<u>102,067</u>	<u>85,073</u>	<u>2,004</u>	<u>189,157</u>
EXPENDITURES					
Transportation	0	98,655	0	553	99,208
Home and Community Service	0	0	95,000	0	95,000
TOTAL EXPENDITURES	<u>0</u>	<u>98,655</u>	<u>95,000</u>	<u>553</u>	<u>194,208</u>
Net Change in Fund Balances	13	3,412	(9,927)	1,451	(5,051)
Fund Balances-Beginning	<u>13,611</u>	<u>8,904</u>	<u>9,644</u>	<u>2,805</u>	<u>34,964</u>
Fund Balances-Ending	<u>\$ 13,624</u>	<u>\$ 12,316</u>	<u>\$ (283)</u>	<u>\$ 4,256</u>	<u>\$ 29,913</u>

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

TOWN OF CORNWALL
CORNWALL, NEW YORK
COMBINED GENERAL FUNDS
BALANCE SHEET
DECEMBER 31, 2018

	<u>GENERAL FUND (A)</u>	<u>GENERAL FUND (B)</u>	<u>TOTAL OF GENERAL FUNDS</u>
ASSETS			
Cash and Cash Equivalents	\$ 270,259	\$ 665,160	\$ 935,419
Accounts Receivable	102,358	201,447	303,805
Due from Other Funds	747,000	0	747,000
TOTAL ASSETS	<u>\$ 1,119,617</u>	<u>\$ 866,607</u>	<u>\$ 1,986,224</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts Payable	\$ 34,949	\$ 9,922	\$ 44,871
Accrued Liabilities	5,060	15,955	21,015
TOTAL LIABILITIES	<u>40,009</u>	<u>25,877</u>	<u>65,886</u>
FUND BALANCE			
Assigned	333,654	840,730	1,174,384
Unassigned	745,954	0	745,954
TOTAL FUND BALANCE	<u>1,079,608</u>	<u>840,730</u>	<u>1,920,338</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,119,617</u>	<u>\$ 866,607</u>	<u>\$ 1,986,224</u>

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

TOWN OF CORNWALL
CORNWALL, NEW YORK
COMBINED GENERAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>GENERAL FUND (A)</u>	<u>GENERAL FUND (B)</u>	<u>TOTAL OF GENERAL FUNDS</u>
REVENUES			
Real Property Taxes	\$ 2,073,484	\$ 1,619,464	\$ 3,692,948
Real Property Tax Items	14,718	0	14,718
Non Property Tax Items	142,065	808,432	950,497
Departmental Income	92,868	177,671	270,539
Use of Money and Property	73,361	1,288	74,649
Licenses and Permits	10,055	0	10,055
Fines and Forfeitures	202,583	0	202,583
Sale of Property and Compensation for Loss	0	13,215	13,215
Miscellaneous	2,530	544	3,074
State and Federal Aid	458,790	64,002	522,792
	<u>3,070,454</u>	<u>2,684,616</u>	<u>5,755,070</u>
TOTAL REVENUES			
EXPENDITURES			
General Government Support	1,626,994	0	1,626,994
Public Safety	158,943	1,393,455	1,552,398
Health	18,382	0	18,382
Economic Assistance and Opportunity	46,680	0	46,680
Culture and Recreation	259,813	52,919	312,732
Home and Community Service	233	107,462	107,695
Employee Benefits	709,067	855,442	1,564,509
Debt Service	110,275	0	110,275
	<u>2,930,387</u>	<u>2,409,278</u>	<u>5,339,665</u>
TOTAL EXPENDITURES			
Net Change in Fund Balances	140,067	275,338	415,405
Fund Balances-Beginning	939,541	565,392	1,504,933
Fund Balances-Ending	<u>\$ 1,079,608</u>	<u>\$ 840,730</u>	<u>\$ 1,920,338</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, 2018

	<u>ORIGINAL BUDGET</u>	<u>ADJUSTED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES				
Real Property Taxes	\$ 3,692,948	\$ 3,692,948	\$ 3,692,948	\$ 0
Real Property Tax Items	18,000	18,000	14,718	(3,282)
Non Property Tax Items	795,000	795,000	950,497	155,497
Departmental Income	158,700	186,118	270,539	84,421
Use of Money and Property	67,664	67,664	74,649	6,985
Licences and Permits	13,000	13,000	10,055	(2,945)
Fines and Forfeitures	220,000	220,000	202,583	(17,417)
Sale of Property and Compensation for Loss	0	0	13,215	13,215
Miscellaneous	0	3,550	3,074	(476)
State and Federal Aid	365,000	365,000	522,792	157,792
TOTAL REVENUES	<u>5,330,312</u>	<u>5,361,280</u>	<u>\$ 5,755,070</u>	<u>\$ 393,790</u>
OTHER SOURCES				
Appropriated Fund Balance	400,000	404,500		
TOTAL	<u>\$ 5,730,312</u>	<u>\$ 5,765,780</u>		
EXPENDITURES				
General Government Support	\$ 1,775,990	\$ 1,780,108	\$ 1,626,993	\$ 153,115
Public Safety	1,693,144	1,693,144	1,552,399	140,745
Health	7,000	7,353	18,382	(11,029)
Economic Assistance and Opportunity	50,200	50,229	46,680	3,549
Culture and Recreation	338,700	338,700	312,732	25,968
Home and Community Service	106,720	137,688	107,695	29,993
Employee Benefits	1,648,200	1,648,200	1,564,509	83,691
Debt Service	110,358	110,358	110,275	83
TOTAL EXPENDITURES	<u>\$ 5,730,312</u>	<u>\$ 5,765,780</u>	<u>\$ 5,339,665</u>	<u>\$ 426,115</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, 2018

Capital Assets, Net		\$ 10,736,514
ADDITIONS:		
Deferred Amount of Refunding		76,420
		10,812,934
DEDUCTIONS:		
Bond Anticipation Notes	\$ 5,377,859	
Short-Term Portion of Bonds Payable (including an unamortized bond premium of \$11,834)	311,834	
Long-Term Portion of Bonds Payable (including an unamortized bond premium of \$29,586)	1,254,586	
		6,944,279
NET INVESTMENT IN CAPITAL ASSETS		\$ 3,868,655

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, 2018**

	<u>DATE OF ORIGINAL ISSUE</u>	<u>MATURITY</u>	<u>INTEREST RATE</u>	<u>OUTSTANDING BEGINNING OF YEAR</u>	<u>ISSUED DURING YEAR</u>	<u>PAID DURING YEAR</u>	<u>OUTSTANDING END OF YEAR</u>	<u>AMOUNT OF INTEREST PAID DURING YEAR</u>	<u>AMOUNT OF INTEREST ACCRUED AT DECEMBER 31, 2018</u>
<u>BOND ANTICIPATION NOTES</u>									
Various Purpose	7/30/2015	7/27/2019	2.04%	\$ 1,719,853	\$ 0	\$ 139,853	\$ 1,580,000	\$ 25,626	\$ 13,246
EFC Loan	7/1/2016	7/1/2019	0.00%	431,272	2,995,587	9,000	3,417,859	2,080	0
Various Purpose	6/18/2018	6/18/2019	2.88%	0	380,000	0	380,000	0	5,757
TOTAL BOND ANTICIPATION NOTES				2,151,125	3,375,587	148,853	5,377,859	27,706	19,003
<u>SERIAL BONDS & NOTES</u>									
2009 Serial Bond	10/1/2009	3/1/2024	3.00%	755,000	0	95,000	660,000	23,369	6,510
2017 Bond Refunding	6/1/2017	6/1/2022	1.25%	600,000	0	115,000	485,000	9,081	3,488
2013 Public Improvements	10/29/2013	5/15/2023	2.50%	465,000	0	85,000	380,000	13,238	1,171
TOTAL SERIAL BONDS AND NOTES				1,820,000	0	295,000	1,525,000	45,688	11,169
TOTAL INDEBTEDNESS				\$ 3,971,125	\$ 3,375,587	\$ 443,853	\$ 6,902,859	\$ 73,394	\$ 30,172

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



Nugent & Haeussler, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

ESTABLISHED 1925

101 Bracken Road
Montgomery, New York 12549
Tel (845) 457-1100
Fax (845) 457-1160
e-mail: nh@nhcpas.com

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

Peter J. Bullis, CPA, FACFEI, DABFA
Norman M. Sassi, CPA
Christopher E. Melley, CPA
Gary C. Theodore, CPA
Julia R. Fraino, CPA
William T. Trainor, CPA
Mark M. Levy, CPA, CFP
Thomas R. Busse, Jr., CPA
Brent T. Napoleon, CPA
Jennifer L. Capicchioni, CPA
Patrick M. Bullis, CPA
Justin B. Wood, CPA

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

Richard P. Capicchioni, CPA
Walter J. Jung, CPA
Jennifer A. Traverse, CPA

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 fiduciary fund of Town of Cornwall, as of and for the year ended December 31, 2018 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 13, 2019.

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 2018-001 and 2018-002.

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*.

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.



Montgomery, New York
May 13, 2019

TOWN OF CORNWALL
CORNWALL, NEW YORK
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2018

SECTION I – SUMMARY OF AUDITOR’S RESULTS

FINANCIAL STATEMENTS

Type of Auditor's Report Issued: Unmodified

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, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS

SIGNIFICANT DEFICIENCIES:

Finding 2018-001 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 2018-002 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, 2018

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.