

JULY 7, 2020

ADDENDUM TO THE PRELIMINARY OFFICIAL STATEMENT
DATED JUNE 29, 2020 RELATING TO:

**TOWN OF CORNWALL
ORANGE COUNTY, NEW YORK**
(the “Town”)

\$720,000 PUBLIC IMPROVEMENT SERIAL BONDS – 2020
(the “Bonds”)

AND

\$2,100,000 BOND ANTICIPATION NOTES - 2020
(the “Notes”)

The following change has been made to the “BOND RATING” section of the Preliminary Official Statement: There is no longer a rating on the Town’s outstanding bonds by Moody’s Investors Service.

BOND RATING

The Bonds and the Notes are not rated. The Town’s outstanding bonds are currently rated “AA” by S&P Global Ratings (“S&P”) 55 Water Street, New York, NY 10041, Telephone: (877) 299-2569 and Fax: (212) 438-5153. This rating reflects only the view of the rating agency and any desired explanation of the significance of such rating should be obtained from S&P. Generally, a rating agency bases its ratings on the information and materials furnished to it and on investigation, studies and assumptions by the rating agency. There is no assurance that a particular rating will apply for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing the rating, circumstances so warrant. Any downward revision or withdrawal of such ratings could have an adverse effect on the market price of the Bonds and the Notes or the availability of a secondary market for such Bonds and Notes.

PRELIMINARY OFFICIAL STATEMENT DATED JUNE 29, 2020

RENEWAL

SERIAL BONDS
BOND ANTICIPATION NOTES

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Town, under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Bonds and the Notes is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Bonds and the Notes is not treated as a preference item in calculating the alternative minimum tax under the Code. In addition, in the opinion of Bond Counsel to the Town, under existing statutes, interest on the Bonds and the Notes is exempt from personal income taxes of New York State and its political subdivision, including The City of New York. See "Tax Matters" herein.

The Town will designate the Bonds and the Notes as "qualified tax-exempt obligations" pursuant to the provision of Section 265 of the Code.

**TOWN OF CORNWALL
ORANGE COUNTY, NEW YORK
(the "Town")**

**\$720,000* PUBLIC IMPROVEMENT SERIAL BONDS - 2020
(the "Bonds")**

**BOND MATURITY SCHEDULE
(See Inside Front Cover)**

Prior Redemption: The Bonds maturing on July 15, 2028 and thereafter are subject to redemption, at the option of the Town, prior to maturity, in any order of maturity and in any amount within a maturity, on any date on or after July 15, 2027 in accordance with the terms described herein. See "Optional Redemption" under "THE BONDS," herein.

**\$2,100,000 BOND ANTICIPATION NOTES - 2020
(the "Notes")**

Dated Date: July 23, 2020

Maturity Date: July 23, 2021

Prior Redemption: The Notes will not be subject to redemption prior to their maturity.

The Bonds and the Notes are general obligations of the Town of Cornwall, Orange County, New York (the "Town"), and will contain a pledge of the faith and credit of the Town for the payment of the principal thereof and interest thereon and, unless paid from other sources, the Bonds and the Notes are payable from ad valorem taxes which may be levied upon all the taxable real property within the Town, subject to certain statutory limitations imposed by Chapter 97 of the New York Laws of 2011, as amended (the "Tax Levy Limit Law"). (See "Tax Levy Limit Law" herein).

At the option of the purchaser, the Bonds and the Notes may be either (i) registered to the purchaser or (ii) registered in the name of Cede & Co., as the partnership nominee for The Depository Trust Company, New York, New York ("DTC") as book-entry bonds.

For bonds and notes registered in the name of the purchaser, a single bond certificate shall be issued for each maturity and principal of and interest on such Bonds and Notes will be payable in Federal Funds by the Town, at such bank or trust company located and authorized to do business in the State of New York as selected by the successful bidder(s).

The Bonds and the Notes issued in book-entry form will be registered in the name of Cede & Co., as the partnership nominee for DTC, which will act as securities depository for the Bonds and the Notes. Beneficial owners will not receive certificates representing their respective interests in the Bonds and the Notes. Individual purchases may be made in denominations of \$5,000 or integral multiples thereof. A single bond certificate will be issued for each maturity of any book-entry Bonds and Notes. Principal of and interest on book-entry Bonds and Notes will be paid in Federal Funds by the Town to Cede & Co., as nominee for DTC, which will in turn remit such principal and interest to its Participants (as herein after defined) for subsequent distribution to the beneficial owners of the Bonds and the Notes as described herein. Transfer of principal and interest payments to Beneficial Owners (as hereinafter defined) by Participants of DTC will be the responsibility of such Participants and other nominees of Beneficial Owners. The Town will not be responsible or liable for payments by DTC to its Participants or by Direct Participants (as hereinafter defined) to Beneficial Owners or for maintaining, supervising or reviewing the records maintained by DTC, its Participants or persons acting through such Participants. (See "DESCRIPTION OF BOOK-ENTRY SYSTEM" herein).

Sealed bids for the Bonds and the Notes will be received at 11:00 A.M. (Prevailing Time) on July 9, 2020, in accordance with the Notice of Sale dated June 29, 2020.

The Bonds and the Notes are offered subject to the final approving opinion of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel to the Town, and certain other conditions. It is expected that delivery of the Bonds and the Notes in book-entry form will be made through the facilities of DTC in New York, New York, or as otherwise agreed to by the Town and the Purchaser, on or about July 23, 2020 in New York, New York.

THIS OFFICIAL STATEMENT IS IN A FORM "DEEMED FINAL" BY THE TOWN FOR THE PURPOSE OF SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12 (THE "RULE"). FOR A DESCRIPTION OF THE TOWN'S AGREEMENT TO PROVIDE CONTINUING DISCLOSURE FOR THE BONDS, AS DESCRIBED IN THE RULE, SEE "DISCLOSURE UNDERTAKING" HEREIN.

*Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. Under no circumstance shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities, in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

**TOWN OF CORNWALL
ORANGE COUNTY, NEW YORK**

\$720,000* PUBLIC IMPROVEMENT SERIAL BONDS - 2020

BOND MATURITY SCHEDULE

Dated: July 23, 2020

Principal Due: July 15, 2021-2032, inclusive
Interest Due: January 15, 2021, July 15, 2021 and
semiannually thereafter in each year
to maturity

<u>Year</u>	<u>Amount**</u>	<u>Rate</u>	<u>Yield or Price</u>	<u>CUSIP #</u>
2021	\$ 60,000			
2022	65,000			
2023	65,000			
2024	65,000			
2025	65,000			
2026	65,000			
2027	65,000			
2028	60,000***			
2029	60,000***			
2030	60,000***			
2031	45,000***			
2032	45,000***			

*Preliminary, subject to change.

**Amounts are subject to adjustment by the Town following the sale, pursuant to the terms of the Notice of Sale relating to the Bonds, to achieve substantial level or declining annual debt service as provided in Section 58.00 (c)(2) of the Local Finance Law.

***Subject to prior redemption



**TOWN OF CORNWALL
ORANGE COUNTY, NEW YORK**

Town Hall
183 Main Street
Cornwall, New York 12518
Telephone: 845/534-3770
Fax: 845/534-4342

TOWN BOARD

Richard Randazzo, Supervisor

Helen Bunt
Virginia Scott

J. Kerry McGuinness
Josh Wojehowski

Renata McGee, Town Clerk
Steven J. Gaba, Esq., Attorney for the Town

* * *

BOND COUNSEL

Hawkins Delafield & Wood LLP
New York, New York

* * *

MUNICIPAL ADVISOR

MUNISTAT SERVICES, INC.

Municipal Finance Advisory Service

12 Roosevelt Avenue
Port Jefferson Station, NY 11776
(631) 331-8888

E-mail: info@munistat.com
Website: <http://www.munistat.com>

No dealer, broker, salesman or other person has been authorized by the Town to give any information or to make any representations, other than those contained in this Official Statement and if given or made, such other information or representations must not be relied upon as having been authorized by the Town. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained by the Town from sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Town since the date hereof.

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OFFICIAL STATEMENT

TOWN OF CORNWALL ORANGE COUNTY, NEW YORK

\$720,000* PUBLIC IMPROVEMENT SERIAL BONDS - 2020 and \$2,100,000 BOND ANTICIPATION NOTES - 2020

This Official Statement and appendices thereto presents certain information relating to the Town of Cornwall, in the State of New York (the "Town" and "State," respectively) in connection with the sale of \$720,000* Public Improvement Serial Bonds - 2020 (the "Bonds") and \$2,100,000 Bond Anticipation Notes - 2020 (the "Notes").

All quotations from and summaries and explanations of provisions of the Constitution and laws of the State and acts and proceedings of the Town contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof and all references to the Bonds and the Notes and the proceedings of the Town relating thereto are qualified in their entirety by reference to the definitive form of the Bonds and the Notes and such proceedings.

THE BONDS

Description of the Bonds

The Bonds will be dated date of delivery, and will mature in the principal amounts on July 15, in each of the years 2021 to 2032, inclusive, as set forth on the inside cover page. Interest on the Bonds will be payable January 15, 2021, and semi-annually thereafter in each year until maturity.

At the option of the purchaser, the Bonds may be either registered in the name of the purchaser or registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC") as book-entry bonds. Individual purchases of the Bonds may be made in denominations of \$5,000 or integral multiples thereof. For Bonds issued as book-entry bonds through DTC, Bondholders will not receive certificates representing their respective interests in the Bonds purchased (See "*DESCRIPTION OF BOOK-ENTRY SYSTEM*," herein).

The Record Date of the Bonds will be the last business day of the calendar month preceding each interest payment date.

The Town will act as Fiscal Agent for the Bonds. Paying agent fees, if any, will be paid by the purchaser. The Town's contact information is as follows: Richard Randazzo, Supervisor, Town of Cornwall, Town Hall, 183 Main Street, Cornwall, New York 12518, telephone number 845/534-3770, email: rrandazzo@cornwallny.gov.

Optional Redemption

The Bonds maturing on or before July 15, 2027 will not be subject to redemption prior to maturity. The Bonds maturing on July 15, 2028 and thereafter, will be subject to redemption, at the option of the Town, prior to maturity, in whole or in part, and if in part, in any order of their maturity and in any amount within a maturity (selected by lot within a maturity), on any date on or after July 15, 2027, at par plus accrued interest to the date of redemption.

Notice of such call for redemption shall be given by mailing such notice to the registered owner at least thirty (30) days prior to the date set for such redemption. Notice of redemption having been given as aforesaid, the bonds so called for redemption shall, on the date for redemption set forth in such call for redemption, become due and payable together with interest to such redemption date. Interest shall cease to be paid thereon after such redemption date.

*Preliminary, subject to change.

Authorization and Purpose for the Bonds

The Bonds are being issued pursuant to the Constitution and statutes of the State of New York, including among others, the Local Finance Law, and various bond resolutions duly adopted by the Town Board on various dates (the "Bond Resolutions"). The amounts to be financed are set forth below:

<u>Date</u> <u>Authorized</u>	<u>Purpose</u>	<u>Amount</u> <u>Issued to Date</u>	<u>Amount to</u> <u>be Paid</u>	<u>Amount to</u> <u>be Issued</u>
10/24/2011	Sewer District Improvements	\$575,000	\$ 40,000	\$535,000
05/11/2015	Improvements to Town Hall	<u>205,000</u>	<u>20,000</u>	<u>185,000</u>
Totals:		<u>\$780,000</u>	<u>\$ 60,000</u>	<u>\$720,000</u>

THE NOTES

Description of the Notes

The Notes will be dated July 23, 2020 and will mature, without right of redemption prior to maturity, on July 23, 2021, with interest payable at maturity.

At the option of the purchaser(s), the Notes may be either registered to the purchaser(s) or registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC") as book-entry notes.

For those Notes registered to the purchaser(s), a single note certificate shall be delivered to the purchaser(s), for those Notes bearing the same rate of interest in the aggregate principal amount awarded to such purchaser at such interest rate. Principal of and interest on such Notes will be payable in lawful money of the United States of America (Federal Funds) at the office of the Town Supervisor in Ossining, New York.

For those Notes issued as book-entry notes registered to Cede & Co., DTC will act as securities depository for the Notes and owners will not receive certificates representing their respective interests in the Notes. Individual purchases of such registered Notes may be made in denominations of \$5,000 or integral multiples thereof. A single note certificate will be issued for those Notes bearing the same rate of interest and CUSIP number in the aggregate principal amount awarded to such purchaser(s) at such interest rate. Principal of and interest on said Notes will be paid in Federal Funds by the Town to Cede & Co., as nominee for DTC, which will in turn remit such principal and interest to its participants for subsequent distribution to the beneficial owners of the Notes as described herein. See "DESCRIPTION OF BOOK-ENTRY SYSTEM" herein.

The Town will act as Paying Agent for the Notes. The Town's contact information is as follows: Richard Randazzo, Supervisor, Town of Cornwall, Town Hall, 183 Main Street, Cornwall, New York 12518, telephone number 845/534-3770, email: rrandazzo@cornwallny.gov..

Optional Redemption

The Notes will not be subject to redemption prior to their maturity.

Authorization and Purpose for the Notes

The Notes are being issued pursuant to the Constitution and statutes of the State of New York, including among others, the Local Finance Law and various bond ordinances adopted by the Town Board. The list of projects that will be financed by such amount are as follows:

<u>Date</u> <u>Authorized</u>	<u>Purpose</u>	<u>Amount</u> <u>Outstanding</u>	<u>Amount to</u> <u>be Paid</u>	<u>Total Amount</u> <u>to be Issued</u>
03/21/2017	Real Property Revaluation Project	\$ 105,000	\$ 45,000	\$ 60,000
05/08/2017	Acquisition of Highway Equipment	320,000	20,000	300,000
05/08/2017	Acquisition of Rear Load Packer Truck	200,000	15,000	185,000
05/08/2017	Repaving of Parking Lot at Town Hall	55,000	10,000	45,000
06/18/2018	Town Hall Improvements	125,000	30,000	95,000
06/18/2018	Repave Town Hall	75,000	15,000	60,000
06/18/2018	Acquisition of a Dump Truck	180,000	45,000	135,000
02/27/2019	Acquisition of Highway Vehicles	393,000	38,000	355,000
02/27/2019	Payment of Settled Claim	66,500	26,500	40,000
02/27/2019	Installation Police Annex Generator	68,500	8,500	60,000
02/27/2019	Improvements Sidewalks on Broadway	75,500	10,500	65,000
02/27/2019	Improvements Police Annex Roof	88,500	8,500	80,000
02/27/2019	Streetscape Improvements on Main St.	130,500	25,500	105,000
02/27/2019	Improvements to Laurel Crest Park	145,500	10,500	135,000
02/27/2019	Improvements to Bridge on Bridge St.	205,500	20,500	185,000
02/27/2019	Acquisition of Packer Body for Sanitation	216,500	21,500	195,000
Totals:		<u>\$ 2,450,000</u>	<u>\$ 350,000</u>	<u>\$ 2,100,000</u>

DESCRIPTION OF BOOK-ENTRY SYSTEM

DTC will act as securities depository for the Bonds and for any Notes issued in book-entry form. The Bonds and such Notes will be issued as fully-registered securities, in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered bond certificate will be issued for each maturity of the Bonds and deposited with DTC. One fully-registered note certificate will be issued for each Note bearing the same rate of interest and CUSIP number and will be deposited with DTC.

DTC, the world's largest depository, is limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of certificates.

Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of the Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). Effective August 9, 2011, Standard & Poor's assigns a rating of "AA+" to DTC. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds and the Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds and the Notes on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds and the Notes are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interest in the Bonds and the Notes, except in the event that use of the book-entry system for the Bonds and the Notes is discontinued.

To facilitate subsequent transfers, all Bonds and the Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds and the Notes with DTC and their registration in the name of Cede & Co., or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds and the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds and the Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping accounts of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Beneficial Owners of the Bonds and the Notes may wish to take certain steps to augment the transmission to them or notices of significant events with respect to the Bonds and the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds and the Notes may wish to ascertain that the nominee holding the Bonds and the Notes for their benefit has agreed to obtain and transmit notices to the Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds and the Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds and the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds and the Notes will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Town on the payable date, in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee) or the Town, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Town, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds and the Notes at any time by giving reasonable notice to the Town. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

The Town may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Town believes to be reliable, but the Town takes no responsibility for the accuracy thereof.

Source: The Depository Trust Company, New York, New York.

THE TOWN WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY PARTICIPANTS, OR ANY INDIRECT PARTICIPANT; (II) THE PAYMENT BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OR ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF OR INTEREST ON THE BONDS AND THE NOTES; (III) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO HOLDERS; OR (IV) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS AND THE NOTES; OR (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS HOLDER.

THE TOWN CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC WILL DISTRIBUTE TO DIRECT PARTICIPANTS OR THAT DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE BONDS AND THE NOTES (I) PAYMENTS OF THE PRINCIPAL OF OR INTEREST ON THE BONDS AND THE NOTES; (II) CONFIRMATION OF THEIR OWNERSHIP INTEREST IN THE BONDS AND THE NOTES; OR (III) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO. AS NOMINEE, AS REGISTERED OWNER OF THE BONDS AND THE NOTES, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SO SERVE AND ACT IN THE MANNER DESCRIBED IN THE OFFICIAL STATEMENT.

Certificated Bonds and the Notes

DTC may discontinue providing its services with respect to the Bonds and the Notes at any time by giving notice to the Town and discharging its responsibilities with respect thereto under applicable law, or the Town may terminate its participation in the system of book-entry-only transfers through DTC at any time. In the event that such book-entry-only system is discontinued, and a replacement book-entry securities depository is not appointed, the Bonds and the Notes will be issued in registered form in denominations of \$5,000, or integral multiples thereof. Principal of and interest on the Bonds and the Notes when due will be payable at the principal corporate trust office of a bank or trust company to be named by the Town as the fiscal agent; certificated Bonds and the Notes may be transferred or exchanged at no cost to the owner of such bonds and notes at any time prior to maturity at the corporate trust office of the fiscal agent for bonds and notes of the same or any other authorized denomination or denominations in the same aggregate principal amount upon the terms set forth in the certificate of the President of the Board authorizing the sale of the Bonds and the Notes and fixing the details thereof and in accordance with the Local Finance Law.

Nature of Obligation

Each Bond and Note when duly issued and paid for will constitute a contract between the Town and the holder thereof.

The Bonds and the Notes will be general obligations of the Town and will contain a pledge of the faith and credit of the Town for the payment of the principal thereof and the interest thereon. For the payment of such principal and interest, the Town has the power and statutory authorization to levy ad valorem taxes on all taxable real property in the Town, subject to certain statutory limitations imposed by Chapter 97 of the New York Laws of 2011, as amended. (See "*Tax Levy Limit Law*", herein).

Under the Constitution of the State, the Town is required to pledge its faith and credit for the payment of the principal of and interest on the Bonds and the Notes, and the State is specifically precluded from restricting the power of the Town to levy taxes on real estate therefor. However, Chapter 97 of the New York Laws of 2011, as amended (the "*Tax Levy Limit Law*"), imposes a limitation upon the Town's power to increase its annual tax levy. As a result, the power of the Town to levy real estate taxes on all the taxable real property within the Town is subject to statutory limitations set forth in the Tax Levy Limit Law, unless the Town complies with certain procedural requirements to permit the Town to levy certain year-to-year increases in real property taxes. (See "*Tax Levy Limit Law*," herein).

MARKET MATTERS AFFECTING FINANCINGS OF THE MUNICIPALITIES OF THE STATE

The Town's credit rating could be affected by circumstances beyond the Town's control. Economic conditions such as the rate of unemployment and inflation, termination of commercial operations by corporate taxpayers and employers, as well as natural catastrophes, could adversely affect the assessed valuation of Town property and its ability to maintain fund balances and other statistical indices commensurate with its current credit rating. As a consequence, a decline in the Town's credit rating could adversely affect the market value of the Bonds and the Notes.

If and when an owner of any of the Bonds and the Notes should elect to sell a Bond and Note prior to its maturity, there can be no assurance that a market will have been established, maintained and continue in existence for the purchase and sale of any of those Bonds and Notes. The market value of the Bonds and the Notes is dependent upon the ability of the holder to potentially incur a capital loss if such Bond and Note is sold prior to its maturity.

There can be no assurance that adverse events including, for example, the seeking by another municipality in the State or elsewhere of remedies pursuant to the Federal Bankruptcy Act or otherwise, will not occur which might affect the market price of and the market for the Bonds and the Notes. In particular, if a significant default or other financial crisis should occur in the affairs of the State or any of its municipalities, public authorities or other political subdivisions thereby possibly further impairing the acceptability of obligations issued by those entities, both the ability of the Town to arrange for additional borrowing(s) as well as the market for and market value of outstanding debt obligations, including the Bonds and the Notes, could be adversely affected.

The Town is dependent in part upon financial assistance from the State in the form of State aid as well as grants and loans to be received ("State Aid"). The Town's receipt of State aid may be delayed as a result of the State's failure to adopt its budget timely and/or to appropriate State Aid to municipalities and school districts. Should the Town fail to receive all or a portion of the amounts of State Aid expected to be received from the State in the amounts and at the times anticipated, occasioned by a delay in the payment of such moneys, the Town is authorized pursuant to the Local Finance Law ("LFL") to provide operating funds by borrowing in anticipation of the receipt of such uncollected State Aid, however, there can be no assurance that, in such event, the Town will have market access for any such borrowing on a cost effective basis. The elimination of or any substantial reduction in State Aid would likely have a materially adverse effect upon the Town requiring either a counterbalancing increase in revenues from other sources to the extent available or a curtailment of expenditures. (See also "*State Aid*" herein.)

Future amendments to applicable statutes whether enacted by the State or the United States of America affecting the treatment of interest paid on municipal obligations, including the Bonds and the Notes, for income taxation purposes could have an adverse effect on the market value of the Bonds and the Notes (see "*Tax Matters*" herein).

The enactment of the Tax Levy Limit Law, which imposes a tax levy limitation upon municipalities, school districts and fire districts in the State, including the Town, without providing an exclusion for debt service on obligations issued by municipalities and fire districts, including the Town, may affect the market price and/or marketability for the Bonds and the Notes. (See "*Tax Levy Limit Law*" herein.)

Federal or State legislation imposing new or increased mandatory expenditures by municipalities, school districts and fire districts in the State, including the Town could impair the financial condition of such entities, including the Town and the ability of such entities, including the Town, to pay debt service on the Bonds and the Notes.

REMEDIES UPON DEFAULT

Neither the Bonds and the Notes, nor the proceedings with respect thereto, specifically provide any remedies which would be available to owners of the Bonds and the Notes should the Town default in the payment of principal of or interest on the Bonds and the Notes, nor do they contain any provisions for the appointment of a trustee to enforce the interests of the owners of the Bonds and the Notes upon the occurrence of any such default. Each Bond and Note is a general obligation contract between the Town and the owners for which the faith and credit of the Town are pledged and while remedies for enforcement of payment are not expressly included in the Town's contract with such owners, any permanent repeal by statute or constitutional amendment of a bond or note holder's remedial right to judicial enforcement of the contract should, in the opinion of Bond Counsel, be held unconstitutional.

Upon default in the payment of principal of or interest on the Bonds and the Notes, at the suit of the owner, a Court has the power, in proper and appropriate proceedings, to render judgment against the Town. The present statute limits interest on the amount adjudged due to contract creditors to nine per centum per annum from the date due to the date of payment. As a general rule, property and funds of a municipal corporation serving the public welfare and interest have not been judicially subjected to execution or attachment to satisfy a judgment. A Court also has the power, in proper and appropriate proceedings, to order payment of a judgment on such Bonds from funds lawfully available therefor or, in the absence thereof, to order the Town to take all lawful action to and the Notes obtain the same, including the raising of the required amount in the next annual tax levy. In exercising its discretion as to whether to issue such an order, the Court may take into account all relevant factors, including the current operating needs of the Town and the availability and adequacy of other remedies. Upon any default in the payment of the principal of or interest on a Bond or Note, the owner of such Bond or Note could, among other remedies, seek to obtain a writ of mandamus from a Court ordering the governing body of the Town to assess,

levy and collect an *ad valorem* tax, upon all taxable property of the Town subject to taxation by the Town, sufficient to pay the principal of and interest on the Bonds and the Notes as the same shall come due and payable (and interest from the due date to date of payment) and otherwise to observe the covenants contained in the Bonds and the Notes and the proceedings with respect thereto all of which are included in the contract with the owners of the Bonds and the Notes. The mandamus remedy, however, may be impracticable and difficult to enforce. Further, the right to enforce payment of the principal of or interest on the Bonds and the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws and equitable principles, which may limit the specific enforcement of certain remedies.

In 1976, the New York Court of Appeals, the State's highest court, held in *Flushing National Bank v. Municipal Assistance Corporation for the City of New York*, 40 N.Y.2d 731 (1976), that the New York State legislation purporting to postpone the payment of debt service on New York City obligations was an unconstitutional moratorium in violation of the New York State constitutional faith and credit mandate included in all municipal debt obligations. While that case can be viewed as a precedent for protecting the remedies of holders of bonds or notes of the Town, there can be no assurance as to what a Court may determine with respect to future events, including financial crises as they may occur in the State and in municipalities of the State, that require the exercise by the State of its emergency and police powers to assure the continuation of essential public services. (See also, *Flushing National Bank v. Municipal Assistance Corporation for the City of New York*, 40 N.Y.2d 1088 (1977), where the Court of Appeals described the pledge as a direct Constitutional mandate.)

As a result of the Court of Appeals decision, the constitutionality of that portion of Title 6-A of Article 2 of the Local Finance Law enacted at the 1975 Extraordinary Session of the State legislature authorizing any county, city, town or village with respect to which the State has declared a financial emergency to petition the State Supreme Court to stay the enforcement against such municipality of any claim for payment relating to any contract, debt or obligation of the municipality during the emergency period, is subject to doubt. In any event, no such emergency has been declared with respect to the Town.

Pursuant to Article VIII, Section 2 of the State Constitution, the Town is required to provide an annual appropriation of monies for the payment of due and payable principal of and interest on indebtedness. Specifically, this constitutional provision states: "If at any time the respective appropriating authorities shall fail to make such appropriations, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. The fiscal officer of any county, city, town, village or school district may be required to set aside and apply such revenues as aforesaid at the suit of any holder of obligations issued for any such indebtedness." This constitutes a specific non-exclusive constitutional remedy against a defaulting municipality or school district; however, it does not apply in a context in which monies have been appropriated for debt service but the appropriating authorities decline to use such monies to pay debt service. However, Article VIII, Section 2 of the Constitution of the State also provides that the fiscal officer of any county, city, town, village or school district may be required to set apart and apply such revenues at the suit of any holder of any obligations of indebtedness issued with the pledge of the faith of the credit of such political subdivision. In *Quirk v. Municipal Assistance Corp.*, 41 N.Y.2d 644 (1977), the Court of Appeals described this as a "first lien" on revenues, but one that does not give holders a right to any particular revenues. It should thus be noted that the pledge of the faith and credit of a political subdivision in the State is a pledge of an issuer of a general obligation bond or note to use its general revenue powers, including, but not limited to, its property tax levy, to pay debt service on such obligations, but that such pledge may or may not be interpreted by a court of competent jurisdiction to include a constitutional or statutory lien upon any particular revenues. The Constitutional provision providing for first revenue set asides does not apply to tax anticipation notes, revenue anticipation notes or bond anticipation notes.

While the courts in the State have historically been protective of the rights of holders of general obligation debt of political subdivisions, it is not possible to predict what a future court might hold.

In prior years, certain events and legislation affecting a holder's remedies upon default have resulted in litigation. While courts of final jurisdiction have generally upheld and sustained the rights of holders of bonds or notes, such courts might hold that future events, including a financial crisis as such may occur in the State or in political subdivisions of the State, may require the exercise by the State or its political subdivisions of emergency and police powers to assure the continuation of essential public services prior to the payment of debt service.

MUNICIPAL BANKRUPTCY

The undertakings of the Town should be considered with reference, specifically, to Chapter IX of the Bankruptcy Act, 11 U.S.C. §401, et seq., as amended ("Chapter IX") and, in general, to other bankruptcy laws affecting creditors' rights and municipalities. Chapter IX permits any political subdivision, public agency or instrumentality that is insolvent or unable to meet its debts (i) to file a petition in a Court of Bankruptcy for the purpose of effecting a plan to adjust its debts provided such entity is authorized to do so by applicable state law; (ii) directs such a petitioner to file with the court a list of a petitioner's creditors; (iii) provides that a petition filed under such chapter shall operate as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; (iv) grants priority to debt owed for services or material actually provided within three (3) months of the filing of the petition; (v) directs a petitioner to file a plan for the adjustment of its debts; and (vi) provides that the plan must be accepted in writing by or on behalf of creditors holding at least two-thirds (2/3) in amount or more than one-half (1/2) in number of the listed creditors.

Bankruptcy proceedings by the Town could have adverse effects on holders of bonds or notes including (a) delay in the enforcement of their remedies, (b) subordination of their claims to those supplying goods and services to the Town after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings and (c) imposition without their consent of a reorganization plan reducing or delaying payment of the Bonds and the Notes. The Bankruptcy Code contains provisions intended to ensure that, in any reorganization plan not accepted by at least a majority of a class of creditors such as the holders of general obligation bonds, such creditors will have the benefit of their original claim or the "indubitable equivalent". The effect of these and other provisions of the Bankruptcy Code cannot be predicted and may be significantly affected by judicial interpretation.

Accordingly, enforceability of the rights and remedies of the owners of the Bonds and the Notes, and the obligations incurred by the Town, may become subject to Chapter IX and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose and the limitations on remedies against public agencies in the State. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Bond and the Notes to judicial discretion, interpretation and of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

The State has consented (see Title 6-A of the Local Finance Law) that any municipality in the State may file a petition with any United States district court or court of bankruptcy under any provision of the laws of the United States, now or hereafter in effect for the composition or adjustment of municipal indebtedness. However, it is noted that there is no record of any recent filings by a New York municipality. Since the New York City fiscal crisis in 1975, the State has legislated a financial control or review board and assistance corporations to monitor and restructure finance matters in addition to New York City, for the Cities of Yonkers, Troy and Buffalo and for the Counties of Nassau and Erie. Similar active intervention pursuant to State legislation to relieve fiscal stress for the Town in the future cannot be assured.

No current state law purports to create any priority for holders of the Bonds and the Notes should the Town be under the jurisdiction of any court, pursuant to the laws of the United States, now or hereafter in effect, for the composition or adjustment of municipal indebtedness.

The above references to the Bankruptcy Act are not to be construed as an indication that the Town is currently considering or expects to resort to the provisions of the Bankruptcy Act.

Financial Control Boards

Pursuant to Article IX Section 2(b)(2) of the State Constitution, any municipality in the State may request the intervention of the State in its "property, affairs and government" by a two-thirds vote of the total membership of its legislative body or on request of its chief executive officer concurred in by a majority of such membership. This has resulted in the adoption of special acts for the establishment of public benefit corporations with varying degrees of authority to control the finances (including debt issuance) of the Cities of Buffalo, Troy and Yonkers and the County of Nassau. The specific authority, powers and composition of the financial control boards established by these acts varies based upon circumstances and needs. Generally, the State legislature has granted such boards the power to approve or disapprove budget and financial plans and to issue debt on behalf of the municipality, as well as to impose wage and/or hiring freezes and in certain cases approve or disapprove collective bargaining agreements. Implementation is generally left to the discretion of the board of the public benefit corporation. Such a State financial control board was first established for New York City in 1975. In addition, upon the issuance of a certificate of necessity by the Governor reciting facts which in the judgment of the Governor constitute an emergency requiring enactment of such laws, with the concurrences of two-thirds of the members elected in each house of the State legislature, the State is authorized to intervene in the "property, affairs and governments" of local government units. This occurred in the case of the County of Erie in 2005. The

authority of the State to intervene in the financial affairs of a local government is further supported by Article VIII, Section 12 of the Constitution which declares it to be the duty of the State legislature to restrict, subject to other provisions of the Constitution, the power of taxation, assessment, borrowing money and contracting indebtedness and loaning the credit of counties, cities, towns and villages so as to prevent abuses in taxation and assessment and in contracting indebtedness by them.

In 2013, the State established a new state advisory board to assist counties, cities, towns and villages in financial distress. The Financial Restructuring Board for Local Governments (the “FRB”), is authorized to conduct a comprehensive review of the finances and operations of any such municipality deemed by the FRB to be fiscally eligible for its services upon request by resolution of the municipal legislative body and concurrence of its chief executive. The FRB is authorized to make recommendations for, but cannot compel improvement of fiscal stability, management and delivery of municipal services, including shared services opportunities, and is authorized to offer grants and/or loans of up to \$5,000,000 through a Local Government Performance and Efficiency Program to undertake certain recommendations. If a municipality agrees to undertake the FRB recommendations, it will be automatically bound to fulfill the terms in order to receive the aid.

The FRB is also authorized to serve as an alternative arbitration panel for binding arbitration.

Although from time to time there have been proposals for the creation of a statewide financial control board with broad authority over local governments in the State, the FRB does not have emergency financial control board powers to intervene in the finances and operations of entities such as the public benefit corporations established by special acts as described above.

Several municipalities in the State are presently working with the FRB. The Town has not applied to the FRB and does not reasonably anticipate submission of a request to the FRB for a comprehensive review of its finances and operations. School districts and fire districts are not eligible for FRB assistance.

No Past Due Debt

No principal or interest payment on Town indebtedness is past due. The Town has never defaulted in the payment of the principal of and/or interest on any indebtedness.

THE TOWN

There follows in this Statement a brief description of the Town, together with certain information concerning its economy and governmental organization, its indebtedness, current major revenue sources and expenditures and general and specific funds.

General Information

The Town, with a land area of over 25 square miles and a currently estimated population of 12,442 according to the 2018 U.S. Census estimates, is located in east central Orange County, south of the Town of New Windsor on the west bank of the Hudson River about 60 miles north of New York City. The Town is primarily a suburban residential area with some commercial and industrial operations and some agriculture, the latter principally in the western portion.

Current residential development, in addition to garden apartment complexes, consists mainly of single family dwellings. Residents find employment opportunities in the in-Town industries; in Newburgh; at the United States Military Academy at West Point; in Beacon; in Fishkill; in Poughkeepsie (site of I.B.M. installations); in Middletown; and in Goshen (The County Seat) and Port Jervis.

The former Stewart Air Force Base (now Stewart International Airport) has grown into a major passenger airport for the mid-Hudson region and continues to serve as a military airfield as well. In the late 1990's it became the first US commercial airport to be privatized when National Express Group was awarded a 99 year lease on the airport. On January 25, 2007, the Port Authority of New York and New Jersey voted to acquire the lease and is responsible for updating its ten-year capital improvement plan to upgrade and enhance the airport. Some of the major airlines with terminals in the airport include Delta, US Airways, Express, Jet Blue and Allegiant Air.

St. Luke's Cornwall Hospital (“SLCH”) is a not-for-profit hospital serving the health care needs of those in the Hudson Valley. In January 2002, St. Luke's Hospital and the Cornwall Hospital merged to create an integrated health care delivery system, providing quality comprehensive health care services. SLCH has nearly 300 physicians on staff, representing dozens of medical specialties. Additionally, more than 1,500 clinical and support personnel work at the hospital, making it one of the largest employers in Orange County.

Rail transportation is provided by the Conrail and Metro North railroads. The New York State Thruway traverses the Town, with access via the Newburgh exits, just north of New Windsor and Exit 16 in Woodbury. Other highways are U.S. Highway 9W, New York State Highways Nos. 32, 94 and 218.

Utilities and Other Services

Electricity and natural gas are supplied to the Town by the Central Hudson Gas and Electric Corporation. Water supply and distribution is primarily provided by the Village of Cornwall-on-Hudson. Sanitary sewer services are provided to about 75% of the Town residents through special assessment sewer districts. The Town is responsible for the financing, construction and maintenance of the facilities located within them. The balance of the Town utilizes septic systems. Police protection is provided by the Town Police Department, and fire protection is provided by Fire Districts which serve the entire Town.

Government

The Town was established in 1764. Two independently governed school districts are located within the Town which relies on its own taxing powers granted by the State to raise revenues. The school districts use the Town's assessment roll as its basis for taxation of property located within the Town.

Subject to the provisions of the State Constitution, the Town operates pursuant to the Town Law, the Local Finance Law, other laws generally applicable to the Town, and any special laws generally applicable to the Town. Under such laws, there is no authority for the Town to have a charter, but pursuant to the Town Law and other laws generally applicable to home rule, the Town may from time to time adopt local laws.

The legislative power of the Town is vested in the Town Board, which consists of five members, including the Supervisor, who is the chief fiscal officer of the Town, elected for a term of two years. The four other members of the Town Board are elected to four-year terms, and such terms are staggered such that two councilmen are elected every two years. All the Town Board members are elected at large and there is no limitation to the number of terms each may serve.

The Town Clerk is elected to a two-year term. The Receiver of Taxes is elected to a four year term. The Town Board appoints the Assessor, the Attorney for the Town, the Town Engineer and Highway Superintendent.

Financial Organization

The Supervisor is the chief fiscal officer of the Town as well as the accounting officer, and his duties include administration, direction and control of budget and insurance, accounts payable and receivable and payroll. The Supervisor is also responsible for drafting and preparing the budget and securing and administering State and Federal grants.

Employees

The Town provides services through approximately 50 full-time employees and 76 part-time employees, some of which are represented by organized labor:

<u>Name of Union</u>	<u>Approximate Membership</u>	<u>Date Contract Expires</u>
Civil Service Employees Association	27	12/31/2020
Patrolmen's Benevolent Association	16	12/31/2024

ECONOMIC AND DEMOGRAPHIC INFORMATION

Population Characteristics

The Town has had a population trend, as compared to the County and the State as indicated below:

<u>Year</u>	<u>Town of Cornwall</u>	<u>County of Orange</u>	<u>State of New York</u>
1990	11,274	307,647	17,990,455
2000	12,307	341,367	18,976,457
2010	12,646	372,813	19,378,102
2018	12,442	381,951	19,618,453

Source: U.S. Bureau of the Census

Income Data

	Per Capita Money Income			
	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2018^a</u>
Town of Cornwall	\$18,974	\$28,509	\$36,658	\$44,304
County of Orange	5,198	21,597	28,944	33,472
State of New York	16,501	23,389	30,791	37,470
	Median Family Income			
	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2018^a</u>
Town of Cornwall	\$43,967	\$59,237	\$76,495	\$93,750
County of Orange	39,198	60,355	82,480	76,176
State of New York	32,965	51,691	67,405	65,323

Source: United States Bureau of the Census

a. Based on American Community Survey 5-Year Estimates (2014-2018)

Selected Listing of Larger Employers in the County^a

<u>Name of Employer</u>	<u>Nature of Business</u>	<u>Approx. No. of Employees</u>
United States Military Academy at West Point	Military	4,000
Orange Regional Medical Center	Hospital	2,524
Orange County Government	Government	2,148
Crystal Run Healthcare	Multi-Specialty Physicians' Practice	1,800
Access: Supports for Living	Non-Profit Organizations	1,289
St Luke's Cornwall Hospital	Hospital	1,247
Elant, Inc.	Senior Health and Housing	1,200
C & S Wholesale Grocers, Inc.	Food	800
Empire Blue Cross/Blue Shield	Health insurance	795
Spectrum Enterprise	Communications	750
The ARC of Orange County	Non-Profit Organizations	750
Amscan, Inc.	Distribution	525
Horizon Family Medical Group	Healthcare	500
Kolmar Laboratories Inc	Manufacturing	500
Bon Secours Community Hospital	Hospital	490
Staples, Inc.	Office Supplies	460
Verla International LTD	Cosmetic	445
YRC Worldwide	Trucking-Motor Freight	435
United Natural Foods, Inc (UNFI)	Organic Food Distributor	400

Source: Orange County.

a. Not necessarily representative of the Town.

Unemployment Rate Statistics

Unemployment statistics are not available for the Town as such. The smallest area for which such statistics are available is the County of Orange. The information set forth below with respect to the County and the State is included for information purposes only. It should not be implied from the inclusion of such data in this Official Statement that the Town is necessarily representative of the County or the State or vice versa

<u>Annual Averages:</u>	<u>County of Orange (%)</u>	<u>New York State (%)</u>
2015	4.7	5.3
2016	4.2	4.9
2017	4.6	4.7
2018	3.9	4.1
2019	3.8	4.0
2020 (4 Month Average) ^a	7.0	6.8

Source: Department of Labor, State of New York

a. The above table includes rates after the COVID-19 pandemic occurred. See "Impact of COVID-19," herein.

INDEBTEDNESS OF THE TOWN

Constitutional Requirements

The State Constitution limits the power of the Town (as well as other municipalities and school districts of the State) to issue obligations and contract indebtedness. Such constitutional limitations include the following, in summary form, and are generally applicable to the Town and the Bonds and the Notes:

Purpose and Pledge. The Town shall not give or loan any money or property to or in aid of any individual or private corporation or private undertaking or give or loan its credit to or in aid of any of the foregoing or any public corporation.

The Town may contract indebtedness only for a Town purpose and shall pledge its faith and credit for the payment of principal of and interest thereon.

Payment and Maturity. Except for certain short-term indebtedness contracted in anticipation of taxes, or to be paid in one of the two fiscal years immediately succeeding the fiscal year in which such indebtedness was contracted, indebtedness shall be paid in annual installments commencing no later than two years after the date such indebtedness shall have been contracted and ending no later than the expiration of the periods of probable usefulness of the objects or purposes as determined by statute or in the alternative, the weighted average period of probable usefulness of the several objects or purposes for which such indebtedness is to be contracted; no installment may be more than fifty per centum in excess of the smallest prior installment, unless the Town has authorized the issuance of indebtedness having substantially level or declining annual debt service. The Town is required to provide an annual appropriation for the payment of interest due during the fiscal year on its indebtedness and for the amounts required in such year for amortization and redemption of its serial bonds, bond anticipation notes and capital notes.

General. The Town is further subject to constitutional limitation by the general constitutionally imposed duty on the State Legislature to restrict the power of taxation, assessment, borrowing money, contracting indebtedness and loaning the credit of the Town so as to prevent abuses in the exercise of such powers; however, as has been noted under "*Nature of Obligation*", the State Legislature is prohibited by a specific constitutional provision from restricting the power of the Town to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted. However, the Tax Levy Limit Law imposes a statutory limitation on the Town's power to increase its annual tax levy. The amount of such increase is limited by the formulas set forth in the Tax Levy Limit Law. (See "*Tax Levy Limit Law*" herein).

Statutory Procedure

In general, the State Legislature has authorized the power and procedure for the Town to borrow and incur indebtedness subject, of course, to the constitutional provisions set forth above. The power to spend money, however, generally derives from other law, including the Town Law and the General Municipal Law.

Pursuant to the Local Finance Law, the Town authorizes the incurrence of indebtedness by the adoption of a bond and note resolution approved by at least two-thirds of the members of the Town Board, except in the event that the Town determines to subject the bond and note resolution to voter approval by mandatory referendum, in which case only a three-fifths vote is required.

The Local Finance Law also provides a twenty-day statute of limitations after publication of a bond and note resolution which, in effect, estops thereafter legal challenges to the validity of obligations authorized by such bond and note resolution except for alleged constitutional violations. The Town has complied with such requirement with respect to the bond and note resolutions authorizing the issuance of the Bonds and the Notes.

Each bond and note resolution usually authorizes the construction, acquisition or installation of the object or purpose to be financed, sets forth the plan of financing and specifies the maximum maturity of the bonds and notes subject to the legal (Constitution, Local Finance Law and case law) restrictions relating to the period of probable usefulness with respect thereto.

Each bond and note resolution also authorizes the issuance of bond anticipation notes prior to the issuance of serial bonds. Statutory law in New York permits notes to be renewed each year provided that principal is amortized and provided that such renewals do not (with certain exceptions) extend more than five years beyond the original date of borrowing. However, bonds and notes issued in anticipation of the sale of serial bonds for assessable improvements are not subject to such five-year limit and may be renewed subject to annual reductions of principal for the entire period of probable usefulness of the purpose for which such bonds and notes were originally issued. (See "*Payment and Maturity*" under "*Constitutional Requirements*" herein).

In addition, under each bond and note resolution, the Town Board may delegate, and has delegated, power to issue and sell bonds and notes, to the Town Supervisor, the chief fiscal officer of the Town.

In general, the Local Finance Law contains similar provisions providing the Town with power to issue general obligation revenue anticipation notes, tax anticipation notes, deficiency notes and budget notes.

Debt Limit. The Town has the power to contract indebtedness for any Town purpose so long as the principal amount thereof shall not exceed seven per centum of the average full valuation of taxable real estate of the Town and subject to certain enumerated exclusions and deductions such as water and certain sewer facilities and cash or appropriations for current debt service. The constitutional and statutory method for determining the full valuation is by dividing the assessed valuation of taxable real estate by the respective equalization rates assigned to each assessment roll. Such equalization rates are the ratios which each of such assessed valuations bear to the respective full valuation of such year, as assigned by the Office of Real Property Tax Services. The State Legislature is required to prescribe the manner by which such ratios shall be determined. Average full valuation is determined by adding the full valuations for the most recently completed assessment roll and the four immediately preceding assessments rolls and dividing the resulting sum of such addition by five.

There is no constitutional limitation on the amount that may be raised by the Town by tax on real estate in any fiscal year to pay principal and interest on all indebtedness. However, the Tax Levy Limit Law imposes a statutory limitation on the power of the Town to increase its annual tax levy. The amount of such increases is limited by the formulas set forth in the Tax Levy Limit Law. (See "*Tax Levy Limit Law*," herein).

Computation of Debt Limit and Calculation of Net Debt Contracting Margin^a
(As of June 29, 2020)

<u>Fiscal Year Ending December 31:</u>	<u>Assessed Valuation</u>	<u>State Equalization Rate (%)</u>	<u>Full Valuation</u>
2016	\$ 981,114,219	76.35	\$1,285,021,898
2017	1,081,678,086	73.52	1,471,270,520
2018	1,627,601,094	100.00	1,627,601,094
2019	1,626,720,919	100.00	1,626,720,919
2020	1,643,042,582	95.23	<u>1,725,341,365</u>
Total Five Year Full Valuation			\$7,735,955,796
Average Five Year Full Valuation			1,547,191,159
Debt Limit - 7% of Average Full Valuation			108,303,381
Inclusions:			
Outstanding Bonds:			
General Town Purposes			\$3,940,932
Bond Anticipation Notes			<u>3,230,000</u>
Total Inclusions			7,170,932
Exclusions:			
Appropriations			<u>1,285,932</u>
Total Exclusions:			1,285,932
Total Net Indebtedness Before the Issuance of the Bonds and Notes			5,885,000
The Bonds			720,000
The Notes			2,100,000
Less: BANs to be Redeemed by the Issuance of the Bonds and Notes			<u>2,820,000</u>
Net Effect of the Bonds and Notes			0
Total Net Indebtedness After the Issuance of the Bonds and Notes			5,885,000
Net Debt Contracting Margin			<u><u>\$102,418,381</u></u>
Per Cent of Debt Contracting Margin Exhausted			5.43%

a. See also "New York State Environmental Facilities Corporation" herein.

Debt Service Requirements - Outstanding Bonds^a

Fiscal Year Ending December 31:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$395,932	\$115,524	\$511,456
2021	405,000	106,248	511,248
2022	385,000	96,606	481,606
2023	265,000	88,053	353,053
2024	210,000	81,493	291,493
2025	90,000	78,042	168,042
2026	90,000	76,731	166,731
2027	90,000	75,357	165,357
2028	90,000	73,938	163,938
2029	95,000	72,473	167,473
2030	95,000	70,861	165,861
2031	95,000	68,929	163,929
2032	100,000	66,750	166,750
2033	100,000	64,203	164,203
2034	100,000	61,466	161,466
2035	105,000	58,569	163,569
2036	105,000	55,402	160,402
2037	105,000	52,121	157,121
2038	110,000	48,734	158,734
2039	110,000	45,090	155,090
2040	115,000	41,360	156,360
2041	115,000	37,147	152,147
2042	120,000	32,935	152,935
2043	120,000	28,539	148,539
2044	125,000	24,144	149,144
2045	125,000	19,565	144,565
2046	130,000	14,816	144,816
2047	130,000	9,877	139,877
2048	130,000	4,939	134,939
	<u>\$4,250,932</u>	<u>\$1,669,912</u>	<u>\$5,920,844</u>

a. The subsidies received from the Environmental Facilities Corporation (EFC) have not been deducted from the interest due on approximately \$3 million in loans through EFC. Does not reflect payments made to date. See also "New York State Environmental Facilities Corporation" herein.

Details of Short-Term Indebtedness Outstanding (As of June 29, 2020)

The Town has outstanding bond anticipation notes in the amount of \$3,230,000 for various improvements to the Town that mature on July 24, 2020, of which \$720,000 will be issued as Bonds and \$2,100,000 will be renewed with the issuance of the Notes.

New York State Environmental Facilities Corporation

The Town is in the process of completing improvements to the Sewer District. The estimated cost for such projects is \$5.3 million, \$1.1 million of which is a grant from New York State. The Town has applied to the New York State Environmental Facilities Corporation ("EFC") for financial assistance, grants and subsidized loans. In May of 2016, the Town entered into a Project Financing Agreement with the NYSEFC to finance such project.

The Town issued \$3,185,932 in EFC State Revolving Funds Revenue Bonds, Series 2019A, which closed on June 13, 2019.

Capital Project Plans

The Town is generally responsible for providing services as required to the Town residents outside of the Village of Cornwall-on-Hudson. The Town maintains a Town road system necessitating road resurfacing and improvements and the acquisition of machinery and from time to time equipment. Additionally, although not a capital expense, such road system requires annual expenditures for snow removal as well as regular general operating maintenance expenses. In addition, the Town is regularly acquiring and improving recreation facilities. Except as noted below, needs for capital funding for the above described projects for which the Town has responsibility are anticipated to continue and to be in approximately the same amounts as have generally prevailed in the past.

Authorized but Unissued Indebtedness

<u>Date of Authorization</u>	<u>Purpose</u>	<u>Amount</u>
06/19/2017	Sewer District No. 1	\$8,000,000
01/8/2018	Sewer District No. 1	<u>7,500,000</u>
		<u><u>\$15,500,000</u></u>

Trend of Town Indebtedness

The following table represents the trend of outstanding indebtedness of the Town at the end of the last five preceding fiscal years.

	<u>Fiscal Year Ending December 31:</u>				
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Bonds	\$2,755,000	\$2,025,000	\$1,820,000	\$1,525,000	\$1,225,000
EFC Short-Term Loans	-	438,772	431,272	3,417,859	3,025,932
BANs	<u>4,279,000</u>	<u>925,853</u>	<u>1,719,853</u>	<u>1,960,000</u>	<u>3,230,000</u>
Total Debt Outstanding	<u><u>\$7,034,000</u></u>	<u><u>\$3,389,625</u></u>	<u><u>\$3,971,125</u></u>	<u><u>\$6,902,859</u></u>	<u><u>\$7,480,932</u></u>

Calculation of Estimated Overlapping and Underlying Indebtedness

In addition to the Town, the following political subdivisions have the power to issue bonds and to levy taxes or cause taxes to be levied on taxable real property in the Town. The estimated applicable outstanding indebtedness of such political subdivisions is as follows:

<u>Overlapping Units</u>	<u>Date of Report</u>	<u>Percentage Applicable (%)</u>	<u>Applicable Total Indebtedness</u>	<u>Applicable Net Indebtedness</u>
County of Orange	03/20/2020	4.14	\$11,049,867	\$10,349,669
Village of Cornwall on the Hudson	02/28/2019	100.00	1,817,084	1,817,084
Cornwall CSD	06/30/2019	82.29	26,299,559	26,299,559
Washingtonville CSD	02/04/2020	0.73	488,277	488,277
Fire Districts (Est.)	12/31/2018	Var.	125,000	125,000
Totals			<u>\$39,779,787</u>	<u>\$39,079,589</u>

Sources: Annual Reports of the respective units for the most recently completed fiscal year on file with the Office of the State Comptroller or more recently published Statements.

Debt Ratios (As of June 29, 2020)

	<u>Amount</u>	<u>Per Capita^a</u>	<u>Percentage of Full Value (%)^b</u>
Total Direct Debt	\$7,170,932	\$ 576	0.416
Net Direct Debt	6,675,000	536	0.387
Total Direct & Applicable Total Overlapping Debt	46,950,719	3,774	2.721
Net Direct & Applicable Net Overlapping Debt	45,754,589	3,677	2.652

The estimated population of the Town is 12,442.

The full valuation of taxable real property in the Town is \$1,725,341,365.

FINANCES OF THE TOWN

Financial Statements and Accounting Procedures

The Town maintains its financial records in accordance with the Uniform System of Accounts for Towns prescribed by the State Comptroller. The financial records of the Town are audited by independent accountants. The last such audit made available for public inspection covers the fiscal year ended December 31, 2019, such report is attached as Appendix B. In addition, the financial affairs of the Town are subject to periodic compliance review by the Office of the State Comptroller to ascertain whether the Town has complied with the requirements of various State and Federal statutes.

Fund Structure and Accounts

The Town utilizes fund accounting to record and report its various service activities. A fund represents both a legal and an accounting entity which segregates the transactions of specific programs in accordance with special regulations, restrictions or limitations.

There are two basic fund types: (1) governmental funds that are used to account for basic services and capital projects; and (2) fiduciary funds that account for assets held in a trustee capacity. Account groups, which do not represent funds, are used to record fixed assets and long-term obligations that are not accounted for in a specific fund.

The Town presently maintains the following governmental funds: General Fund, Highway Fund, Sanitation Fund, Sewer Funds, and the Water Fund. Fiduciary funds consist of a Trust and Agency Fund. There are no proprietary funds. Account groups are maintained for fixed assets and long-term debt.

Basis of Accounting

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Town considers all revenues reported in the governmental funds to be available if the revenues are collected within 365 days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, sanitary landfill post closure costs, installment purchases, judgments and claims, 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.

Investment Policy

Pursuant to the statutes of the State of New York and its adopted Investment Policy, the Town is permitted to temporarily invest moneys which are not required for immediate expenditures, with the exception of moneys the investment of which is otherwise provided for by law, in the following investments: (1) special time deposit accounts in, or certificates of deposit issued by a bank or trust company located and authorized to do business in the State, provided however, that such time deposit account or certificate of deposit is payable within such time as the proceeds shall be needed to meet the expenditures for which such moneys were obtained and provided further that such time deposit account or certificate of deposit, in excess of the amount insured under the Federal Deposit Insurance Act, be secured by either a pledge of eligible securities, an eligible surety bond or an eligible letter of credit, as those terms are defined in the law; (2) obligations of the United States of America; (3) obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America; (4) obligations of the State of New York; (5) with the approval of the New York State Comptroller in tax anticipation notes or revenue anticipation notes issued by any municipalities, school district, or district corporation, other than those notes issued by the Town; (6) certificates of participation issued by political subdivisions of the State, as those terms are defined in the law; (7) obligations of a New York public corporation which are made lawful investments for the Town pursuant to the enabling laws of such public corporation; or (8) in the case of moneys held in certain reserve funds established by the Town pursuant to law, in obligations of the Town. Any investments made by the Town pursuant to law are required to be payable or redeemable at the option of the Town within such times as the proceeds will be needed to meet expenditures for purposes for which the moneys were provided and, in the case of obligations purchased with the proceeds of bonds or notes, shall be payable or redeemable in any event, at the option of the owner, within two years of the date of purchase. These statutes also require that the Town's investments, unless registered or inscribed in the name of the Town, must be purchased through, delivered to and held in custody of a bank or trust company in the State. All such investments held in the custody of a bank or trust company must be held pursuant to a written custodial agreement as that term is defined in the law.

Collateral is required for demand deposit, money market accounts and certificates of deposit not covered by Federal deposit insurance and the eligible securities utilized for such collateral must be held by a third party financial institution, pursuant to security and custodial agreements. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of New York State and its municipalities and school districts.

The Town maintains a list of financial institutions and dealers approved for investment purposes and establishes appropriate limits to the amount of investments which can be made with each financial institution or dealer. All financial institutions with which the Town conducts business must be credit worthy. Banks are required to provide their most recent Consolidated Report of Condition (Call Report) at the request of the Town. Security dealers not affiliated with a bank are required to be classified as reporting dealers affiliated with the New York Federal Reserve Bank, as primary dealers. The chief fiscal officer is responsible for evaluating the financial position and maintaining a listing of proposed depositories, trading partners and custodians. Such listing shall be evaluated at least annually.

The Town Supervisor is authorized to contract for the purpose of investments: (1) directly, including through a repurchase agreement, from an authorized trading partner, (2) by participation in a cooperative investment program with another authorized governmental entity pursuant to Article 5G of the General Municipal Law where such program meets all the requirements set forth in the Office of the State Comptroller Opinion No. 88-46, and the specific program has been authorized by the governing board; and (3) by utilizing an ongoing investment program with an authorized trading partner pursuant to a contract authorized by the governing board.

All purchased obligations, unless registered or inscribed in the name of the Town, shall be purchased through, delivered to and held in the custody of a bank or trust company. Such obligations shall be purchased, sold or presented for redemption or payment by such bank or trust company only in accordance with prior written authorization from the officer authorized to make the investment. All such transactions shall be confirmed in writing to the Town by the bank or trust company. Any obligation held in the custody of a bank or trust company shall be held pursuant to a written custodial agreement as described in General Municipal Law, §10.

The custodial agreement shall provide that securities held by the bank or trust company, as agent of and custodian for, the Town, will be kept separate and apart from the general assets of the custodial bank or trust company and will not, in any circumstances, be commingled with or become part of the backing for any other deposit or other liabilities. The agreement shall describe how the custodian shall confirm the receipt and release of the securities. Such agreement shall include all provisions necessary to provide the Town a perfected interest in the securities.

Repurchase agreements are authorized subject to the following restrictions: (1) all repurchase agreements must be entered into subject to a Master Repurchase Agreement; (2) trading partners are limited to banks or trust companies authorized to do business in New York State and primary reporting dealers; (3) obligations shall be limited to obligations of the United States of America and obligations guaranteed by agencies of the United States of America; (4) no substitution of securities will be allowed; and (5) the custodian shall be a party other than the trading partner.

Budgetary Procedures

The head of each administrative unit of the Town is required to file detailed estimates of revenues (other than real property taxes) and expenditures for the next fiscal year with the budget officer on or before August 15th. After reviewing these estimates, the budget officer prepares a tentative budget which includes his recommendations. A budget message explaining the main features of the budget is also prepared at this time. The tentative budget is filed with the Town Clerk not later than the 30th of September. Subsequently, the Town Clerk presents the tentative budget to the Town Board at the regular or special hearing which must be held on or before October 5th. The Town Board reviews the tentative budget and makes such changes as it deems necessary and that are not inconsistent with the provisions of the law. Following this review process, the tentative budget and such modifications, if any, as approved by the Board become the preliminary budget. A public hearing, notice of which must be duly published in the Town's official newspaper, on the preliminary budget is generally required to be held on the Thursday immediately following the general election. At such hearing, any person may express his opinion concerning the preliminary budget; however, there is no requirement or provision that the preliminary budget or any portion thereof be voted on by members of the public. After the public hearing, the Town Board may further change and revise the preliminary budget. The Town Board, by resolution, adopts the preliminary budget as submitted or amended no later than November 20th, at which time, the preliminary budget becomes the annual budget of the Town for the ensuing fiscal year. Budgetary control during the year is the responsibility of the Supervisor who is assisted in this area by the Town Comptroller. However, any changes or modifications to the annual budget including the transfer of appropriations among line items must be approved by resolution of the Town Board.

Budget Summaries for the 2019 and 2020 fiscal years may be found in Appendix A.

Financial Operations

The Supervisor functions as the chief fiscal officer as provided in Section 2 of the Local Finance Law; in this role, the Supervisor is responsible for the Town's accounting and financial reporting activities. Pursuant to Section 30 of the Local Finance Law, the Supervisor has been authorized to issue or renew certain specific types of notes. As required by law, the Supervisor must execute an authorizing certificate which then becomes a matter of public record.

The Town Board, as a whole, serves as the finance board of the Town and is responsible for authorizing, by resolution, all material financial transactions such as operating and capital budgets and bonded debt.

Town finances are operated primarily through the General and Special Revenue Funds. The General Fund receives most of its revenue from real property tax and State aid. Current operating expenditures are paid from these funds subject to available appropriations. The Special Revenue Funds are made up of the Town outside Village, Highway, Sewer, Sanitation, Lighting, Ambulance and Water Funds. The primary source of income for these districts comes from special assessments levied against district properties at the same time real estate taxes are levied. Capital projects and equipment purchases are accounted for in special capital projects funds. The Town observes a calendar year (January 1 through December 31) for operating and reporting purposes.

The State Comptroller's Fiscal Stress Monitoring System

The New York State Comptroller has reported that New York State's school districts and municipalities are facing significant fiscal challenges. As a result, the Office of the State Comptroller has developed a Fiscal Stress Monitoring System ("FSMS") to provide independent, objectively measured and quantifiable information to school district and municipal officials, taxpayers and policy makers regarding the various levels of fiscal stress under which the State's school districts and municipalities are operating.

The fiscal stress scores are based on financial information submitted as part of each school district's ST-3 report filed with the State Education Department annually, and each municipality's annual report filed with the State Comptroller. Using financial indicators that include year-end fund balance, cash position and patterns of operating deficits, the system creates an overall fiscal stress score which classifies whether a school district or municipality is in "significant fiscal stress", in "moderate fiscal stress," as "susceptible to fiscal stress" or "no designation". Entities that do not accumulate the number of points that would place them in a stress category will receive a financial score but will be classified in a category of "no designation." This classification should not be interpreted to imply that the entity is completely free of fiscal stress conditions. Rather, the entity's financial information, when objectively scored according to the FSMS criteria, did not generate sufficient points to place them in one of the three established stress categories.

The most current applicable report of the State Comptroller designates the Town as "No Designation". (Fiscal Score: 0.0%; Environmental Score: 23.3%).

See the State Comptroller's official website for more information on FSMS. Reference to this website implies no warranty of accuracy of information therein.

In addition, the Office of the State Comptroller helps local government officials manage government resources efficiently and effectively. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through its audits, which identify opportunities for improving operations and governance. The most recent audit performed was released in August, 2014. The purpose of such audit was to review the Town's financial condition for the period January 1, 2011 through December 31, 2013. The complete report may be found on the State Comptroller's official website. Reference to this website implies no warranty of accuracy of information therein.

Revenues

The Town receives most of its revenues from a real property tax on all non-exempt property situated within the Town and from State Aid. A summary of such revenues for the five most recently completed fiscal years may be found in Appendix A. See "Real Property Tax Information", herein.

State Aid

Based on the unaudited financial reports of the Town, the Town received approximately 9.61% of its total General Fund operating revenue from State aid in 2019 and budgeted approximately 5.74% for 2020. There is no assurance, however, that State appropriations for aid to municipalities will continue, either pursuant to existing formulas or in any form whatsoever. The State is not constitutionally obligated to maintain or continue such aid and has the ability to reduce funding to municipalities and school districts in order to balance its own budget.

No assurance can be given that present State aid levels will be maintained in the current or future fiscal year or that the State's financial position will not change materially and adversely from current projections. State budgetary restrictions which eliminate or substantially reduce State aid could have a material adverse effect upon the Town, requiring either a counterbalancing increase in revenues from other sources to the extent available, or a curtailment of expenditures. The Town has not received any reductions in State aid during the current fiscal year nor does it anticipate a significant reduction in State aid during the remainder of the current fiscal year.

If the State should not adopt its budget in a timely manner, municipalities and school districts in the State, including the Town, may be affected by a delay in the payment of State aid. Additionally, if the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes in order to pay State aid to municipalities and school districts in the State, including the Town, in this year or future years, the Town may be affected by a delay in the receipt of State aid until sufficient State taxes have been received by the State to make State aid payments.

The State receives a substantial amount of federal aid for health care, education, transportation and other governmental purposes, as well as federal funding to respond to, and recover from, severe weather events and other disasters. Many of the policies that drive this federal aid may be subject to change under the federal administration and the current Congress. Current federal aid projections, and the assumptions on which they rely, are subject to revision in the future as a result of changes in federal policy.

The federal government may enact budgetary changes or take other actions that adversely affect State finances. State legislation adopted with the State's 2019-2020 Enacted Budget continues authorization for a process by which the State would manage significant reductions in federal aid during Federal fiscal year 2020 should they arise. Specifically, the legislation allows the State Budget Director to prepare a plan for consideration by the State Legislature in the event that the federal government (i) reduces federal financial participation in Medicaid funding to the State or its subdivisions by \$850 million or more; or (ii) reduces federal financial participation of other federal aid funding to the State that affects the State Operating Funds financial plan by \$850 million or more, exclusive of any cuts to Medicaid. Each limit is triggered separately. The plan prepared by the State Budget Director must equally and proportionately reduce appropriations and cash disbursements in the State's General Fund and State Special Revenue Funds. Upon receipt of the plan, the State Legislature has 90 days to prepare its own corrective action plan, which may be adopted by concurrent resolution passed by both houses, or the plan submitted by the State Budget Director takes effect automatically.

On December 22, 2017, President Trump signed into law the Tax Cuts and Jobs Act of 2017 (H.R. 1, P.L. 115-97), making major changes to the Federal Internal Revenue Code, most of which are effective in the 2018 tax year. The new federal tax law makes extensive changes to federal personal income taxes, corporate income taxes, and estate taxes, and the deductibility of various taxes and interest costs. The State's income tax system interacts with the federal system in numerous ways. The federal changes are expected to have significant flow-through effects on State tax burdens and revenues. The State's 2018-2019 Enacted Budget included legislation decoupling certain linkages between federal and local income tax and corporate taxes, increasing the opportunities for charitable contributions, and providing an option to employers to shift to an employer compensation tax and reduce State personal income taxes. In addition, the State's 2018-2019 Enacted Budget included legislation that grants localities the option to establish local charitable funds that would provide taxpayers with a credit against their property taxes. In response to various state initiatives following changes to federal taxes and deductibility, the Department of Treasury (Treasury Department) and the Internal Revenue Service (IRS) have provided guidance regarding state initiatives that would seek to circumvent the new statutory limitation on state and local tax deductions and characterization of payments for federal income tax purposes. The final regulations prohibit the use of programs implemented in some states in which taxpayers receive a credit against their state income taxes for donations made to charitable funds set up by the state in an attempt to reduce the impact of the federal cap on state and local tax deductions. The Town has not exercised this option and has no plans to do so in the foreseeable future.

Should the Town fail to receive State aid expected from the State in the amounts and at the times expected, occasioned by a delay in the payment of such monies or by a mid-year reduction in State aid, the Town is authorized by the Local Finance Law to provide operating funds by borrowing in anticipation of the receipt of uncollected State aid.

The following table sets forth the percentage of the Town's General Fund revenue (including transfers) comprised of State aid for each of the fiscal years 2015 through 2019, and as budgeted for 2020.

<u>Fiscal Year Ending December 31:</u>	<u>General Fund Total Revenue</u>	<u>State Aid</u>	<u>State Aid to Revenues (%)</u>
2015	\$5,274,026	\$396,419	7.52
2016	5,408,220	501,410	9.27
2017	5,486,577	535,935	9.77
2018	5,755,070	522,792	9.08
2019	5,810,258	558,331	9.61
2020 (Budgeted)	6,042,752	347,000	5.74

Sources: Audited financial statements (2015-2019) and the Adopted Budget for 2020.

Expenditures

The major categories of expenditures for the Town are General Government Support, Public Safety, Transportation, Economic Assistance and Opportunity, Home and Community Services, Culture and Recreation, Employee Benefits and Debt Service. A summary of the expenditures for the five most recently completed fiscal years may be found in Appendix A.

Pension Systems

Substantially all employees of the Town are members of the New York State and Local Employees' Retirement System (the "Retirement System" or "ERS") and the New York State and Local Police and Fire Retirement System (PFRS). The Retirement Systems are a cost-sharing multiple public employer retirement system. The obligation of employers and employees to contribute and the benefits to employees are governed by the New York State Retirement System and Social Security Law (the "Retirement System Law"). The Systems offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits and optional methods of benefit payments. All benefits generally vest after five years of credited service. The Retirement System Law generally provides that all participating employers in the Retirement Systems are jointly and severally liable for any unfunded amounts. Such amounts are collected through annual billings to all participating employers. Generally, all employees, except certain part-time employees, participate in the Retirement Systems. The Retirement Systems are non-contributory with respect to members hired prior to July 27, 1976. All members hired on or after July 27, 1976 must contribute three percent of their gross annual salary towards the costs of retirement programs until they attain ten years in the Retirement System, at such time contributions become voluntary. On December 10, 2009, the Governor signed into law the creation of a new Tier 5, which is effective for new ERS employees hired after January 1, 2010. New ERS employees in Tier 5 will now contribute 3% of their salaries. There is no provision for these contributions to cease for Tier 5 employees after a certain period of service. Additionally, on March 16, 2012, the Governor signed into law the new Tier 6 pension program, effective for new ERS and TRS employees hired after April 1, 2012. The Tier 6 legislation provides for increased employee contribution rates of between 3% and 6%, an increase in the retirement age from 62 years to 63 years, a readjustment of the pension multiplier, and a change in the time period for final average salary calculation from 3 years to 5 years. Tier 6 employees will vest in the system after ten years of employment and will continue to make employee contributions throughout employment.

As a result of significant capital market declines in the recent past, in certain years the State's Retirement System portfolio has experienced negative investment performance and severe downward trends in market earnings. As a result of the foregoing, it is anticipated that the employer contribution rate for the State's Retirement System in future years may be higher than the minimum contribution rate established under applicable law. Since 2010, various forms of legislation have been enacted to allow local governments and school districts the option of amortizing required contributions to the Retirement System. However, although these options reduce near term payments, it will require higher than normal contributions in later years. The Town has decided not to amortize any payments to the Retirement System.

Required Contributions to the Retirement Systems

Fiscal Year Ending <u>December 31:</u>	<u>ERS</u>	<u>PFRS</u>
2015	\$378,320	\$191,480
2016	367,979	182,962
2017	341,440	189,518
2018	346,773	209,794
2019	349,718	228,975
2020 (Budgeted)	342,430	230,020

Sources: Town Officials.

Other Post Employment Benefits

The Town provides post-retirement healthcare benefits to various categories of former employees. These costs may be expected to rise substantially in the future. Accounting rules now require governmental entities, such as the Town, to account for post-retirement health care benefits as its accounts for vested pension benefits. GASB Statement No. 75 ("GASB 75") described below requires such accounting.

GASB Statement No. 75 ("GASB 75") of the Governmental Accounting Standards Board ("GASB"), requires state and local governments to account for and report their costs associated with post-retirement healthcare benefits and other non-pension benefits ("OPEB"). GASB 75 generally requires that employers account for and report the annual cost of the OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Under previous rules, these benefits have generally been administered on a pay-as-you-go basis and have not been reported as a liability on governmental financial statements. Only current payments to existing retirees were recorded as an expense.

GASB 75 requires that state and local governments adopt the actuarial methodologies to determine annual OPEB costs. Annual OPEB cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due.

During the year ended December 31, 2018, the Town adopted GASB 75, which supersedes and eliminates GASB 45. Under GASB 75, based on actuarial valuation, an annual required contribution ("ARC") will be determined for each state or local government. The ARC is the sum of (a) the normal cost for the year (the present value of future benefits being earned by current employees) plus (b) amortization of the unfunded accrued liability (benefits already earned by current and former employees but not yet provided for), using an amortization period of not more than 30 years. If a municipality contributes an amount less than the ARC, a net OPEB obligation will result, which is required to be recorded as a liability on its financial statements.

GASB 75 establishes new standards for recognizing and measuring OPEB liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures to provide more transparent reporting and useful information about the liability and cost of benefits. Municipalities and school districts are required to account for OPEB within the financial statements rather than only noted in the footnotes as previously required by GASB 45. It is measured as of a date no earlier than the end of the employer's prior fiscal year and no later than the employer's current fiscal year. The discount rate is based on 20-year, tax exempt general obligation municipal bonds. There is no amortization of prior service cost.

The following table shows the components of the Town's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Town's net OPEB obligation:

<u>Changes in the Total OPEB Liability</u>	<u>Fiscal Year Ending December 31, 2019:</u>
Balance as of December 31, 2019	\$10,494,393
Changes for the year:	
Service Cost	377,822
Interest	370,198
Changes of benefit terms	0
Differences between actual and expected experience	0
Changes in assumptions or other outputs	(1,087,728)
Benefit payments	(221,285)
Total Changes	(\$560,993)
Total OPEB liability as of December 31, 2019	\$9,933,400

The OSC has recently proposed legislation to provide the State and certain local governments with the authority to establish trusts in which to accumulate assets for OPEB and to establish an OPEB investment fund in the sole custody of the State Comptroller for the investment of OPEB assets of the State and participating eligible local governments. The Town cannot predict at this time whether such proposed legislation will be enacted into law. At this time, New York State has not developed guidelines for the creation and use of irrevocable trusts for the funding of OPEB. As a result, the Town has decided to continue funding the expenditure on a pay-as-you-go basis.

Should the Town be required to fund its unfunded actuarial accrued OPEB liability, it could have a material adverse impact upon the Town's finances and could force the Town to reduce services, raise taxes or both.

REAL PROPERTY TAX INFORMATION

Real Property Taxes

The Town derives a major portion of its revenues from a tax on real property (see "Statement of Revenues, Expenditures and Changes in Fund Balance" in Appendix A, herein.) Property taxes accounted for approximately 63.97% of total general fund revenues, for the fiscal year ended 2019. On June 24, 2011, the Tax Levy Limit Law was enacted, which imposes a tax levy limitation upon the municipalities, school districts and fire districts in the State, including the Town, without providing an exclusion for debt service on obligations issued by municipalities and fire districts, including the Town. See "Tax Levy Limit Law," herein.

Tax Rates
(Per \$1,000 Assessed Valuation)

	Fiscal Year Ending December 31:				
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
County	5.14%	5.25%	3.83%	3.77%	3.93%
General:					
Town-Wide	2.38	2.41	1.63	1.75	1.82
Part-Town	1.73	1.81	1.50	1.36	1.33
Highway	1.83	1.83	1.05	1.09	0.94
Special Districts (Selected Items):					
Cornwall Sewer	2.06	2.07	1.58	1.55	1.97
Cantebury Fire	1.54	1.55	1.06	1.06	1.07
Ambulance	0.01	0.01			

The following table sets forth the percentage of the Town's General Fund revenue (excluding other financing sources) comprised of real property taxes for each of the fiscal years 2015 through 2019 inclusive and as budgeted for the fiscal year 2020.

<u>Fiscal Year Ending December 31:</u>	<u>Total Revenue</u>	<u>Real Property Taxes</u>	<u>Real Property Taxes to Revenues (%)</u>
2015	\$5,274,026	\$3,387,828	64.24
2016	5,408,220	3,374,903	62.40
2017	5,486,577	3,471,066	63.26
2018	5,755,070	3,692,948	64.17
2019	5,810,258	3,716,888	63.97
2020 (Budgeted)	6,042,752	3,693,680	61.13

Sources: Audited financial statements (2015-2019) and the Adopted Budget for 2020.

Tax Collection Procedure

The Town levies and collects all ad valorem and special assessment taxes and charges for general Town, highway, special district and fire district purposes. The Town also collects County and School District property taxes.

Town tax bills, which include the County levy, are mailed on or about January 1 of each year, and may be paid without penalty or interest charge on or before January 31. Penalties for delinquent payment are imposed at the rate of 1% for bills paid in February, 1-1/2% for bills paid in March, and 2% for bills paid in April. Thereafter, all unpaid taxes and the penalties thereon must be paid to the County Treasurer, and an additional penalty of 5% is added thereto.

The Town permits the payment of its taxes on an installment basis, with equal installments due on or before January 15 and July 15, respectively. A 3% service charge is added to the tax bills of those taxpayers selecting the installment plan. In addition, a 1% interest charge is imposed for the first installment if paid after January 15 and on or before January 20; the installment option may not be exercised thereafter. After January 20, the tax bill is payable in full without interest or penalty if paid on or before January 31.

Pursuant to the Real Property Tax Law, the Town retains from the first tax collections an amount sufficient to satisfy the amounts levied for all Town purposes. The balance is then paid to the County Commissioner of Finance. In April, the Town files a report of uncollected taxes with the County Commissioner of Finance. In the event the Town does not collect sufficient amounts to satisfy all Town purposes, the County is permitted under the Local Finance Law to issue tax anticipation notes to provide funds to pay delinquent Town items to the Town.

School District taxes are billed in September and payable without penalty to September 30th. If paid during October a penalty of 3% is imposed thereon. After October 31st, unpaid School District taxes are returned to the County Treasurer and relieved on the County Tax Roll with a 7% penalty added.

The full amount of the Town tax levies are guaranteed by the County.

Tax Levy Limit Law

Prior to the enactment of Chapter 97 of the Laws of 2011 (the "Tax Levy Limit Law") on June 24, 2011, all the taxable real property within the Town had been subject to the levy of ad valorem taxes to pay the bonds and notes of the Town and interest thereon without limitation as to rate or amount. However, the Tax Levy Limit Law imposes a tax levy limitation upon the Town for any fiscal year commencing after May 31, 2012, without providing an exclusion for debt service on obligations issued by the Town. As a result, the power of the Town to levy real estate taxes on all the taxable real property within the Town is subject to statutory limitations, according to the formulas set forth in Tax Levy Limit Law.

The following is a brief summary of certain relevant provisions of the Tax Levy Limit Law. The summary is not complete and the full text of the Tax Levy Limit Law should be read in order to understand the details and implications thereof.

The Tax Levy Limit Law imposes a limitation on increases in the real property tax levy of the Town, subject to certain exceptions. The Tax Levy Limit Law permits the Town to increase its overall real property tax levy over the tax levy of the prior year by no more than the "Allowable Levy Growth Factor", which is the lesser of one and two one-hundredths or the sum of one plus the Inflation Factor; provided, however that in no case shall the levy growth factor be less than one. The "Inflation Factor" is the quotient of: (i) the average of the 20 National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the coming fiscal year minus the average of the National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the prior fiscal year, divided by: (ii) the average of the National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the prior fiscal year, with the result expressed as a decimal to four places. The Tax Levy Limit Law also provides for adjustments to be made to the Town's tax levy based upon changes in the assessed value of the taxable real property in the Town. Additionally, the Town will be permitted to carry forward a certain portion of its unused tax levy capacity from the prior year. The Town is required to calculate its tax levy limit for the upcoming year in accordance with the provision described above and provide all relevant information to the New York State Comptroller prior to adopting its budget. The Tax Levy Limit Law sets forth certain exclusions to the real property tax levy limitation of the Town, including exclusions for tort judgments payable by the Town. The governing board of the Town may adopt a budget that exceeds the tax levy limit for the coming fiscal year, only if the governing board of the Town first enacts, by a vote of at least sixty percent of the total voting power of the Town Board, a local law to override such limit for such coming fiscal year.

The Tax Levy Limit Law does not contain an exception from the levy limitation for the payment of debt service on either outstanding general obligation bonds or notes of the Town or such indebtedness incurred after the effective date of the Tax Levy Limit Law. As such, there can be no assurances that the Tax Levy Limit Law will not come under legal challenge for violating (i) Article VIII, Section 12 of the State Constitution for not providing an exception for debt service on obligations issued prior to the enactment of the Tax Levy Limit Law, (ii) Article VIII, Section 10 of the State Constitution by effectively eliminating the exception for debt service to general real estate tax limitations, and (iii) Article VIII, Section 2 of the State Constitution by limiting the pledge of its faith and credit by a municipality or school district for the payment of debt service on obligations issued by such municipality or school district.

The 2016 through 2020 Budgets did not exceed the tax levy limitation.

Large Taxable Properties
2019 Assessment Roll^a

<u>Name</u>	<u>Type</u>	<u>Assessed Valuation</u>
Idlewind Creek Apartments	Apartments	\$ 21,850,000
Palisades Interstate Park Commission	State Lands	16,328,500
Central Hudson	Public Utility	15,646,647
Cornwall Apartments	Apartments	10,141,000
Vails Gate Business Center	Commercial	8,836,800
Joy Apartment, LLC.	Apartments	7,182,900
Cornwall Owners Corp.	Co-Ops	6,000,000
Cornwall Shopping, LLC.	Commercial	5,578,600
CSX Transportation, Inc.	Transportation	5,262,123
Cornwall Medical Complex, LLC.	Medical Building	5,243,200
Bigg	Various	3,573,400
A&W Properties	Commercial	3,152,800
Cornwall Properties	Manufacturing	2,802,500
Total ^b		<u><u>\$111,598,470</u></u>

a. Assessment Roll established in 2019 for levy and collection of taxes in 2020.

b. Represents 6.79% of the 2020 Taxable Assessed Valuation of the Town.

LITIGATION

In common with other municipalities, the Town from time to time receives notices of claim and is party to litigation. In the opinion of the Town, after consultation with the Town Attorney, unless otherwise set forth herein and apart from matters provided for by applicable insurance coverage, there are no significant claims or actions pending in which the Town has not asserted a substantial and adequate defense, nor which, if determined against the Town, would have an adverse material effect on the financial condition of the Town.

CYBERSECURITY

The Town, like many other public and private entities, relies on technology to conduct its operations. As a recipient and provider of personal, private, or sensitive information, the Town faces multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. To mitigate the risk of business operations impact and/or damage from cyber incidents or cyber-attacks, the Town invests in various forms of cybersecurity and operational controls; however, no assurances can be given that such security and operational control measures will be completely successful to guard against cyber threats and attacks. The results of any such attack could impact business operations and/or damage Town digital networks and systems and the costs of remedying any such damage could be substantial.

IMPACT OF COVID-19

An outbreak of disease or similar public health threat, such as the COVID-19 outbreak, or fear of such an event, could have an adverse impact on the Town's financial condition and operating results. Currently, the spread of COVID-19, a respiratory disease caused by a new strain of coronavirus, has spread globally, including to the United States, and has been declared a pandemic by the World Health Organization. The outbreak of the disease has affected travel, commerce and financial markets globally and is widely expected to affect economic growth worldwide. The current outbreak has caused the Federal government to declare a national state of emergency. The State has also declared a state of emergency and the Governor has taken steps designed to mitigate the spread and impacts of COVID-19, including closing schools and non-essential businesses. The outbreak of COVID-19 and the dramatic steps taken by the State to address it are expected to negatively impact the State's economy and financial condition. The full impact of COVID-19 upon the State is not expected to be known for some time. Similarly, the degree of the impact to the Town's operations and finances is extremely difficult to predict due to the dynamic nature of the COVID-19 outbreak, including uncertainties relating to its (i) duration, and (ii) severity, as well as with regard to what actions may be taken by governmental and other health care authorities, including the State, to contain or mitigate its impact. The continued spread of the outbreak could have an adverse effect on the State and municipalities and school districts located in the State, including the Town. The Town is monitoring the situation and will take such proactive measures as may be required to maintain its operations and meet its obligations.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Town, under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Bonds and the Notes is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Bonds and the Notes is not treated as a preference item in calculating the alternative minimum tax under the Code. The Tax Certificate of the Town (the "Tax Certificate"), which will be delivered concurrently with the delivery of the Bonds and the Notes will contain provisions and procedures relating to compliance with applicable requirements of the Code. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Town in connection with the Bonds and the Notes and Bond Counsel has assumed compliance by the Town with certain ongoing provisions and procedures set forth in the Tax Certificate relating to compliance with applicable requirements of the Code to assure the exclusion of interest on the Bonds and the Notes from gross income under Section 103 of the Code.

In addition, in the opinion of Bond Counsel to the Town, under existing statutes, interest on the Bonds and the Notes and the Notes is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York.

Bond Counsel expresses no opinion as to any other federal, state or local tax consequences arising with respect to the Bonds and the Notes, or the ownership or disposition thereof, except as stated above. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action thereafter taken or not taken, any fact or circumstance that may thereafter come to its attention, any change in law or interpretation thereof that may thereafter occur, or for any other reason. Bond Counsel expresses no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Bonds and the Notes.

Certain Ongoing Federal Tax Requirements and Certifications

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the Bonds and the Notes in order that interest on the Bonds and the Notes be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the Bonds and the Notes, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the Bonds and the Notes to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Town, in executing the Tax Certificate, will certify to the effect that the Town will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure the exclusion of interest on the Bonds and the Notes from gross income under Section 103 of the Code.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the Bonds and the Notes. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a Bond and Note. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Bonds and the Notes.

Prospective owners of the Bonds and the Notes should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the Bonds and the Notes may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a Bond or Note (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general, the “issue price” of a maturity (a bond or note with the same maturity date, interest rate, and credit terms) means the first price at which at least 10 percent of such maturity was sold to the public, i.e., a purchaser who is not, directly or indirectly, a signatory to a written contract to participate in the initial sale of the Bonds or Notes. In general, the issue price for each maturity of the Bonds and the Notes is expected to be the initial public offering price set forth in this Official Statement. Bond Counsel further is of the opinion that, for any Bonds and Notes having OID (a “Discount Bond and Note”), OID that has accrued and is properly allocable to the owners of the Discount Bonds and Notes under Section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on the Bonds and the Notes.

In general, under Section 1288 of the Code, OID on a Discount Bond and Note accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond and Note. An owner’s adjusted basis in a Discount Bond and Note is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Discount Bond and Note. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond and Note even though there will not be a corresponding cash payment.

Owners of Discount Bonds and Notes should consult their own tax advisors with respect to the treatment of original issue discount for federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds and Notes.

Bond and Note Premium

In general, if an owner acquires a Bond or Note for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all amounts payable on the Bonds and the Note after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that Bond or Note (a “Premium Bond and Note”). In general, under Section 171 of the Code, an owner of a Premium Bond and Note must amortize the bond premium over the remaining term of the Premium Bond and Note, based on the owner’s yield over the remaining term of the Premium Bond and Note determined based on constant yield principles (in certain cases involving a Premium Bond and Note callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such note). An owner of a Premium Bond and Note must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period under the owner’s regular method of accounting against the bond premium allocable to that period. In the case of a tax-exempt Premium Bond and Note, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond and Note may realize a taxable gain upon disposition of the Premium Bond and Note even though it is sold or redeemed for an amount less than or equal to the owner’s original acquisition cost. Owners of any Premium Bonds and Notes should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization of bond premium on, sale, exchange, or other disposition of Premium Bonds and Notes.

Information Reporting and Backup Withholding

Information reporting requirements apply to interest on tax-exempt obligations, including the Bonds and the Notes. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a Form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Bond and Note through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the Bonds and the Notes from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's federal income tax once the required information is furnished to the Internal Revenue Service.

Miscellaneous

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Bonds and the Notes under federal or state law or otherwise prevent beneficial owners of the Bonds and the Notes from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Bonds and the Notes.

Prospective purchasers of the Bonds and the Notes should consult their own tax advisors regarding the foregoing matters.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Bonds and the Notes will be subject to the final approving opinion of Hawkins Delafield & Wood LLP, Bond Counsel, substantially as set forth in Appendix C.

DISCLOSURE UNDERTAKING

At the time of the delivery of the Notes, the Town will provide an executed copy of its Undertaking to Provide Continuing Disclosure with respect to the Bonds and its Undertaking to Provide Notices of Events with respect to the Notes substantially as set forth in Appendix D.

Prior Compliance History

The Town reserves the right to amend or modify the Undertaking under certain circumstances set forth therein; provided that, any such amendment or modification will be done in a manner consistent with Rule 15c2-12 as then in effect.

<u>Fiscal Year Ending December 31:</u>	<u>Financial & Operating Information</u>	<u>Audited Financial Statements</u>
2015	06/27/2016	06/08/2016
2016	06/20/2017	06/28/2017
2017	06/18/2018	05/31/2018
2018	06/11/2019	05/20/2019
2019	06/17/2020	06/16/2020

BOND RATING

The Bonds and the Notes are not rated. The Town's outstanding bonds are currently rated "AA" by S&P Global Ratings ("S&P") 55 Water Street, New York, NY 10041, Telephone: (877) 299-2569 and Fax: (212) 438-5153. This rating reflects only the view of the rating agency and any desired explanation of the significance of such rating should be obtained from S&P. Generally, a rating agency bases its ratings on the information and materials furnished to it and on investigation, studies and assumptions by the rating agency. There is no assurance that a particular rating will apply for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing the rating, circumstances so warrant. Any downward revision or withdrawal of such ratings could have an adverse effect on the market price of the Bonds and the Notes or the availability of a secondary market for such Bonds and Notes.

MUNICIPAL ADVISOR

Munistat Services, Inc. (the "Municipal Advisor"), is a Municipal Advisor, registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Municipal Advisor serves as independent municipal advisor to the Town on matters relating to debt management. The Municipal Advisor is a municipal advisory and consulting organization and is not engaged in the business of underwriting, marketing, or trading municipal securities or any other negotiated instruments. The Municipal Advisor has provided advice as to the plan of financing and the structuring of the Bonds and the Notes and has reviewed and commented on certain legal documents, including this Official Statement. The advice on the plan of financing and the structuring of the Bonds and the Notes was based on materials provided by the Town and other sources of information believed to be reliable. The Municipal Advisor has not audited, authenticated, or otherwise verified the information provided by the Town or the information set forth in this Official Statement or any other information available to the Town with respect to the appropriateness, accuracy, or completeness of disclosure of such information and no guarantee, warranty, or other representation is made by the Municipal Advisor respecting the accuracy and completeness of or any other matter related to such information and this Official Statement.

ADDITIONAL INFORMATION

Additional information may be obtained upon request from the office of Richard Randazzo, Supervisor, Town of Cornwall, Town Hall, 183 Main Street, Cornwall, New York 12518, telephone number 845/534-3770, email rrandazzo@cornwallny.gov or from the office of Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776, telephone number 631/331-8888 and website: <http://www.munistat.com>.

Munistat Services, Inc. may place a copy of this Official Statement on its website at www.munistat.com. Unless this Official Statement specifically indicates otherwise, no statement on such website is included by specific reference or constitutes a part of this Official Statement. Munistat Services, Inc. has prepared such website information for convenience, but no decisions should be made in reliance upon that information. Typographical or other errors may have occurred in converting original source documents to digital format, and neither the Town nor Munistat Services, Inc. assumes any liability or responsibility for errors or omissions on such website. Further, Munistat Services, Inc. and the Town disclaim any duty or obligation either to update or to maintain that information or any responsibility or liability for any damages caused by viruses in the electronic files on the website. Munistat Services, Inc. and the Town also assume no liability or responsibility for any errors or omissions or for any updates to dated website information.

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be, in fact, realized. This Official Statement is not to be construed as a contract or agreement between the Town and the original purchasers or owners of any of the Bonds and the Notes.

The preparation and distribution of this Official Statement has been authorized by various resolutions of the Town which delegates to the Town Supervisor the power to sell and issue the Bonds and the Notes.

By: s/s RICHARD RANDAZZO
Supervisor and Chief Fiscal Officer
Town of Cornwall
Cornwall, NY

June , 2020

APPENDIX A

FINANCIAL INFORMATION

Statement of Revenues, Expenditures and Fund Balances
General Fund

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Revenues:					
Real Property Taxes	\$ 3,387,828	\$ 3,374,903	\$ 3,471,066	\$ 3,692,948	\$ 3,716,888
Real Property Tax Items	15,445	19,219	17,987	14,718	13,411
Non-Property Tax Items	838,317	851,809	851,988	950,497	944,951
Departmental Income	266,974	302,355	265,266	270,539	283,885
Use of Money and Property	58,315	58,490	65,929	74,649	77,998
Licenses & Permits	16,225	17,838	14,941	10,055	10,036
Fines & Forfeitures	252,518	261,748	200,300	202,583	197,032
Sale of Property & Compensation for Loss	12,974	6,416	1,134	13,215	5,085
Miscellaneous	29,011	14,032	62,031	3,074	2,641
State & Federal Aid	396,419	501,410	535,935	522,792	558,331
Total Revenues	<u>5,274,026</u>	<u>5,408,220</u>	<u>5,486,577</u>	<u>5,755,070</u>	<u>5,810,258</u>
Expenditures:					
General Government Support	1,818,883	1,581,530	1,705,016	1,626,993	1,859,605
Public Safety	1,450,405	1,552,058	1,497,983	1,552,399	1,564,979
Health	6,900	6,900	6,900	18,382	23,178
Economic Assistance	43,112	46,164	46,430	46,680	44,907
Culture and Recreation	301,262	393,640	320,180	312,732	361,129
Home and Community Services	65,463	93,183	89,936	107,695	90,163
Employee Benefits	1,334,823	1,402,990	1,502,272	1,564,509	1,552,935
Debt Service	98,596	105,356	115,972	110,275	118,773
Total Expenditures	<u>5,119,444</u>	<u>5,181,821</u>	<u>5,284,689</u>	<u>5,339,665</u>	<u>5,615,669</u>
Other Financing Sources (Uses):					
Proceeds From:					
Advanced Refunding			600,000		
Payments to Escrow Agent			(651,464)		
Operating Transfers In			145,135		
Operating Transfers Out		(100,000)			
Total Other Financing Sources (Uses)		<u>(100,000)</u>	<u>93,671</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues & Other Financing Sources Over Expenditures & Other Uses	154,582	126,399	295,559	415,405	194,589
Fund Balance Adjustments					
Fund Balance Beginning of Year	928,393	1,082,975	1,209,374	1,504,933	1,920,338
Fund Balance End of Year	<u>\$ 1,082,975</u>	<u>\$ 1,209,374</u>	<u>\$ 1,504,933</u>	<u>\$ 1,920,338</u>	<u>\$ 2,114,927</u>

Sources: Audited Financial Reports of the Town (2015-2019)

NOTE: This Schedule NOT audited.

Statement of Revenues, Expenditures and Fund Balances
Highway Fund

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Revenues:					
Real Property Taxes	\$ 1,449,530	\$ 1,566,362	\$ 1,564,444	\$ 1,402,435	\$ 1,463,802
Non-Property Tax Items	735,660	742,456	780,574	808,433	837,182
Intergovernmental Charges	58,797	59,422	59,422	59,422	60,048
Use of Money and Property	303	419	572	1,142	2,201
Sale of Property & Compensation for Loss	25,927	9,336	2,563	928	19,842
State & Federal Aid	96,901	103,991	119,890	119,953	134,999
Miscellaneous	33				
Total Revenues	<u>2,367,151</u>	<u>2,481,986</u>	<u>2,527,465</u>	<u>2,392,313</u>	<u>2,518,074</u>
Expenditures:					
Transportation	1,445,825	1,380,764	1,365,894	1,227,700	1,288,558
Employee Benefits	577,975	566,639	578,906	627,799	720,262
Debt Service	332,129	329,754	323,729	235,075	242,251
Total Expenditures	<u>2,355,929</u>	<u>2,277,157</u>	<u>2,268,529</u>	<u>2,090,574</u>	<u>2,251,071</u>
Other Financing Sources (Uses):					
Proceeds From:					
Operating Transfers In		100,000			
Operating Transfers Out		(291,787)			
Total Other Financing Sources (Uses)		<u>(191,787)</u>			
Excess (Deficiency) of Revenues & Other Financing Sources Over Expenditures & Other Uses	11,222	13,042	258,936	301,739	267,003
Fund Balance Adjustments				4	
Fund Balance Beginning of Year	357,650	368,872	381,914	640,850	942,593
Transfers of Fund Balance					
Residual Equity Transfer - Risk Retention					
Fund Balance End of Year	<u>\$ 368,872</u>	<u>\$ 381,914</u>	<u>\$ 640,850</u>	<u>\$ 942,593</u>	<u>\$ 1,209,596</u>

Sources: Audited Financial Reports of the Town (2015-2019)

NOTE: This Schedule NOT audited.

Statement of Revenues, Expenditures and Fund Balances
Sanitation Fund

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Revenues:					
Real Property Taxes	\$ 1,425,645	\$ 1,392,705	\$ 1,495,682	\$ 1,550,800	\$ 1,506,873
Use of Money and Property	367	371	503	947	1,134
Sale of Property & Compensation for Loss	1,306	3,857	102	265	
Miscellaneous	<u>1,335</u>	<u>1,074</u>	<u>3,144</u>	<u>4,209</u>	<u>40</u>
Total Revenues	<u>1,428,653</u>	<u>1,398,007</u>	<u>1,499,431</u>	<u>1,556,221</u>	<u>1,508,047</u>
Expenditures:					
General Government Support					
Home and Community Services	1,006,031	970,848	968,559	1,021,491	1,194,574
Employee Benefits	268,494	354,236	368,880	404,944	351,172
Debt Service	<u>69,445</u>	<u>67,824</u>	<u>66,500</u>	<u>85,130</u>	<u>87,272</u>
Total Expenditures	<u>1,343,970</u>	<u>1,392,908</u>	<u>1,403,939</u>	<u>1,511,565</u>	<u>1,633,018</u>
Excess (Deficiency) of Revenues & Other Financing Sources Over Expenditures & Other Uses	84,683	5,099	95,492	44,656	(124,971)
Fund Balance Adjustments				1	
Fund Balance Beginning of Year	<u>51,421</u>	<u>136,104</u>	<u>141,203</u>	<u>236,695</u>	<u>281,352</u>
Fund Balance End of Year	<u>\$ 136,104</u>	<u>\$ 141,203</u>	<u>\$ 236,695</u>	<u>\$ 281,352</u>	<u>\$ 156,381</u>

Sources: Audited Financial Reports of the Town (2015-2019)

NOTE: This Schedule NOT audited.

Statement of Revenues, Expenditures and Fund Balances
Sewer Fund

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Revenues:					
Real Property Taxes	\$ 333,029	\$ 322,990	\$ 336,887	\$ 338,048	\$ 372,408
Real Property Tax Items	347,200	380,800	291,540	361,140	451,986
Departmental Income	413,227	303,317	289,117	232,963	250,984
Use of Money and Property	202	332	353	694	1,007
Licenses & Permits	9,800	6,400	20,450	15,100	6,700
Sale of Property and Comp. for Loss	2,500				137,130
Interfund Transfers		485,228			
Miscellaneous			1,422		2,074
Total Revenues	<u>1,105,958</u>	<u>1,499,067</u>	<u>939,769</u>	<u>947,945</u>	<u>1,222,289</u>
Expenditures:					
Home and Community Services	808,581	908,270	853,011	870,891	926,810
Employee Benefits	7,278	7,713	8,553	9,156	9,377
Debt Service	<u>88,455</u>	<u>592,604</u>	<u>64,433</u>	<u>81,254</u>	<u>230,581</u>
Total Expenditures	<u>904,314</u>	<u>1,508,587</u>	<u>925,997</u>	<u>961,301</u>	<u>1,166,768</u>
Transfers In					
Transfers Out			(645)		
Total Transfers			<u>(645)</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues & Other Financing Sources Over Expenditures & Other Uses	201,644	(9,520)	13,127	(13,356)	55,521
Fund Balance Adjustments				(1)	
Fund Balance Beginning of Year	<u>187,511</u>	<u>389,155</u>	<u>379,634</u>	<u>392,761</u>	<u>379,404</u>
Fund Balance End of Year	<u>\$ 389,155</u>	<u>\$ 379,634</u>	<u>\$ 392,761</u>	<u>\$ 379,404</u>	<u>\$ 434,925</u>

Sources: Audited Financial Reports of the Town (2015-2019)

NOTE: This Schedule NOT audited.

Statement of Revenues, Expenditures and Fund Balances
Water Fund

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Revenues:					
Real Property Taxes	\$ 30,978	\$ 38,443	\$ 38,489	\$ 38,983	\$ 41,969
Departmental Income	112,190	113,619	109,998	119,575	131,521
Use of Money and Property	17	15	28	73	168
Miscellaneous	<u>2,000</u>	<u></u>	<u>1,000</u>	<u>2,494</u>	<u>2,020</u>
Total Revenues	<u>145,185</u>	<u>152,077</u>	<u>149,515</u>	<u>161,125</u>	<u>175,678</u>
Expenditures:					
Home and Community Services	148,461	141,388	134,702	114,849	103,043
Debt Service	5,888	5,763	5,638	5,513	500
Employee Benefits	<u>474</u>	<u>816</u>	<u>470</u>	<u>475</u>	<u>5,381</u>
Total Expenditures	<u>154,823</u>	<u>147,967</u>	<u>140,810</u>	<u>120,837</u>	<u>108,924</u>
Excess (Deficiency) of Revenues & Other Financing Sources Over Expenditures & Other Uses	(9,638)	4,110	8,705	40,288	66,754
Fund Balance Adjustments					
Fund Balance Beginning of Year	(29,563)	(39,201)	(35,091)	(26,386)	13,902
Fund Balance End of Year	<u>\$ (39,201)</u>	<u>\$ (35,091)</u>	<u>\$ (26,386)</u>	<u>\$ 13,902</u>	<u>\$ 80,656</u>

Sources: Audited Financial Reports of the Town (2015-2019)

NOTE: This Schedule NOT audited.

BALANCE SHEET - GENERAL & MAJOR TOWN FUNDS
Fiscal Year Ending December 31, 2019

<u>Assets</u>	<u>General Fund</u>	<u>Highway Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Sanitation Fund</u>
Cash	\$ 1,468,147	\$ 1,053,173	\$ 103,007	\$ 529,177	\$ 226,168
Accounts Receivable	312,561	235,455	20,649		
Due from Other Funds	433,000			48,625	
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	\$ <u>2,213,708</u>	\$ <u>1,288,628</u>	\$ <u>123,656</u>	\$ <u>577,802</u>	\$ <u>226,168</u>
 <u>Liabilities</u>					
Accounts Payable	\$ 74,528	\$ 72,305		\$ 79,252	\$ 64,662
Accrued Liabilities	24,253	6,727			5,125
Due to Other Funds			43,000	63,625	
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>98,781</u>	<u>79,032</u>	<u>43,000</u>	<u>142,877</u>	<u>69,787</u>
 <u>Fund Equity</u>					
Fund Balance:					
Restricted		959,596	80,656	427,425	116,381
Assigned	1,370,032	250,000		7,500	40,000
Unassigned	744,895				
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Equity	<u>2,114,927</u>	<u>1,209,596</u>	<u>80,656</u>	<u>434,925</u>	<u>156,381</u>
 Total Liabilities and Fund Equity	 \$ <u>2,213,708</u>	 \$ <u>1,288,628</u>	 \$ <u>123,656</u>	 \$ <u>577,802</u>	 \$ <u>226,168</u>

Sources: Audited Financial Reports of the Town (2019)

NOTE: This Schedule NOT audited

Budget Summaries

Fiscal Year Ending December 31, 2020

	<u>Appropriations</u>	<u>Less Estimated Revenues</u>	<u>Less Unexpected Balance</u>	<u>Amount To Be Raised By Tax</u>
General Fund - Townwide	\$ 3,365,402	\$ 815,572	\$ 300,000	\$ 2,249,830
General Fund - Town- Outside Village	2,677,350	933,500	300,000	1,443,850
Highway Fund-Townwide	384,724			384,724
Highway Fund-Town Outside Village	2,163,960	895,665	250,000	1,018,295
Ambulance				0
Fire District	1,210,969	700		1,210,269
Hydrants District	96,000			96,000
Lighting District	103,000			103,000
Sanitation District	1,702,442	1,000	40,000	1,661,442
Drainage District	5,000		5,000	0
Sewer District	1,226,988	258,100	7,500	961,388
Parking District	2,000			2,000
Water District	<u>161,983</u>	<u>120,000</u>	<u></u>	<u>41,983</u>
Totals	<u>\$ 13,099,818</u>	<u>\$ 3,024,537</u>	<u>\$ 902,500</u>	<u>\$ 9,172,781</u>

Budget Summaries

Fiscal Year Ending December 31, 2019

	<u>Appropriations</u>	<u>Less Estimated Revenues</u>	<u>Less Unexpected Balance</u>	<u>Amount To Be Raised By Tax</u>
General Fund - Townwide	\$ 3,279,530	\$ 814,072	\$ 225,000	\$ 2,240,458
General Fund - Town- Outside Village	2,582,430	891,000	215,000	1,476,430
Highway Fund-Townwide	277,968			277,968
Highway Fund-Town Outside Village	2,138,999	853,165	100,000	1,185,834
Ambulance				0
Fire District	1,209,701	600		1,209,101
Hydrants District	95,000			95,000
Lighting District	102,000			102,000
Sanitation District	1,582,373	500	75,000	1,506,873
Drainage District	5,000		5,000	0
Sewer District	1,143,394	295,000	24,000	824,394
Parking District	2,000			2,000
Water District	<u>161,969</u>	<u>120,000</u>	<u></u>	<u>41,969</u>
Totals	<u>\$ 12,580,364</u>	<u>\$ 2,974,337</u>	<u>\$ 644,000</u>	<u>\$ 8,962,027</u>

TOWN OF CORNWALL

APPENDIX B

**AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019**

NOTE: SUCH FINANCIAL REPORT AND OPINIONS WERE PREPARED AS OF THE DATE THEREOF AND HAVE NOT BEEN REVIEWED AND/OR UPDATED IN CONNECTION WITH THE PREPARATION AND DISSEMINATION OF THIS OFFICIAL STATEMENT.

TOWN OF CORNWALL
CORNWALL, NEW YORK
DECEMBER 31, 2019

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TOWN OF CORNWALL
CORNWALL, NEW YORK
DECEMBER 31, 2019

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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. Fralno, 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, 2019, 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, 2019, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplemental Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, 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 June 9, 2020 on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering Town of Cornwall's internal control over financial reporting.

Mugger & Haussler, P.C.

Montgomery, New York
June 9, 2020

TOWN OF CORNWALL
CORNWALL, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019

The following is a discussion and analysis of the Town of Cornwall's financial performance for the year ended December 31, 2019. 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 2019 and 2018 were \$(3,663,042) and \$(4,421,086) respectively.
- As of the close of the current calendar year, the Town of Cornwall's governmental funds reported a combined ending fund balance of \$1,762,058, an increase of \$3,483,630 in comparison with the prior year.
- At the end of the current calendar year, the unassigned fund balance for the General Fund was \$744,895 at 13.26% of the total General Fund expenditures.
- The Town of Cornwall's total debt increased by \$578,073 (8.37%) during the current calendar year.

TOWN OF CORNWALL
CORNWALL, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019

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, 2019

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, 2019

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, 2019

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 \$(3,663,042). This is a \$758,044 increase over last year's net position of \$(4,421,086). The following table provides a summary of the Town's net position:

FIGURE A-2

<i>Condensed Statement of Net Position</i>			Total Dollar Change
	2019	2018	2019-2018
Current Assets	\$ 5,505,940	\$ 3,874,675	\$ 1,631,265
Capital Assets	11,001,137	10,736,514	264,623
Deferred Outflows	1,126,074	1,788,363	(662,289)
Total Assets and Deferred Outflows	17,633,151	16,399,552	1,233,599
Long-Term Debt Outstanding	15,267,421	12,646,908	2,620,513
Other Liabilities	3,792,628	5,626,419	(1,833,791)
Deferred Inflows	2,236,144	2,547,311	(311,167)
Total Liabilities and Deferred Inflows	21,296,193	20,820,638	475,555
Investment in Capital Assets, Net of Debt	3,545,205	3,868,655	(323,450)
Restricted	1,610,673	1,418,251	192,422
Unrestricted Net Assets	(8,818,920)	(9,707,992)	889,072
Total Net Position	\$ (3,663,042)	\$ (4,421,086)	\$ 758,044

TOWN OF CORNWALL
CORNWALL, NEW YORK
STATEMENT OF ACTIVITIES
SUMMARY OF CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

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, 2019 and 2018:

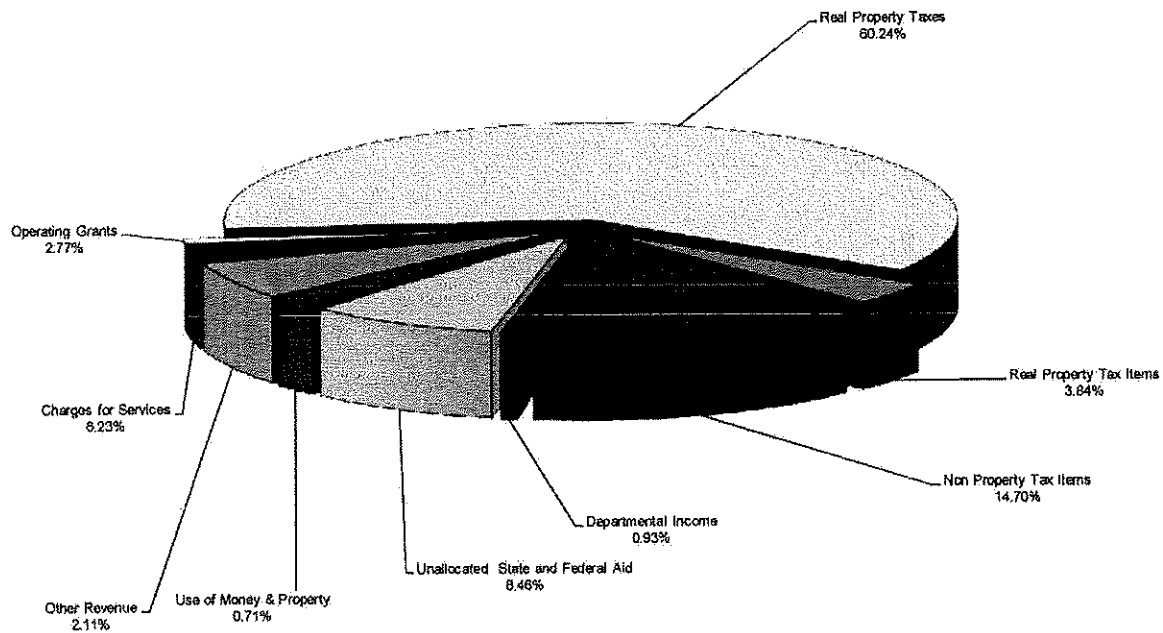
FIGURE A-3

<u>REVENUES</u>	2019		2018			
	AMOUNT	%	AMOUNT	%	\$ Change	% Change
PROGRAM REVENUES						
Charges for Services	\$ 755,564	6.23%	\$ 769,840	6.99%	\$ (14,276)	-1.85%
Operating Grants	336,024	2.77%	264,174	2.40%	71,850	27.20%
GENERAL REVENUES						
Real Property Taxes	7,300,940	60.24%	7,212,214	65.48%	88,726	1.23%
Real Property Tax Items	465,397	3.84%	375,858	3.41%	89,539	23.82%
Non Property Taxes	1,782,133	14.70%	1,758,930	15.97%	23,203	1.32%
Departmental Income	112,711	0.93%	60,724	0.55%	51,987	85.61%
Use of Money and Property	85,634	0.71%	78,109	0.71%	7,525	9.63%
Unallocated State and Federal Aid	1,025,318	8.46%	382,780	3.48%	642,538	167.86%
Other Revenues	255,883	2.11%	111,181	1.01%	144,702	130.15%
	<u>12,119,604</u>	<u>100.00%</u>	<u>11,013,810</u>	<u>100.00%</u>	<u>1,105,794</u>	<u>10.04%</u>
<u>EXPENDITURES</u>						
General Government	1,808,163	15.91%	1,573,417	15.13%	234,746	14.92%
Public Safety	1,571,907	13.84%	1,517,223	14.59%	54,684	3.60%
Health	23,222	0.20%	18,385	0.18%	4,837	26.31%
Transportation	1,569,199	13.81%	1,496,129	14.39%	73,070	4.88%
Economic Assistance and Opportunity	45,065	0.40%	46,690	0.45%	(1,625)	-3.48%
Culture and Recreation	362,000	3.19%	246,939	2.37%	115,061	46.59%
Home and Community Services	2,201,146	19.37%	2,005,080	19.28%	196,066	9.78%
Interest on Debt	132,832	1.17%	91,273	0.88%	41,559	45.53%
Employee Benefits	2,850,832	25.09%	2,699,339	25.96%	151,493	5.61%
Depreciation	797,194	7.02%	704,355	6.77%	92,839	13.18%
	<u>11,361,560</u>	<u>100.00%</u>	<u>10,398,830</u>	<u>100.00%</u>	<u>962,730</u>	<u>9.26%</u>
CHANGE IN NET POSITION	<u>\$ 758,044</u>		<u>\$ 614,980</u>		<u>\$ 143,064</u>	

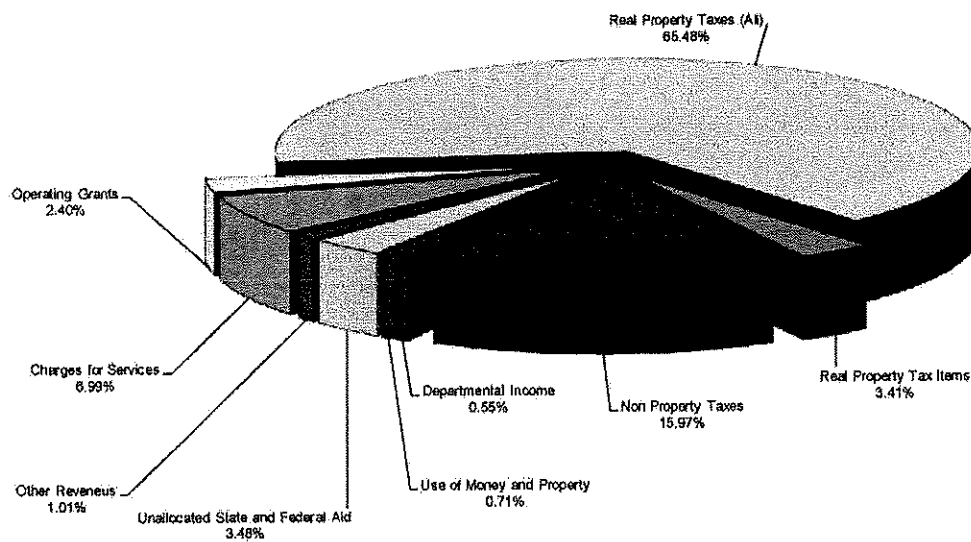
TOWN OF CORNWALL
CORNWALL, NEW YORK
December 31, 2019

FIGURE A-4

SOURCES OF REVENUES FOR YEAR 2019

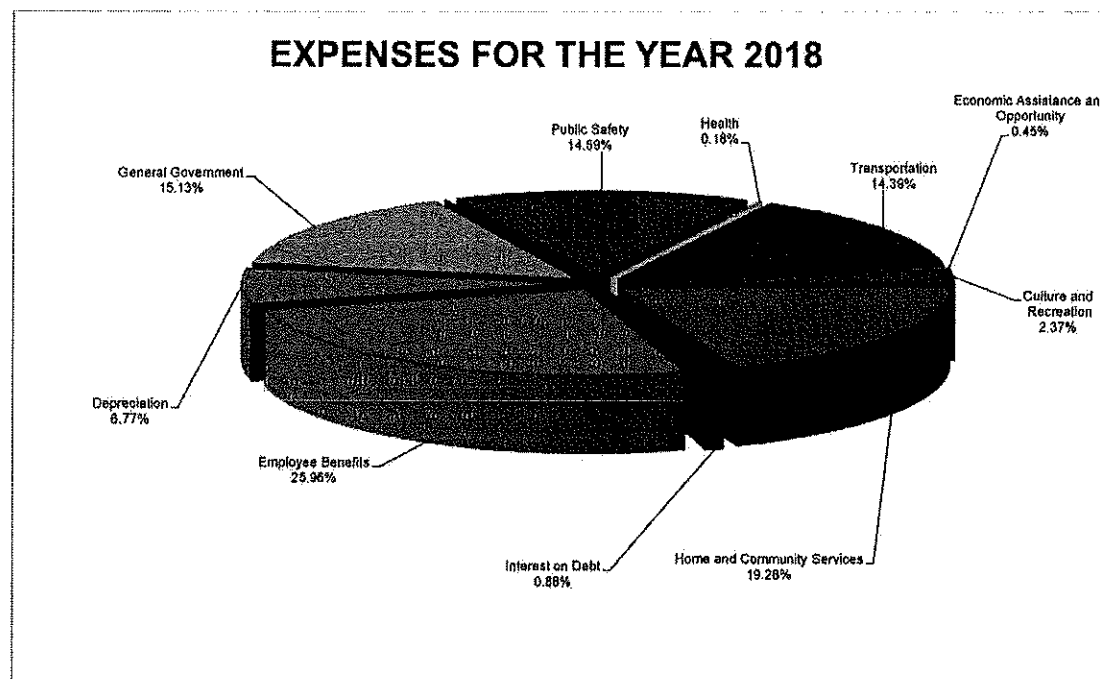
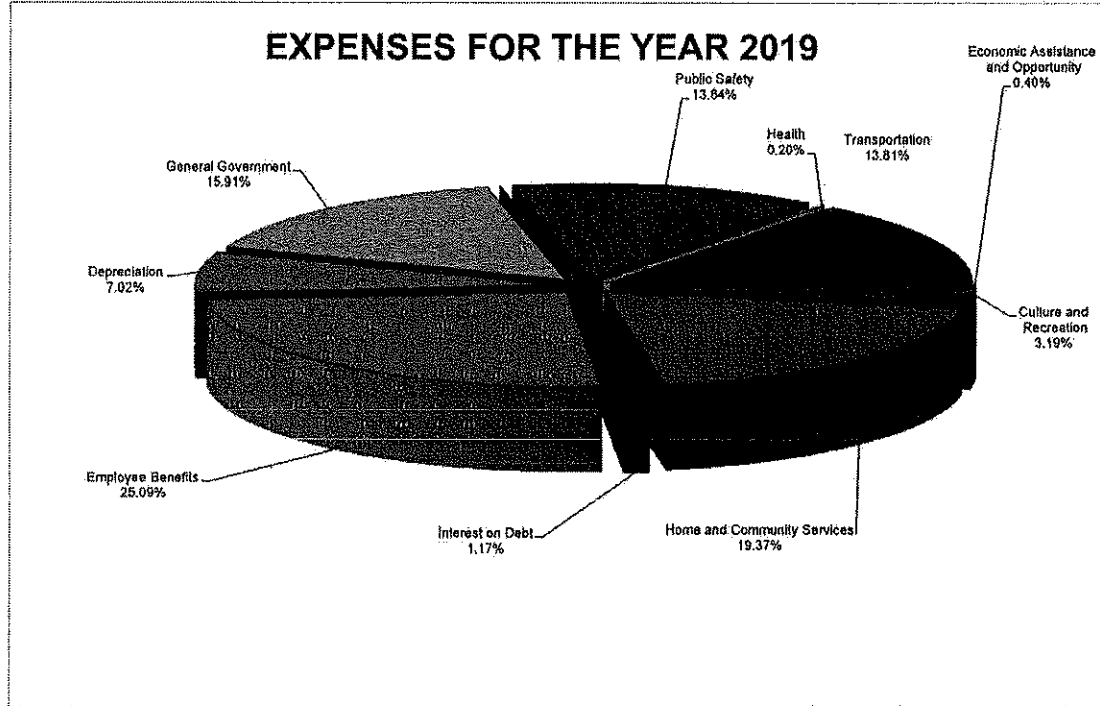


SOURCES OF REVENUES FOR YEAR 2018



TOWN OF CORNWALL
CORNWALL, NEW YORK
December 31, 2019

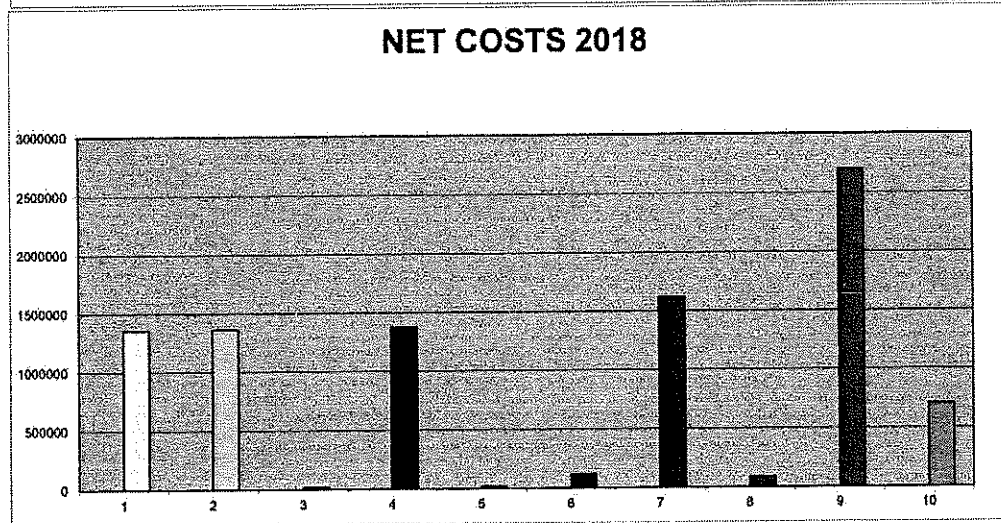
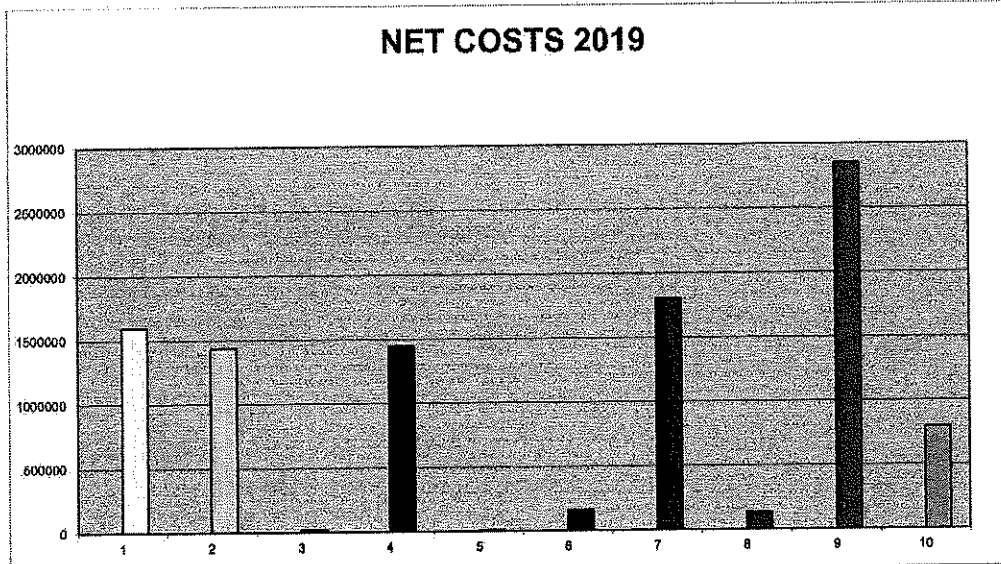
FIGURE A-5



TOWN OF CORNWALL
CORNWALL, NEW YORK
December 31, 2019

FIGURE A-6

	TOTAL COST OF SERVICES 2019	NET COST OF SERVICES 2019	TOTAL COST OF SERVICES 2018	NET COST OF SERVICES 2018
GENERAL GOVERNMENT	\$ 1,808,163	\$ 1,594,958	\$ 1,573,417	\$ 1,358,190
PUBLIC SAFETY	1,571,907	1,437,144	1,517,223	1,362,695
HEALTH	23,222	23,222	18,385	18,385
TRANSPORTATION	1,589,199	1,449,200	1,496,129	1,376,178
ECONOMIC ASSISTANCE & OPPORTUNITY	45,085	13,528	48,890	15,998
CULTURE AND RECREATION	382,000	165,586	246,939	120,240
HOME AND COMMUNITY SERVICES	2,201,146	1,805,478	2,005,080	1,618,165
INTEREST ON DEBT	132,832	132,832	91,273	91,273
EMPLOYEE BENEFITS	2,850,832	2,850,832	2,699,339	2,699,339
DEPRECIATION	797,194	797,194	704,355	704,355
	<u>\$ 11,361,560</u>	<u>\$ 10,269,972</u>	<u>\$ 10,398,830</u>	<u>\$ 9,364,816</u>



TOWN OF CORNWALL
CORNWALL, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019

Total costs of services provided by the Town for the calendar years ended December 31, 2019 and 2018 were \$11,361,560 and \$10,398,830, respectively. In 2019, these charges were offset by grants and contributions of \$336,024 and charges for services of \$755,564, resulting in net cost of services of \$10,269,972. This is a \$905,156 increase over last year's net costs of \$9,364,816.

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, 2019		
	Restricted	Assigned	Unassigned
General Fund	\$ 0	\$ 1,370,032	\$ 744,895
Highway Fund	959,596	250,000	0
Water Fund	80,656	0	0
Sewer Fund	427,425	7,500	0
Capital Fund	0	0	(2,265,836)
Sanitation Fund	116,381	40,000	0
Non-Major Funds	26,615	5,000	(206)
Total	<u>\$ 1,610,673</u>	<u>\$ 1,672,532</u>	<u>\$ (1,521,147)</u>

	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	<u>\$ 1,418,251</u>	<u>\$ 1,403,297</u>	<u>\$ (4,543,120)</u>

TOWN OF CORNWALL
CORNWALL, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019

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 \$337,502 and actual expenditures were lower than budgeted expenditures by \$297,087. Figure A-8 summarizes the General Funds original and revised budgets, actual expenditures and the variances for the year ended December 31, 2019.

Figure A-8

Condensed Budgetary Comparison General Funds	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Real Property Taxes	\$ 3,716,888	\$ 3,716,888	\$ 3,716,888	\$ 0
Non Property Taxes	805,000	805,000	944,951	139,951
State and Federal Aid	443,000	493,796	558,331	64,535
All Other	457,072	457,072	590,088	133,016
Total Revenues	5,421,960	5,472,756	5,810,258	337,502
OTHER SOURCES	440,000	440,000		
Total Revenues and Other Sources	\$ 5,861,960	\$ 5,912,756	\$ 5,810,258	
EXPENDITURES				
General Government Support	\$ 1,877,853	\$ 1,898,182	\$ 1,859,605	\$ 38,577
Public Safety	1,688,280	1,679,171	1,564,979	114,192
Health	7,000	7,000	23,178	(16,178)
Economic Assistance and Opportunity	49,745	50,916	44,907	6,009
Culture & Recreation	340,500	378,905	361,129	17,776
Home & Community Service	97,140	97,140	90,163	6,977
Employee Benefits	1,680,860	1,680,860	1,552,935	127,925
Debt Service	120,582	120,582	118,773	1,809
Total Expenditures	\$ 5,861,960	\$ 5,912,756	\$ 5,615,669	\$ 297,087

TOWN OF CORNWALL
CORNWALL, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019

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 2019, the Town expended \$1,061,817 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
	2019	2018	2019 - 2018
Land	\$ 324,775	\$ 324,775	\$ 0
Construction in Progress	0	3,341,950	(3,341,950)
Buildings	2,010,066	1,770,813	239,253
Machinery and Equipment	528,085	468,782	59,303
Infrastructure	7,510,344	4,134,744	3,375,600
Vehicles	627,867	695,450	(67,583)
Totals	\$ 11,001,137	\$ 10,736,514	\$ 264,623

Major additions in 2019 included:

Buildings	\$ 339,386
Machinery and Equipment	162,300
Infrastructure	358,178
Vehicles	201,953
Total	<u>\$ 1,061,817</u>

TOWN OF CORNWALL
CORNWALL, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019

DEBT ADMINISTRATION

Debt, short-term and long-term, increased by \$578,073 during 2019.

Detailed information regarding the Town's short and long-term liabilities is presented in more detail in Note 6 in the current year's notes to the financial statements. Figure A-10 reflects the changes in the Town's long-term liabilities for 2019.

Figure A-10

	Governmental Activities		Total Dollar Change
	2019	2018	2019 - 2018
Serial Bonds and Notes	\$ 4,250,932	\$ 1,525,000	\$ 2,725,932
Bond Anticipation Notes	3,230,000	5,377,859	(2,147,859)
Totals	\$ 7,480,932	\$ 6,902,859	\$ 578,073

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, 2019

ASSETS

Cash and Cash Equivalents	\$ 4,937,275
Accounts Receivable	568,665
Non Depreciable Capital Assets	324,775
Capital Assets (Net of Accumulated Depreciation)	10,676,362
TOTAL ASSETS	16,507,077

DEFERRED OUTFLOWS OF RESOURCES

Pensions	593,255
Other Postemployment Benefits	478,233
Deferred Amount of Refunding	54,586
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,126,074

LIABILITIES

Current Liabilities:

Accounts Payable	477,777
Accrued Liabilities	36,105
Accrued Interest Payable	48,746
Bond Anticipation Notes Payable	3,230,000

Long-Term Liabilities:

Due and Payable Within One Year:

Bonds and Notes Payable	407,766
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Due and Payable More Than One Year:

Bonds and Notes Payable	3,872,752
Other Post Retirement Benefits Payable	9,933,400
Net Pension Liability - Proportionate Share	965,768
Compensated Absences	87,735

TOTAL LIABILITIES	19,060,049
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DEFERRED INFLOWS OF RESOURCES

Pensions	416,428
Other Postemployment Benefits	1,819,716
TOTAL DEFERRED INFLOWS OF RESOURCES	2,236,144

NET POSITION

Net Investment in Capital Assets	3,545,205
Restricted	1,610,673
Unrestricted	(8,818,920)
TOTAL NET POSITION	\$ (3,663,042)

See notes to financial statements.

**TOWN OF CORNWALL
CORNWALL, NEW YORK
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	
PRIMARY GOVERNMENT:				
Governmental Activities:				
General Government	\$ (2,664,907)	\$ 213,207	\$ 0	\$ (2,451,700)
Public Safety	(2,893,975)	125,303	9,460	(2,759,212)
Health	(31,570)	0	0	(31,570)
Transportation	(2,206,899)	0	119,999	(2,086,900)
Economic Assistance and Opportunity	(75,209)	0	31,537	(43,672)
Culture and Recreation	(528,193)	21,386	175,028	(331,779)
Home and Community Services	(2,827,976)	395,668	0	(2,432,308)
Interest on Debt	(132,832)	0	0	(132,832)
TOTAL PRIMARY GOVERNMENT	\$ (11,361,560)	\$ 755,564	\$ 336,024	(10,269,972)

GENERAL REVENUES	
Real Property Taxes	7,300,940
Real Property Tax Items	465,397
Non Property Taxes	1,782,133
Departmental Income	112,711
Use of Money and Property	85,634
Intergovernmental Charges	60,048
Licenses and Permits	11,883
Unallocated State and Federal Aid	1,025,318
Sale of Property and Compensation for Loss	162,057
Miscellaneous	21,895
TOTAL GENERAL REVENUES	11,028,016

Change in Net Position	758,044
Net Position - Beginning	(4,421,086)
Net Position - Ending	<u>\$ (3,663,042)</u>

See notes to financial statements.

**TOWN OF CORNWALL
CORNWALL, NEW YORK
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

	GENERAL	HIGHWAY	WATER	SEWER	CAPITAL PROJECTS	SANITATION	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS								
Cash and Cash Equivalents	\$ 1,468,147	\$ 1,053,173	\$ 103,007	\$ 529,177	\$ 1,512,117	\$ 226,168	\$ 45,486	\$ 4,937,275
Accounts Receivable, Net	312,561	235,455	20,649	0	0	0	0	568,665
Due from Other Funds	433,000	0	0	48,625	0	0	0	481,625
TOTAL ASSETS	\$ 2,213,708	\$ 1,288,628	\$ 123,656	\$ 577,802	\$ 1,512,117	\$ 226,168	\$ 45,486	\$ 5,987,565
LIABILITIES								
Accounts Payable	\$ 74,528	\$ 72,305	\$ 0	\$ 79,252	\$ 177,953	\$ 64,562	\$ 9,077	\$ 477,777
Accrued Liabilities	24,253	6,727	0	0	0	5,125	0	36,105
Due to Other Funds	0	0	43,000	63,625	370,000	0	5,000	481,625
Bond Anticipation Notes Payable	0	0	0	0	3,230,000	0	0	3,230,000
TOTAL LIABILITIES	98,781	79,032	43,000	142,877	3,777,953	69,787	14,077	4,225,507
FUND BALANCES								
Restricted	0	959,596	80,656	427,425	0	116,381	26,615	1,610,673
Assigned	1,370,032	250,000	0	7,500	0	40,000	5,000	1,672,532
Unassigned	744,895	0	0	0	(2,265,836)	0	(206)	(1,521,147)
TOTAL FUND BALANCES	2,114,927	1,209,596	80,656	434,925	(2,265,836)	156,381	31,409	1,762,058
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,213,708	\$ 1,288,628	\$ 123,656	\$ 577,802	\$ 1,512,117	\$ 226,168	\$ 45,486	\$ 5,987,565

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, 2019

	TOTAL GOVERNMENTAL FUNDS	LONG-TERM ASSETS LIABILITIES	RECLASSIFICATIONS AND ELIMINATIONS	STATEMENT OF NET POSITION TOTALS
ASSETS				
Cash and Cash Equivalents	\$ 4,937,275	\$ 0	\$ 0	\$ 4,937,275
Due from Other Funds	481,625	0	(481,625)	0
Accounts Receivable, Net	568,665	0	0	568,665
Capital Assets, Net	0	11,001,137	0	11,001,137
TOTAL ASSETS	5,987,565	11,001,137	(481,625)	16,507,077
DEFERRED OUTFLOWS OF RESOURCES				
Pension	0	593,255	0	593,255
Other Postemployment Benefits	0	478,233	0	478,233
Deferred Amount of Refunding	0	54,586	0	54,586
TOTAL DEFERRED OUTFLOWS OF RESOURCES	0	1,126,074	0	1,126,074
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 5,987,565	\$ 12,127,211	\$ (481,625)	\$ 17,633,151
LIABILITIES				
Accounts Payable	\$ 477,777	\$ 0	\$ 0	\$ 477,777
Accrued Liabilities	36,105	48,746	0	84,851
Bond Anticipation Notes Payable	3,230,000	0	0	3,230,000
Bonds And Notes Payable	0	4,280,518	0	4,280,518
Due to Other Funds	481,625	0	(481,625)	0
Post Retirement Benefits Payable	0	9,933,400	0	9,933,400
Net Pension Liability - Proportionate Share	0	965,768	0	965,768
Compensated Absences Payable	0	87,735	0	87,735
TOTAL LIABILITIES	4,225,507	15,316,167	(481,625)	19,060,049
DEFERRED INFLOWS OF RESOURCES				
Pension	0	416,428	0	416,428
Other Postemployment Benefits	0	1,819,716	0	1,819,716
TOTAL DEFERRED INFLOWS OF RESOURCES	0	2,236,144	0	2,236,144
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	4,225,507	17,552,311	(481,625)	21,296,193
TOTALS FUND BALANCES/NET POSITION	1,762,058	(5,425,100)	0	(3,663,042)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES/NET POSITION	\$ 5,987,565	\$ 12,127,211	\$ (481,625)	\$ 17,633,151

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, 2019**

	GENERAL	HIGHWAY	WATER	SEWER	CAPITAL PROJECTS	SANITATION	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES								
Real Property Taxes	\$ 3,716,888	\$ 1,463,802	\$ 41,969	\$ 372,408	\$ 0	\$ 1,506,873	\$ 199,000	\$ 7,300,940
Real Property Tax Items	13,411	0	0	451,986	0	0	0	465,397
Non Property Tax Items	944,951	837,182	0	0	0	0	0	1,782,133
Departmental Income	283,885	0	131,521	250,984	0	0	0	666,390
Intergovernmental Charges	0	60,048	0	0	0	0	0	60,048
Use of Money and Property	77,998	2,201	168	1,007	2,921	1,134	205	85,634
Licenses and Permits	10,036	0	0	6,760	0	0	0	16,736
Fines and Forfeitures	197,032	0	0	0	0	0	0	197,032
Sale of Property and Compensation for Loss	5,085	19,842	0	137,130	0	0	0	162,057
Miscellaneous	2,641	0	2,020	2,074	15,120	40	0	21,895
State and Federal Aid	558,331	134,999	0	0	668,012	0	0	1,361,342
TOTAL REVENUES	5,810,258	2,518,074	175,678	1,222,289	686,053	1,508,047	199,205	12,119,604
EXPENDITURES								
General Government Support	1,859,605	0	0	0	351,915	0	0	2,211,520
Public Safety	1,564,979	0	0	0	0	0	0	1,564,979
Health	23,178	0	0	0	0	0	0	23,178
Transportation	0	1,288,558	0	0	521,674	0	102,709	1,912,941
Economic Assistance and Opportunity	44,907	0	0	0	0	0	0	44,907
Culture and Recreation	361,129	0	0	0	0	0	0	361,129
Home and Community Service	90,163	0	103,043	926,810	95,158	1,194,574	95,000	2,504,748
Employee Benefits	1,552,935	720,262	500	9,377	0	351,172	0	2,634,246
Debt Service	118,773	242,251	5,381	230,581	0	87,272	0	684,258
TOTAL EXPENDITURES	5,615,669	2,251,071	108,924	1,166,768	968,747	1,633,018	197,709	11,941,906
OTHER FINANCING SOURCES (USES)								
BANS Redeemed from Appropriations	0	0	0	0	120,000	0	0	120,000
Proceeds from Obligations	0	0	0	0	3,185,932	0	0	3,185,932
TOTAL FINANCING SOURCES (USES)	0	0	0	0	3,305,932	0	0	3,305,932
Net Change in Fund Balances	194,589	267,003	66,754	55,521	3,023,238	(124,971)	1,496	3,483,630
Fund Balances-Beginning	1,920,338	942,593	13,902	379,404	(5,289,074)	281,352	29,913	(1,721,372)
Fund Balances-Ending	\$ 2,114,927	\$ 1,209,596	\$ 80,656	\$ 434,925	\$ (2,265,836)	\$ 156,381	\$ 31,409	\$ 1,762,058

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, 2019

	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	\$ 7,300,940	\$ 0	\$ 0	\$ 0	\$ 0	\$ 7,300,940
Real Property Tax Items	465,397	0	0	0	0	465,397
Non Property Tax Items	1,782,133	0	0	0	0	1,782,133
Departmental Income	666,390	0	0	0	0	666,390
Intergovernmental Charges	60,048	0	0	0	0	60,048
Use of Money and Property	85,634	0	0	0	0	85,634
Licenses and Permits	16,736	0	0	0	0	16,736
Fines and Forfeitures	197,032	0	0	0	0	197,032
Sale of Property and Compensation for Loss	162,057	0	0	0	0	162,057
Miscellaneous	21,895	0	0	0	0	21,895
State and Federal Aid	1,361,342	0	0	0	0	1,361,342
TOTAL REVENUES	12,119,604	0	0	0	0	12,119,604
EXPENDITURES						
General Government Support	2,211,520	4,489	187,222	0	261,676	2,664,907
Public Safety	1,564,979	6,928	288,908	0	1,033,160	2,893,975
Health	23,178	44	1,824	0	6,524	31,570
Transportation	1,912,941	3,342	139,355	0	151,261	2,206,899
Economic Assistance and Opportunity	44,907	158	6,587	0	23,557	75,209
Culture and Recreation	361,129	871	36,318	0	129,875	528,193
Home and Community Service	2,504,748	3,285	136,979	0	182,963	2,827,976
Employee Benefits	2,634,246	216,586	0	0	(2,850,832)	0
Capital Outlay	0	0	(1,061,817)	0	1,061,817	0
Debt Service	684,258	18,574	0	(570,000)	0	132,832
TOTAL EXPENDITURES	11,941,906	254,277	(264,623)	(570,000)	0	11,361,560
Excess (Deficiency) of Revenues Over Expenditures	177,698	(254,277)	264,623	570,000	0	758,044
OTHER SOURCES (USES):						
BANS Redeemed from Appropriations	120,000	0	0	(120,000)	0	0
Proceeds of Obligations	3,185,932	0	0	(3,185,932)	0	0
TOTAL OTHER SOURCES (USES)	3,305,932	0	0	(3,305,932)	0	0
NET CHANGE FOR THE YEAR	\$ 3,483,630	\$ (254,277)	\$ 264,623	\$ (2,735,932)	\$ 0	\$ 758,044

See notes to financial statements.

TOWN OF CORNWALL
CORNWALL, NEW YORK
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2019

	<u>AGENCY FUNDS</u>
ASSETS	
Cash	\$ 404,752
	<hr/>
TOTAL ASSETS	\$ 404,752
	<hr/>
LIABILITIES	
Escrow Deposits	\$ 186,569
Other Agency Liabilities	218,183
	<hr/>
TOTAL LIABILITIES	\$ 404,752
	<hr/>

See notes to financial statements.

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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, 2019

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, 2019

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, 2019

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, 2019

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, 2019

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

F. Cash and Investments

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

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

G. Accounts Receivable

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

H. Due To/From Other Funds

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

I. Inventories and Prepaid Items

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

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

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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, 2019

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 6.

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 6.

O. Post Employment Benefits

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

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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, 2019

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 Drainage Funds also includes \$600,000, \$250,000, \$40,000, \$7,500, and \$5,000 respectively assigned to be used to reduce the tax levy for the year ending December 31, 2020. 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.

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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

S. New Accounting Standards

The Town has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At December 31, 2019, the Town implemented the following new standards issued by GASB:

- GASB Statement 84, *Fiduciary Activities*, effective for the year ending December 31, 2019.
- GASB Statement 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, effective for the year ending December 31, 2019.
- GASB Statement 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*, effective for the year ending December 31, 2019.

GASB has issued Statement 84, *Fiduciary Activities*, which will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. The focus of the criteria is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The Town has implemented Statement 84, as required.

GASB has issued Statement 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which will improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The Town has implemented Statement 88, as required.

GASB has issued Statement 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*, which will improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information of certain component units. The Town has implemented Statement 90, as required.

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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

T. Interfund Transfers

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

U. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities and useful lives or long-lived assets.

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

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

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

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

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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

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

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

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

Original Cost of Capital Assets	\$ 20,626,208
Accumulated Depreciation	(9,625,071)
Capital Assets, Net	<u>\$ 11,001,137</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, 2019	<u>\$ 48,746</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	\$ 4,250,932
Premium on Obligations	29,586
Deferred Outflows of Resources – OPEB	(478,233)
Other Postemployment Benefits	9,933,400
Deferred Inflows of Resources – OPEB	1,819,716
Compensated Absences	87,735
	<u>\$ 15,643,136</u>

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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, 2019 were as follows:

Deferred Outflows of Resources – Pensions	\$ (593,255)
Net Pension Liability, Proportionate Share (ERS & PFRS)	965,765
Deferred Inflows of Resources – Pensions	<u>416,428</u>
	<u>\$ 788,938</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, 2019

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	\$ 12,119,604
Differences	<u>0</u>
Total Revenues of Governmental Activities	<u>\$ 12,119,604</u>

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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

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

Total Expenditures/Expenses:

Total Expenditures reported in Governmental Funds \$ 11,941,906

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 \$19,117 during the year. 19,117

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) 166,462

When the purchase or construction of capital assets is financed through governmental funds, the resources expended for those assets are reported as expenditures in the years they are incurred. However, in the Statement of Activities, the cost of those is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital expenditures of \$1,061,817 was more than depreciation of \$797,194 in the current year. (264,623)

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. 18,574

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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 \$52,256 and ERS of \$(2,132)) 50,124

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. (580,000)

Total Expenses of Governmental Activities \$ 11,361,560

NOTE 3. CASH

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

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

Total financial institution (bank) balances at December 31, 2019, per the bank, are
categorized as follows:

	<u>1</u>	<u>2</u>	<u>3</u>
Governmental & Agency Funds	\$ 6,214,862	\$ 0	\$ 0

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 4. INTERFUND ACTIVITY.

The interfund receivables and payables at December 31, 2019 were as follows:

	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ 433,000	\$ 0
Water Fund	0	43,000
Sewer Fund	48,625	63,625
Capital Projects Fund	0	370,000
Non-Major Funds	0	5,000
	<u>\$ 481,625</u>	<u>\$ 481,625</u>

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 5. CAPITAL ASSETS.

Capital asset balances and activity for the year ended December 31, 2019, were as follows:

	Beginning Balance	Additions	Disposals and Reclassifications	Ending Balance
<u>Governmental Activities</u>				
Capital Assets that are not Depreciated:				
Land	\$ 324,775	\$ 0	\$ 0	\$ 324,775
Construction in Progress	3,341,950	0	(3,341,950)	0
Total Not Depreciated	<u>3,666,725</u>	<u>0</u>	<u>(3,341,950)</u>	<u>324,775</u>
Capital Assets that are Depreciated:				
Buildings	2,942,565	339,386	0	3,281,951
Machinery and Equipment	1,823,755	162,300	0	1,986,055
Infrastructure	6,710,249	358,178	3,341,950	10,410,377
Vehicles	4,692,913	201,953	(271,816)	4,623,050
Total Depreciated	<u>16,169,482</u>	<u>1,061,817</u>	<u>3,070,134</u>	<u>20,301,433</u>
Less Accumulated Depreciation:				
Buildings	1,171,752	100,133	0	1,271,885
Machinery and Equipment	1,354,973	102,997	0	1,457,970
Infrastructure	2,575,505	324,528	0	2,900,033
Vehicles	3,997,463	269,536	(271,816)	3,995,183
Total Accumulated Depreciation	<u>9,099,693</u>	<u>797,194</u>	<u>(271,816)</u>	<u>9,625,071</u>
Total Historical Cost, Net	<u>\$ 10,736,514</u>	<u>\$ 264,623</u>	<u>\$ 0</u>	<u>\$ 11,001,137</u>
Depreciation was charged to governmental functions as follows:				
General government support			\$ 187,222	
Public safety			288,908	
Transportation			139,355	
Economic Assistance and Opportunity			6,587	
Culture and Recreation			36,318	
Health			1,824	
Home and Community Services			<u>136,979</u>	
Total Depreciation Expense			<u>\$ 797,194</u>	

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 6. LIABILITIES.

A. Short-Term Debt

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

State law requires that BAN's issued for capital purposes be converted to long-term obligations within five years after the original issue date. However, BAN's issued for assessable improvement projects may be renewed for periods equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made. As of December 31, 2019, there was one Bond Anticipation Notes (BAN) outstanding for \$3,230,000.

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

Interest paid	\$ 57,899
Less: Interest accrued - prior year	(19,003)
Plus: Interest accrued - current year	<u>26,548</u>
Total Short-Term Interest	<u>\$ 65,444</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	\$ 46,359
Less: Interest accrued - prior year	(11,169)
Plus: Interest accrued - current year	<u>22,198</u>
Total Long-Term Interest	<u>\$ 57,388</u>

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 6. LIABILITIES. (Continued)

B. Long-Term Debt (Continued)

Long-term liability activity for the year ended December 31, 2019, was as follows:

	Balance 01/01/19	Increases	Decreases	Balance 12/31/19	Due Within One Year
Governmental Activities					
Bonds and Notes Payable:					
General Obligation					
Debt	\$ 1,525,000	\$3,185,932	\$ 460,000	\$ 4,250,932	\$ 395,932
Premium on Obligations	41,420	0	11,834	29,586	11,834
Other Liabilities					
Other Postemployment					
Benefits	10,494,393	748,020	1,309,013	9,933,400	0
Net Pension Liability –					
Proportionate Share	517,477	448,291	0	965,768	0
Vested Compensated					
Absences	68,618	19,117	0	87,735	0
Total	<u>\$ 12,646,908</u>	<u>\$4,401,360</u>	<u>\$ 1,780,847</u>	<u>\$ 15,267,421</u>	<u>\$ 407,766</u>

At December 31, 2019, the deferred amount on refunding includes unamortized premiums of \$29,586. 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:

Year	Principal	Interest	Total
2020	\$ 395,932	\$ 73,877	\$ 469,809
2021	405,000	65,592	470,592
2022	385,000	56,987	441,987
2023	265,000	47,771	312,771
2024	210,000	41,834	251,834
2025-2029	455,000	188,271	643,271
2030-2034	490,000	166,105	656,105
2035-2039	535,000	129,959	664,959
2040-2044	595,000	82,063	677,063
2045-2048	515,000	24,598	539,598
	<u>\$ 4,250,932</u>	<u>\$ 877,057</u>	<u>\$ 5,127,989</u>

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 6. 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 \$1,043 per month.
b)Family Pre-age 65:	Generally \$2,413 per month.
c)Individual Post-age 65:	Generally \$403 per month.
d)Family Post-age 65:	Generally \$1,134 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 2019 year, the Town contributed \$221,285 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, 2019

NOTE 6. LIABILITIES. (Continued)

C. Postemployment Benefits (continued)

Employees Covered by Benefit Terms – At December 31, 2019, 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 \$9,933,400 was measured as of December 31, 2019, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs – The total OPEB liability in the December 31, 2019 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	1/1/2019
Projected Salary Increases	3.50%
Discount Rate	4.10% (3.10% and 5.10% 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
	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
Marriage Rate	
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, 2019

NOTE 6. 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, 2019 valuation were based on the results of an actuarial experience study for the period January 1, 2019 - December 31, 2019.

Changes in the Total OPEB Liability

Balance at December 31, 2018	<u>\$ 10,494,393</u>
<u>Changes for the Year:</u>	
Service cost	377,822
Interest	370,198
Changes of benefit terms	0
Differences between expected and actual experience	0
Changes in assumptions or other inputs	(1,087,728)
Benefit payments	<u>(221,285)</u>
Net Changes	<u>(560,993)</u>
Balance at December 31, 2019	<u><u>\$ 9,933,400</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 (3.10 percent) or 1 percentage point higher (5.10 percent) than the current discount rate:

	1% Decrease (3.10%)	Current Discount Rate (4.10%)	1% Increase (5.10%)
Total OPEB Liability	\$ 11,651,557	\$ 9,933,400	\$ 8,568,810

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 6. 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	\$ 8,326,304	\$ 9,933,400	\$ 12,016,751

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

For the year ended December 31, 2019, the Town recognized OPEB expense of \$166,462. At December 31, 2019, 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	\$ 231,573	\$ 0
Changes of assumptions or other inputs	0	1,819,716
Town's contributions subsequent to the measurement date	246,660	0
Total	<u>\$ 478,233</u>	<u>\$ 1,819,716</u>

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:

<u>Fiscal Year Ending December 31,</u>	<u>Amount</u>
2020	\$ (334,898)
2021	(334,898)
2022	(334,898)
2023	(334,898)
2024	(210,079)
2025	(38,472)

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 7. PENSION PLANS

Plan Description

The Town participates in the New York State and Local Employees' Retirement System (ERS). ERS and the New York State and Local Police and Fire Retirement System (PFRS) which are collectively referred to as New York State and Local Retirement System (the ERS System). These are cost-sharing multiple-employer defined benefit retirement systems. The net position of the ERS System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in fiduciary net position allocated to the ERS System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the ERS System. The Comptroller is an elected official determined in a direct statewide election and serves a four-year term. Thomas P. DiNapoli has served as Comptroller since February 7, 2007. In November, 2014, he was elected for a new term commencing January 1, 2015. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The Town also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report may be found at www.osc.state.ny.us/retire/publications/index.php 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, 2019

NOTE 7. PENSION PLANS. (Continued)

ERS and PFRS Benefits Provided (Continued)

Tiers 1 and 2 (Continued)

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 1 members who joined on or after June 17, 1971, each year of final average salary is limited to no more than 20 percent of the previous year. For Tier 2 members, each year of final average salary is limited to no more than 20 percent of the average of the previous two years.

Tiers 3, 4, and 5

Eligibility: Tier 3 and 4 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. Tier 5 members, with the exception of those retiring under special retirement plans, must have 10 years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tiers 3, 4 and 5 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with between 20 and 30 years of service, the benefit is 2 percent of final average salary for each year of service. If a member retires with more than 30 years of service, an additional benefit of 1.5 percent of final average salary is applied for each year of service over 30 years. Tier 3 and 4 members with five or more years of service and Tier 5 members with 10 or more years of service can retire as early as age 55 with reduced benefits. Tier 3 and 4 members age 55 or older with 30 or more years of service can retire with no reduction in benefits.

Final average salary is the average of the wages earned in the three highest consecutive years. For Tier 3, 4 and 5 members, each year of final average salary is limited to no more than 10 percent of the average of the previous two years.

Tier 6

Eligibility: Tier 6 members, with the exception of those retiring under special retirement plans, must have 10 years of service and be at least age 55 to be eligible to collect a retirement benefit. The full benefit age for Tier 6 is 63 for ERS members and 62 for PFRS members.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If a member retires with 20 years of service, the benefit is 1.75 percent of final average salary for each year of service. If a member retires with more than 20 years of service, an additional benefit of 2 percent of final average salary is applied for each year of service over 20 years. Tier 6 members with 10 or more years of service can retire as early as age 55 with reduced benefits.

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 7. 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, 2019

NOTE 7. PENSION PLANS. (Continued)

Funding Policy

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

	<u>ERS</u>	<u>PFRS</u>
2019	\$ 349,718	\$ 228,975
2018	346,773	209,794
2017	341,440	189,518

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, 2019, 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, 2019 for ERS and PFRS. The total pension asset/(liability) used to calculate the net pension asset/(liability) was determined by an actuarial valuation. Town's proportion of the net pension asset/(liability) was based on a projection of the Town's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was provided by the ERS and PFRS Systems in reports provided to the Town.

	<u>ERS</u>	<u>PFRS</u>
Actuarial Valuation Date	3/31/2019	3/31/2019
Net Pension Asset/(Liability)	\$ (526,147)	\$ (439,621)
Town's Portion of the Plan's Total Net Pension Asset/(Liability)	0.0074259%	0.0262138%

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 7. PENSION PLANS. (Continued)

For the year ended December 31, 2019, the Town's recognized pension expense of \$347,585 for ERS and the actuarial value \$262,049 for PFRS. At December 31, 2019 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	\$ 103,609	\$ 106,796	\$ 210,405
Changes of Assumptions	132,252	159,726	291,978
Net difference between projected and actual earnings on pension plan investments	0	0	0
Changes in proportion and difference between the Town's contributions and proportionate share of contributions	83,133	7,739	90,872
Town's contributions subsequent to the measurement date	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 318,994</u>	<u>\$ 274,261</u>	<u>\$ 593,255</u>

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 7. PENSION PLANS. (Continued)

	Deferred Inflows or Resources		
	<u>ERS</u>	<u>PFRS</u>	<u>Total</u>
Differences between expected and actual experience	\$ 35,319	\$ 46,937	\$ 82,256
Changes of Assumptions	0	0	0
Net difference between projected and actual earnings on pension plan investments	135,038	88,045	223,083
Changes in proportion and difference between the District's contributions and proportionate share of contributions	41,290	69,799	111,089
District's contributions subsequent to the measurement date	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 211,647</u>	<u>\$ 204,781</u>	<u>\$ 416,428</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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended:	<u>ERS</u>	<u>PFRS</u>
2020	\$ 116,749	\$ 63,963
2021	(92,405)	(35,678)
2022	3,518	(9,791)
2023	79,485	4,627
2024	-	6,959

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 7. PENSION PLANS. (Continued)

Actuarial Assumptions

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

Significant actuarial assumptions used in the valuations were as follows:

	<u>ERS</u>	<u>PFRS</u>
Inflation Rate	2.5%	2.5%
Projected Salary Increases	4.20%	5.00%
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
Decrement	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, 2019

NOTE 7. PENSION PLANS. (Continued)

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

Measurement Date	ERS & PFRS	
	March 31, 2019	
	Target	Long-term
	Allocation	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	<u>100%</u>	

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, 2019

NOTE 7. PENSION PLANS. (Continued)

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

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

	1% Decrease 6.00%	Current Assumption 7.00%	1% Increase 8.00%
ERS			
Employer's Proportionate Share of the Net Pension Asset/(Liability)	\$ (2,300,397)	\$ (526,147)	\$ 964,349
PFRS			
Employer's Proportionate Share of the Net Pension Asset/(Liability)	(1,588,725)	(439,621)	520,014

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, 2019	March 31, 2019
Employers' total pension asset/(liability)	\$ (189,803,429)	\$ (34,128,100)
Plan net position	182,718,124	32,451,037
Employer's net pension asset/(liability)	<u>\$ (7,085,305)</u>	<u>\$ (1,677,063)</u>
Ratio of plan net position to the employers' total pension asset/(liability)	96.27%	95.09%

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 7. PENSION PLANS. (Continued)

Payables to the Pension Plan

For ERS and PFRS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of December 31, 2019 represent the projected employer contributions for the period of April 1, 2019 through December 31, 2019 based on paid ERS wages multiplied by the employer's contribution rate, by tier.

NOTE 8. DEFICIT FUND BALANCES.

The Hydrant Fund had a deficit fund balance of \$206 at December 31, 2019. 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 \$2,265,836 at December 31, 2019. This deficit will be eliminated through long term financing.

NOTE 9. CONTINGENCIES.

A. Compliance with Grant Programs

The Town has received grants which are subject to audit by agencies of the State and Federal governments. Such audits may result in disallowances and a request for a return of funds to the Federal and State governments. Based on past audits, the Town administration believes disallowances, if any, will be immaterial.

B. Litigation

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

NOTE 10. RISK MANAGEMENT.

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

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 11. SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 9, 2020, the date these financial statements were available to be issued. No significant subsequent events have been identified that would require adjustment of or disclosure in the accompanying financial statements.

TOWN OF CORNWALL
CORNWALL, NEW YORK
SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET -
GENERAL FUND A
FOR THE YEAR ENDED DECEMBER 31, 2019

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES				
Real Property Taxes	\$ 2,240,458	\$ 2,240,458	\$ 2,240,458	\$ 0
Real Property Tax Items	15,000	15,000	13,411	(1,589)
Non-Property Tax Items	95,000	95,000	107,769	12,769
Departmental Income	40,500	40,500	150,272	109,772
Use of Money and Property	70,572	70,572	75,680	5,108
Licenses and Permits	8,000	8,000	10,036	2,036
Fines and Forfeitures	200,000	200,000	197,032	(2,968)
Miscellaneous	0	0	1,728	1,728
State Aid	300,000	321,500	375,812	54,312
Federal Aid	85,000	114,296	96,537	(17,759)
TOTAL REVENUES	3,054,530	3,105,326	\$ 3,271,788	\$ 166,462
OTHER SOURCES				
Appropriated Fund Balance	225,000	225,000		
TOTAL REVENUES AND OTHER SOURCES	\$ 3,279,530	\$ 3,330,326		
EXPENDITURES				
General Government Support	\$ 1,877,853	\$ 1,898,182	\$ 1,859,605	\$ 38,577
Public Safety	172,890	172,890	157,503	15,387
Health	7,000	7,000	23,178	(16,178)
Economic Assistance and Opportunity	49,745	50,916	44,907	6,009
Culture and Recreation	282,500	311,796	294,020	17,776
Home and Community Services	1,000	1,000	14,750	(13,750)
Employee Benefits	767,960	767,960	701,390	66,570
Debt Service	120,582	120,582	118,773	1,809
TOTAL EXPENDITURES	\$ 3,279,530	\$ 3,330,326	\$ 3,214,126	\$ 116,200

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, 2019

	<u>ORIGINAL BUDGET</u>	<u>ADJUSTED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES				
Real Property Taxes	\$ 1,476,430	\$ 1,476,430	\$ 1,476,430	\$ 0
Non-Property Tax Items	710,000	710,000	837,182	127,182
Departmental Income	122,500	122,500	133,613	11,113
Use of Money and Property	500	500	2,318	1,818
Sale of Property and Compensation for Loss	0	0	2,032	2,032
Miscellaneous	0	0	913	913
State Aid	58,000	58,000	85,982	27,982
TOTAL REVENUES	<u>2,367,430</u>	<u>2,367,430</u>	<u>\$ 2,538,470</u>	<u>\$ 171,040</u>
OTHER SOURCES				
Appropriated Fund Balance	215,000	215,000		
TOTAL REVENUES AND OTHER SOURCES	<u>\$ 2,582,430</u>	<u>\$ 2,582,430</u>		
EXPENDITURES				
Public Safety	\$ 1,515,390	\$ 1,506,281	\$ 1,407,476	\$ 98,805
Culture and Recreation	58,000	67,109	67,109	0
Home and Community Services	96,140	96,140	75,413	20,727
Employee Benefits	912,900	912,900	851,545	61,355
TOTAL EXPENDITURES	<u>\$ 2,582,430</u>	<u>\$ 2,582,430</u>	<u>\$ 2,401,543</u>	<u>\$ 180,887</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-
HIGHWAY FUND-TOWN WIDE
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>ORIGINAL BUDGET</u>	<u>ADJUSTED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES				
Real Property Taxes	\$ 277,968	\$ 277,968	\$ 277,968	\$ 0
Sale of Property and Compensation for Loss	0	0	19,580	19,580
State and Federal Aid	0	0	15,000	15,000
TOTAL REVENUES	<u>\$ 277,968</u>	<u>\$ 277,968</u>	<u>\$ 312,548</u>	<u>\$ 34,580</u>
EXPENDITURES				
Transportation	\$ 155,000	\$ 155,000	\$ 135,712	\$ 19,288
Debt Service	122,968	122,968	121,163	1,805
TOTAL EXPENDITURES	<u>\$ 277,968</u>	<u>\$ 277,968</u>	<u>\$ 256,875</u>	<u>\$ 21,093</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, 2019

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES				
Real Property Taxes	\$ 1,185,834	\$ 1,185,834	\$ 1,185,834	\$ 0
Non Property Tax Items	710,000	710,000	837,182	127,182
Intergovernmental	58,000	58,000	60,048	2,048
Use of Money and Property	500	500	2,201	1,701
Sale of Property and Compensation for Loss	0	0	262	262
State and Federal Aid	84,665	119,665	119,999	334
TOTAL REVENUES	2,038,999	2,073,999	<u>\$ 2,205,526</u>	<u>\$ 131,527</u>
OTHER SOURCES				
Appropriated Fund Balance	100,000	100,000		
TOTAL REVENUES AND OTHER SOURCES	<u>\$ 2,138,999</u>	<u>\$ 2,173,999</u>		
EXPENDITURES				
Transportation	\$ 1,355,966	\$ 1,301,146	\$ 1,152,846	\$ 148,300
Employee Benefits	661,945	751,765	720,262	31,503
Debt Service	121,088	121,088	121,088	0
TOTAL EXPENDITURES	<u>\$ 2,138,999</u>	<u>\$ 2,173,999</u>	<u>\$ 1,994,196</u>	<u>\$ 179,803</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, 2019

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES				
Real Property Taxes	\$ 41,969	\$ 41,969	\$ 41,969	\$ 0
Departmental Income	120,000	120,000	131,521	11,521
Use of Money and Property	0	0	168	168
Miscellaneous	0	0	2,020	2,020
TOTAL REVENUES	<u>\$ 161,969</u>	<u>\$ 161,969</u>	<u>\$ 175,678</u>	<u>\$ 13,709</u>
EXPENDITURES				
Home and Community Services	\$ 156,066	\$ 156,066	\$ 103,043	\$ 53,023
Employee Benefits	522	522	500	22
Debt Service	<u>5,381</u>	<u>5,381</u>	<u>5,381</u>	<u>0</u>
TOTAL EXPENDITURES	<u>\$ 161,969</u>	<u>\$ 161,969</u>	<u>\$ 108,924</u>	<u>\$ 53,045</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, 2019

	<u>ORIGINAL BUDGET</u>	<u>ADJUSTED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES				
Real Property Taxes	\$ 372,408	\$ 372,408	372,408	\$ 0
Real Property Tax Items	451,986	451,986	451,986	0
Departmental Income	295,000	295,000	250,984	(44,016)
Use of Money and Property	0	0	1,007	1,007
Sale of Property and Compensation for Loss	0	0	137,130	137,130
Licenses and Permits	0	0	6,700	6,700
Miscellaneous	0	0	2,074	2,074
TOTAL REVENUES	<u>1,119,394</u>	<u>1,119,394</u>	<u>\$ 1,222,289</u>	<u>\$ 102,895</u>
OTHER SOURCES				
Appropriated Fund Balance	<u>24,000</u>	<u>24,000</u>		
TOTAL REVENUES AND OTHER SOURCES	<u>\$ 1,143,394</u>	<u>\$ 1,143,394</u>		
EXPENDITURES				
Home and Community Services	\$ 972,820	\$ 972,820	\$ 926,810	\$ 46,010
Employee Benefits	9,975	9,975	9,377	598
Debt Service	160,599	160,599	230,581	(69,982)
TOTAL EXPENDITURES	<u>\$ 1,143,394</u>	<u>\$ 1,143,394</u>	<u>\$ 1,166,768</u>	<u>\$ (23,374)</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, 2019

	<u>ORIGINAL BUDGET</u>	<u>ADJUSTED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES				
Real Property Taxes	\$ 1,506,873	\$ 1,506,873	1,506,873	\$ 0
Use of Money and Property	500	500	1,134	634
Miscellaneous	0	0	40	40
TOTAL REVENUES	<u>1,507,373</u>	<u>1,507,373</u>	<u>\$ 1,508,047</u>	<u>\$ 674</u>
OTHER SOURCES				
Appropriated Fund Balance	<u>75,000</u>	<u>75,000</u>		
TOTAL REVENUES AND OTHER SOURCES	<u>\$ 1,582,373</u>	<u>\$ 1,582,373</u>		
EXPENDITURES				
Home and Community Services	\$ 1,046,451	\$ 1,046,451	\$ 1,194,574	(148,123)
Employee Benefits	448,650	448,650	351,172	97,478
Debt Service	<u>87,272</u>	<u>87,272</u>	<u>87,272</u>	<u>0</u>
TOTAL EXPENDITURES	<u>\$ 1,582,373</u>	<u>\$ 1,582,373</u>	<u>\$ 1,633,018</u>	<u>\$ (50,645)</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, 2019

	12/31/19	12/31/18	12/31/17
<u>Total OPEB Liability</u>			
Service cost	\$ 377,822	\$ 435,540	\$ 0
Interest	370,198	427,996	0
Changes of benefit terms	0	(165,694)	0
Differences between expected and actual experience	0	341,323	0
Changes in assumptions or other inputs	(1,087,728)	(1,336,658)	10,982,322
Benefit payments	(221,285)	(190,436)	0
Net change in total OPEB liability	(560,993)	(487,929)	10,982,322
Total OPEB liability-beginning	10,494,393	10,982,322	0
Total OPEB liability-ending	<u>\$ 9,933,400</u>	<u>\$ 10,494,393</u>	<u>\$ 10,982,322</u>
Covered-employee payroll	\$ 3,680,786	\$ 3,637,067	\$ 3,637,067
Total OPEB liability as a percentage of covered-employee payroll	269.87%	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, 2019**

	NYSERS Pension Plan Last 10 Fiscal Years*				
	3/31/2019	3/31/2018	3/31/2017	3/31/2016	3/31/2015
Town's proportion of the net pension asset/(liability)	0.0074259%	0.0077192%	0.0080446%	0.0089016%	0.0088611%
Town's proportionate share of the net pension asset/(liability)	\$ (526,147)	\$ (249,133)	\$ (755,888)	\$ (1,428,724)	\$ (299,348)
Town's covered-employee payroll	\$ 2,293,130	\$ 2,248,167	\$ 2,253,470	\$ 2,392,800	\$ 2,343,882
Town's proportionate share of the net pension asset/(liability) as a percentage of its covered-employee payroll	-22.94%	-11.08%	-33.54%	-59.71%	-12.76%
Plan fiduciary net position as a percentage of the total pension liability	96.27%	98.24%	94.70%	90.70%	97.90%
					97.15%

	NYSPFRS Pension Plan Last 10 Fiscal Years*				
	3/31/2019	3/31/2018	3/31/2017	3/31/2016	3/31/2015
Town's proportion of the net pension asset/(liability)	0.0262138%	0.0265488%	0.0251471%	0.0294757%	0.0294855%
Town's proportionate share of the net pension asset/(liability)	\$ (439,621)	\$ (268,344)	\$ (521,211)	\$ (872,713)	\$ (81,162)
Town's covered-employee payroll	\$ 969,717	\$ 907,315	\$ 939,764	\$ 1,195,574	\$ 1,172,131
Town's proportionate share of the net pension asset/(liability) as a percentage of its covered-employee payroll	-45.33%	-29.58%	-55.46%	-73.00%	-6.92%
Plan fiduciary net position as a percentage of the total pension liability	95.09%	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, 2019**

	NYSERS Pension Plan Last 10 Fiscal Years*					
	3/31/2019	3/31/2018	3/31/2017	3/31/2016	3/31/2015	3/31/2014
Contractually required contribution	\$ 349,718	\$ 346,773	\$ 341,440	\$ 367,979	\$ 409,341	\$ 421,428
Contributions in relation to the contractually required contribution	349,718	346,773	341,440	367,979	409,341	421,428
Contribution deficiency (excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Covered Employee Payroll	\$ 2,293,130	\$ 2,248,167	\$ 2,253,470	\$ 2,392,800	\$ 2,345,882	\$ 2,261,428
Contributions as a percentage of its covered-employee payroll	15.25%	15.42%	15.15%	15.38%	17.45%	18.64%
	NYSPPRS Pension Plan Last 10 Fiscal Years*					
	3/31/2019	3/31/2018	3/31/2017	3/31/2016	3/31/2015	3/31/2014
Contractually required contribution	\$ 228,975	\$ 209,794	\$ 189,518	\$ 182,962	\$ 217,047	\$ 218,592
Contributions in relation to the contractually required contribution	228,975	209,794	189,518	182,962	217,047	218,592
Contribution deficiency (excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Covered Employee Payroll	\$ 969,717	\$ 907,315	\$ 939,364	\$ 1,195,574	\$ 1,172,131	\$ 1,208,558
Contributions as a percentage of its covered-employee payroll	23.61%	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, 2019

	DRAINAGE	LIGHTING	HYDRANT	MAIN STREET PARKING	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
ASSETS					
Cash and Cash Equivalents	\$ 13,652	\$ 26,774	\$ 794	\$ 4,266	\$ 45,486
TOTAL ASSETS	\$ 13,652	\$ 26,774	\$ 794	\$ 4,266	\$ 45,486
LIABILITIES					
Accounts Payable	\$ 0	\$ 9,077	\$ 0	\$ 0	\$ 9,077
Due to Other Funds	0	4,000	1,000	0	5,000
TOTAL LIABILITIES	0	13,077	1,000	0	14,077
FUND BALANCES					
Restricted	8,652	13,697	0	4,266	26,615
Assigned	5,000	0	0	0	5,000
Unassigned	0	0	(206)	0	(206)
TOTAL FUND BALANCES	13,652	13,697	(206)	4,266	31,409
TOTAL LIABILITIES AND FUND BALANCES	\$ 13,652	\$ 26,774	\$ 794	\$ 4,266	\$ 45,486

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, 2019

	DRAINAGE	LIGHTING	HYDRANT	MAIN STREET PARKING	TOTAL NON-MAJOR GOVERNMENTAL FUNDS
REVENUES					
Real Property Taxes	\$ 0	\$ 102,000	\$ 95,000	\$ 2,000	\$ 199,000
Use of Money and Property	28	90	77	10	205
TOTAL REVENUES	28	102,090	95,077	2,010	199,205
EXPENDITURES					
Transportation	0	100,709	0	2,000	102,709
Home and Community Service	0	0	95,000	0	95,000
TOTAL EXPENDITURES	0	100,709	95,000	2,000	197,709
Net Change in Fund Balances	28	1,381	77	10	1,496
Fund Balances-Beginning	13,624	12,316	(283)	4,256	29,913
Fund Balances-Ending	\$ 13,652	\$ 13,697	\$ (206)	\$ 4,266	\$ 31,409

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

TOWN OF CORNWALL
CORNWALL, NEW YORK
COMBINED GENERAL FUNDS
BALANCE SHEET
DECEMBER 31, 2019

	<u>GENERAL FUND (A)</u>	<u>GENERAL FUND (B)</u>	<u>TOTAL OF GENERAL FUNDS</u>
ASSETS			
Cash and Cash Equivalents	\$ 670,525	\$ 797,622	\$ 1,468,147
Accounts Receivable	94,598	217,963	312,561
Due from Other Funds	433,000	0	433,000
TOTAL ASSETS	<u>\$ 1,198,123</u>	<u>\$ 1,015,585</u>	<u>\$ 2,213,708</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts Payable	\$ 55,753	\$ 18,775	\$ 74,528
Accrued Liabilities	5,100	19,153	24,253
TOTAL LIABILITIES	<u>60,853</u>	<u>37,928</u>	<u>98,781</u>
FUND BALANCE			
Assigned	392,375	977,657	1,370,032
Unassigned	744,895	0	744,895
TOTAL FUND BALANCE	<u>1,137,270</u>	<u>977,657</u>	<u>2,114,927</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,198,123</u>	<u>\$ 1,015,585</u>	<u>\$ 2,213,708</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, 2019

	<u>GENERAL FUND (A)</u>	<u>GENERAL FUND (B)</u>	<u>TOTAL OF GENERAL FUNDS</u>
REVENUES			
Real Property Taxes	\$ 2,240,458	\$ 1,476,430	\$ 3,716,888
Real Property Tax Items	13,411	0	13,411
Non Property Tax Items	107,769	837,182	944,951
Departmental Income	150,272	133,613	283,885
Use of Money and Property	75,680	2,318	77,998
Licenses and Permits	10,036	0	10,036
Fines and Forfeitures	197,032	0	197,032
Sale of Property and Compensation for Loss	3,053	2,032	5,085
Miscellaneous	1,728	913	2,641
State and Federal Aid	472,349	85,982	558,331
	<u>3,271,788</u>	<u>2,538,470</u>	<u>5,810,258</u>
TOTAL REVENUES			
EXPENDITURES			
General Government Support	1,859,605	0	1,859,605
Public Safety	157,503	1,407,476	1,564,979
Health	23,178	0	23,178
Economic Assistance and Opportunity	44,907	0	44,907
Culture and Recreation	294,020	67,109	361,129
Home and Community Service	14,750	75,413	90,163
Employee Benefits	701,390	851,545	1,552,935
Debt Service	118,773	0	118,773
	<u>3,214,126</u>	<u>2,401,543</u>	<u>5,615,669</u>
TOTAL EXPENDITURES			
Net Change in Fund Balances	57,662	136,927	194,589
Fund Balances-Beginning	<u>1,079,608</u>	<u>840,730</u>	<u>1,920,338</u>
Fund Balances-Ending	<u>\$ 1,137,270</u>	<u>\$ 977,657</u>	<u>\$ 2,114,927</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, 2019

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES				
Real Property Taxes	\$ 3,716,888	\$ 3,716,888	\$ 3,716,888	\$ 0
Real Property Tax Items	15,000	15,000	13,411	(1,589)
Non Property Tax Items	805,000	805,000	944,951	139,951
Departmental Income	163,000	163,000	283,885	120,885
Use of Money and Property	71,072	71,072	77,998	6,926
Licences and Permits	8,000	8,000	10,036	2,036
Fines and Forfeitures	200,000	200,000	197,032	(2,968)
Sale of Property and				
Compensation for Loss	0	0	5,085	5,085
Miscellaneous	0	0	2,641	2,641
State and Federal Aid	443,000	493,796	558,331	64,535
TOTAL REVENUES	<u>5,421,960</u>	<u>5,472,756</u>	<u>\$ 5,810,258</u>	<u>\$ 337,502</u>
OTHER SOURCES				
Appropriated Fund Balance	<u>440,000</u>	<u>440,000</u>		
TOTAL	<u>\$ 5,861,960</u>	<u>\$ 5,912,756</u>		
EXPENDITURES				
General Government Support	\$ 1,877,853	\$ 1,898,182	\$ 1,859,605	\$ 38,577
Public Safety	1,688,280	1,679,171	1,564,979	114,192
Health	7,000	7,000	23,178	(16,178)
Economic Assistance and Opportunity	49,745	50,916	44,907	6,009
Culture and Recreation	340,500	378,905	361,129	17,776
Home and Community Service	97,140	97,140	90,163	6,977
Employee Benefits	1,680,860	1,680,860	1,552,935	127,925
Debt Service	120,582	120,582	118,773	1,809
TOTAL EXPENDITURES	<u>\$ 5,861,960</u>	<u>\$ 5,912,756</u>	<u>\$ 5,615,669</u>	<u>\$ 297,087</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, 2019

Capital Assets, Net		\$ 11,001,137
ADDITIONS:		
Deferred Amount of Refunding		54,586
		<u>11,055,723</u>
DEDUCTIONS:		
Bond Anticipation Notes	\$ 3,230,000	
Short-Term Portion of Bonds Payable	407,766	
(including an unamortized bond premium of \$11,834)		
Long-Term Portion of Bonds Payable	<u>3,872,752</u>	
(including an unamortized bond premium of \$17,752)		
TOTAL DEDUCTIONS		<u>7,510,518</u>
NET INVESTMENT IN CAPITAL ASSETS		<u><u>\$ 3,545,205</u></u>

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, 2019**

	DATE OF ORIGINAL ISSUE	MATURITY	INTEREST RATE	OUTSTANDING BEGINNING OF YEAR	ISSUED DURING YEAR	PAID DURING YEAR	REFINANCED DURING YEAR	OUTSTANDING END OF YEAR	AMOUNT OF INTEREST PAID DURING YEAR	AMOUNT OF INTEREST ACCRUED AT DECEMBER 31, 2019
BOND ANTICIPATION NOTES										
Various Purpose	7/30/2015	7/24/2020	2.00%	\$ 1,580,000	\$ 1,770,000	\$ 120,000	\$ 0	\$ 3,230,000	\$ 50,291	\$ 26,548
EFC Loan	7/1/2016	7/1/2019	0.00%	3,417,859	316,085	548,012	3,185,932	0	7,608	0
Various Purpose	6/18/2018	6/18/2019	2.88%	380,000	0	0	380,000	0	0	0
TOTAL BOND ANTICIPATION NOTES				5,377,859	2,086,085	668,012	3,565,932	3,230,000	57,899	26,548
SERIAL BONDS & NOTES										
2009 Serial Bond	10/1/2009	3/1/2034	3.00%	660,000	0	85,000	0	575,000	20,668	5,671
2017 Refunding	6/1/2017	6/1/2022	1.25%	485,000	0	115,000	0	370,000	7,275	2,661
2013 Public Improvements	10/29/2013	5/15/2023	2.50%	380,000	0	100,000	0	280,000	11,006	863
EFC Loan	6/4/2019	8/1/2048	1.31%	0	3,185,932	160,000	0	3,025,932	7,410	13,002
TOTAL SERIAL BONDS AND NOTES				1,525,000	3,185,932	460,000	0	4,230,932	46,359	22,198
TOTAL INDEBTEDNESS				\$ 6,902,859	\$ 5,272,017	\$ 1,128,012	\$ 3,565,932	\$ 7,480,932	\$ 104,258	\$ 48,746

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

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

Peter J. Bullis, CPA, FACHEI, 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

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, 2019 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 June 9, 2020.

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

To the Supervisor and Members
of the Town Board
Town of Cornwall

Page 2

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 2019-001 and 2019-002.

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
June 9, 2020

TOWN OF CORNWALL
CORNWALL, NEW YORK
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2019

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, 2019

SECTION II - FINANCIAL STATEMENT FINDINGS

SIGNIFICANT DEFICIENCIES:

Finding 2019-001 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 2019-002 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, 2019

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.

APPENDIX C

FORM OF BOND COUNSEL OPINION

Hawkins Delafield & Wood LLP
7 World Trade Center
250 Greenwich Street
New York, New York 10007

July 23, 2020

The Town Board of the
Town of Cornwall, in the
County of Orange, New York

Ladies and Gentlemen:

We have acted as Bond Counsel to the Town of Cornwall (the “Town”), in the County of Orange, New York, a municipal corporation of the State of New York, and have examined a record of proceedings relating to the authorization, sale and issuance of the \$720,000 Public Improvement Serial Bonds-2020 (the “Bonds”), dated and delivered on the date hereof.

In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity with originals of all documents submitted to us as copies thereof. Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

Concurrently with the issuance of the Bonds, the Town is issuing its \$2,100,000 Bond Anticipation Note-2020 (the “Note”). The Bonds are treated, together with the Note, as a single issue for federal tax purposes. We have served as Bond Counsel with respect to the issuance of the Note and, on the date hereof, we have rendered our opinion with respect to the exclusion of interest on the Notes from gross income for federal income tax purposes in substantially the form of paragraph 2 below and subject to the same conditions and limitations set forth herein. Noncompliance with such conditions and limitations may cause interest on both the Bonds and the Notes to become subject to federal income taxation retroactive to the date of issue, irrespective of the date on which such noncompliance occurs or is ascertained.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds are valid and legally binding general obligations of the Town for which the Town has validly pledged its faith and credit and, unless paid from other sources, all the taxable real property within the Town is subject to the levy of ad valorem real estate taxes to pay the Bonds and interest thereon, subject to certain statutory limitations imposed by Chapter 97 of the New York Laws of 2011, as amended. The enforceability of rights or remedies with respect to such Bonds may be limited by bankruptcy, insolvency or other laws affecting creditors’ rights or remedies heretofore or hereafter enacted.

2. Under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax under the Code.

The Code establishes certain requirements which must be met subsequent to the issuance of the Bonds in order that the interest on the Bonds be and remain excluded from gross income for federal income tax purposes under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of proceeds of the Bonds, restrictions on the investment of proceeds of the Bonds prior to expenditure and the requirement that certain earnings be rebated to the federal government. Noncompliance with such requirements may cause the interest on the Bonds to become subject to federal income taxation retroactive to the date of issuance thereof, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of issuance of the Bonds, the Town will execute a Tax Certificate relating to the Bonds containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Certificate, the Town represents that it will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure that the interest on the Bonds will, for federal income tax purposes, be excluded from gross income.

In rendering the opinion in this paragraph 2, we have relied upon and assumed (i) the material accuracy of the Town's representations, statements of intention and reasonable expectations, and certifications of fact contained in the Tax Certificate with respect to matters affecting the status of the interest on the Bonds, and (ii) compliance by the Town with the procedures and representations set forth in the Tax Certificate as to such tax matters.

3. Under existing statutes, interest on the Bonds is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York.

We express no opinion as to any other federal, state or local tax consequences arising with respect to the Bonds, or the ownership or disposition thereof, except as stated in paragraphs 2 and 3 above. We render our opinion under existing statutes and court decisions as of the date hereof, and assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, any fact or circumstance that may hereafter come to our attention, any change in law or interpretation thereof that may hereafter occur, or for any other reason. We express no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, we express no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Bonds.

We give no assurances as to the adequacy, sufficiency or completeness of the Preliminary Official Statement and/or Official Statement relating to the Bonds or any proceedings, reports, correspondence, financial statements or other documents, containing financial or other information relative to the Town, which have been or may hereafter be furnished or disclosed to purchasers of ownership interests in the Bonds.

Very truly yours,

/s/Hawkins Delafield & Wood LLP

FORM OF OPINION OF BOND COUNSEL

Hawkins Delafield & Wood LLP
7 World Trade Center
250 Greenwich Street
New York, New York 10007

July 23, 2020

The Town Board of the
Town of Cornwall, in the
County of Orange, New York

Ladies and Gentlemen:

We have acted as Bond Counsel to the Town of Cornwall (the “Town”), in the County of Orange, a municipal corporation of the State of New York, and have examined a record of proceedings relating to the authorization, sale and issuance of the \$2,100,000 Bond Anticipation Notes – 2020 (the “Notes”) of the Town dated and delivered on the date hereof.

In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity with originals of all documents submitted to us as copies thereof. Based upon and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Notes are valid and legally binding general obligations of the Town for which the Town has validly pledged its faith and credit and, unless paid from other sources, all the taxable real property within the Town is subject to the levy of ad valorem real estate taxes to pay the Notes and interest thereon, subject to certain statutory limitations imposed by Chapter 97 of the New York Laws of 2011, as amended. The enforceability of rights or remedies with respect to such Notes may be limited by bankruptcy, insolvency, or other laws affecting creditors’ rights or remedies heretofore or hereafter enacted.

2. Under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Notes is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax under the Code.

The Code establishes certain requirements that must be met subsequent to the issuance of the Notes in order that the interest on the Notes be and remain excludable from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to the use and expenditure of proceeds of the Notes, restrictions on the investment of proceeds of the Notes prior to expenditure and the requirement that certain earnings be rebated to the federal government. Noncompliance with such requirements may cause the interest on the Notes to become subject to federal income taxation retroactive to the date of issuance thereof, irrespective of the date on which such noncompliance occurs or is ascertained.

On the date of issuance of the Notes, the Town will execute a Tax Certificate relating to the Notes containing provisions and procedures pursuant to which such requirements can be satisfied. In executing the Tax Certificate, the Town represents that it will comply with the provisions and procedures set forth therein and that it will do and perform all acts and things necessary or desirable to assure that the interest on the Notes will, for federal income tax purposes, be excluded from gross income.

In rendering the opinion in this paragraph 2, we have relied upon and assumed (i) the material accuracy of the Town's certifications, statements of intention and reasonable expectations, and certifications of fact contained in the Tax Certificate with respect to matters affecting the status of the interest on the Notes, and (ii) compliance by the Town with the procedures and certifications set forth in the Tax Certificate as to such tax matters.

3. Under existing statutes, interest on the Notes is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York.

We express no opinion as to any other federal, state or local tax consequences arising with respect to the Notes, or the ownership or disposition thereof, except as stated in paragraphs 2 and 3 above. We render our opinion under existing statutes and court decisions as of the date hereof, and assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, any fact or circumstance that may hereafter come to our attention, any change in law or interpretation thereof that may hereafter occur, or for any other reason. We express no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, we express no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the Notes.

We give no assurances as to the accuracy, sufficiency or completeness of the Preliminary or Final Official Statement or any proceedings, reports, correspondence, financial statements or other documents, containing financial or other information relative to the Town which have been or may hereafter be furnished or disclosed to purchasers of said Notes.

Very truly yours,

APPENDIX D

FORM OF CONTINUING DISCLOSURE

UNDERTAKING TO PROVIDE CONTINUING DISCLOSURE

Section 1. Definitions

“Annual Information” shall mean the information specified in Section 3 hereof.

“EMMA” shall mean the Electronic Municipal Market Access System implemented by the MSRB.

“GAAP” shall mean generally accepted accounting principles as in effect from time to time in the United States.

“Holder” shall mean any registered owner of the Securities and any beneficial owner of Securities within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934.

“Issuer” shall mean the **Town of Cornwall**, in the County of Orange, a municipal corporation of the State of New York.

“MSRB” shall mean the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Agreement.

“Purchaser” shall mean the financial institution referred to in the Certificate of Award, executed by the Supervisor as of June 29, 2020.

“Rule” shall mean Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as amended, as in effect on the date of this Undertaking, including any official interpretations thereof issued either before or after the effective date of this Undertaking which are applicable to this Undertaking.

“Securities” shall mean the Issuer’s **\$720,000 Public Improvement Serial Bonds-2020**, dated July 23, 2020, maturing in various principal amounts on July 15 in each of the years 2021 to 2032, inclusive, and delivered on the date hereof.

Section 2. Obligation to Provide Continuing Disclosure. (a) The Issuer hereby undertakes, for the benefit of Holders of the Securities, to provide or cause to be provided either directly or through Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York, to the EMMA System:

- (i) (A) no later than six (6) months after the end of each fiscal year, commencing with the fiscal year ending December 31, 2019, the Annual Information relating to such fiscal year, and (B) no later than six (6) months after the end of each fiscal year, commencing with the fiscal year ending December 31, 2019, the audited financial statements of the Issuer for each fiscal year, if audited financial statements are prepared by the Issuer and then available; provided, however, that if audited financial statements are not prepared or are not then available, unaudited financial statements shall be provided and audited financial statements, if any, shall be delivered to

the EMMA System within sixty (60) days after they become available and in no event later than one (1) year after the end of each fiscal year; provided further, however, that the unaudited financial statement shall be provided for any fiscal year only if the Issuer has made a determination that providing such unaudited financial statement would be compliant with federal securities laws, including Rule 10b-5 of the Securities Exchange Act of 1934 and Rule 17 (a)(2) of the Securities Act of 1933; and

(ii) in a timely manner, not in excess of ten (10) business days after the occurrence of such event, notice of any of the following events with respect to the Securities:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Securities, or other events affecting the tax status of the Securities;
- (7) modifications to rights of Securities holders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution, or sale of property securing repayment of the Securities, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the Issuer;

Note to clause (12): For the purposes of the event identified in clause (12) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or

government authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer;

- (13) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) incurrence of a financial obligation, as defined in Rule 15c2-12, of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Issuer, any of which affect security holders, if material; and
- (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Issuer, any of which reflect financial difficulties.

- (iii) in a timely manner, not in excess of ten (10) business days after the occurrence of such event, notice of a failure to provide by the date set forth in Section 2(a)(i) hereof any Annual Information required by Section 3 hereof.

(b) Nothing herein shall be deemed to prevent the Issuer from disseminating any other information in addition to that required hereby in the manner set forth herein or in any other manner. If the Issuer disseminates any such additional information, the Issuer shall have no obligation to update such information or include it in any future materials disseminated hereunder.

(c) Nothing herein shall be deemed to prevent the Issuer from providing notice of the occurrence of certain other events, in addition to those listed above, if the Issuer determines that any such other event is material with respect to the Securities; but the Issuer does not undertake to commit to provide any such notice of the occurrence of any event except those events listed above.

Section 3. Annual Information. (a) The required Annual Information shall consist of the financial information and operating data for the preceding fiscal year, in a form generally consistent with the information contained or cross-referenced in the Issuer's final official statement relating to the Securities under the headings "THE TOWN," "DEMOGRAPHIC AND STATISTICAL INFORMATION," "INDEBTEDNESS OF THE TOWN," "FINANCIAL MATTERS," "REAL PROPERTY TAX INFORMATION" AND "LITIGATION" AND APPENDIX A.

(b) All or any portion of the Annual Information may be incorporated in the Annual Information by cross reference to any other documents which are (i) available to the public on the EMMA System or (ii) filed with the SEC. If such a document is a final official statement, it also must be available from the EMMA System.

(c) Annual Information for any fiscal year containing any modified operating data or financial information (as contemplated by Section 7(e) hereof) for such fiscal year shall explain, in narrative form, the reasons for such modification and the effect of such modification on the Annual Information being provided for such fiscal year. If a change in accounting principles is included in any such modification, such Annual Information shall present a comparison between the financial statements or information prepared on the basis of the modified accounting principles and those prepared on the basis of the former accounting principles.

Section 4. Financial Statements. The Issuer's annual financial statements for each fiscal year, if prepared, shall be prepared in accordance with GAAP or New York State regulatory requirements as in effect from time to time. Such financial statements, if prepared, shall be audited by an independent accounting firm. The Issuer's Annual Financial Report Update Document prepared by the Issuer and filed annually with New York State in accordance with applicable law, shall not be subject to the foregoing requirements.

Section 5. Remedies. If the Issuer shall fail to comply with any provision of this Undertaking, then any Holder of Securities may enforce, for the equal benefit and protection of all Holders similarly situated, by mandamus or other suit or proceeding at law or in equity, this Undertaking against the Issuer and any of the officers, agents and employees of the Issuer, and may compel the Issuer or any such officers, agents or employees to perform and carry out their duties under this Undertaking; provided that the sole and exclusive remedy for breach of this Undertaking shall be an action to compel specific performance of the obligations of the Issuer hereunder and no person or entity shall be entitled to recover monetary damages hereunder under any circumstances. Failure to comply with any provision of this Undertaking shall not constitute an event of default on the Securities.

Section 6. Parties in Interest. This Undertaking is executed to assist the Purchaser to comply with paragraph (b)(5) of the Rule and is delivered for the benefit of the Holders. No other person shall have any right to enforce the provisions hereof or any other rights hereunder.

Section 7. Amendments. Without the consent of any holders of Securities, the Issuer at any time and from time to time may enter into any amendments or changes to this Undertaking for any of the following purposes:

- (a) to comply with or conform to any changes in Rule 15c2-12 (whether required or optional);
- (b) to add a dissemination agent for the information required to be provided hereby and to make any necessary or desirable provisions with respect thereto;
- (c) to evidence the succession of another person to the Issuer and the assumption of any such successor of the duties of the Issuer hereunder;
- (d) to add to the duties of the Issuer for the benefit of the Holders, or to surrender any right or power herein conferred upon the Issuer;
- (e) to modify the contents, presentation and format of the Annual Information from time to time to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable to the Issuer or to reflect changes in the identity, nature or status of the Issuer or in the business, structure or operations of the Issuer or any mergers, consolidations, acquisitions or dispositions made by or affecting any such person; provided that any such modifications shall comply with the requirements of Rule 15c2-12 or Rule 15c2-12 as in effect at the time of such modification; or
- (f) to cure any ambiguity, to correct or supplement any provision hereof which may be inconsistent with any other provision hereof, or to make any other provisions with respect to matters or questions arising under this Undertaking which, in each case, comply with Rule 15c2-12 or Rule 15c2-12 as in effect at the time of such amendment or change;

provided that no such action pursuant to this Section 7 shall adversely affect the interests of the Holders in any material respect. In making such determination, the Issuer shall rely upon an opinion of nationally recognized bond counsel.

Section 8. Termination. This Undertaking shall remain in full force and effect until such time as all principal, redemption premiums, if any, and interest on the Securities shall have been paid in full or the Securities shall have otherwise been paid or legally defeased pursuant to their terms. Upon any such legal defeasance, the Issuer shall provide notice of such defeasance to the EMMA System. Such notice shall state whether the Securities have been defeased to maturity or to redemption and the timing of such maturity or redemption.

In addition, this Agreement, or any provision hereof, shall be null and void in the event that those portions of the Rule which require this Agreement, or such provision, as the case may be, do not or no longer apply to the Securities, whether because such portions of the Rule are invalid, have been repealed, or otherwise.

Section 9. Undertaking to Constitute Written Agreement or Contract. This Undertaking shall constitute the written agreement or contract for the benefit of Holders of Securities, as contemplated under Rule 15c2-12.

Section 10. Governing Law. This Undertaking shall be governed by the laws of the State of New York determined without regard to principles of conflict of law.

IN WITNESS WHEREOF, the undersigned has duly authorized, executed and delivered this Undertaking as of July 23, 2020.

TOWN OF CORNWALL

By _____
Supervisor and Chief Fiscal Officer

UNDERTAKING TO PROVIDE NOTICES OF EVENTS

Section 1. Definitions

“EMMA” shall mean the Electronic Municipal Market Access System implemented by the MSRB.

“Financial Obligation” shall mean “financial obligation” as such term is defined in the Rule.

“GAAP” shall mean generally accepted accounting principles as in effect from time to time in the United States.

“Holder” shall mean any registered owner of the Securities and any beneficial owner of Securities within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934.

“Issuer” shall mean the Town of Cornwall, in the County of Orange, a municipal corporation of the State of New York.

“MSRB” shall mean the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934.

“Purchaser” shall mean the financial institution referred to in the Certificate of Determination, executed by the Town Supervisor as of July 23, 2020.

“Rule 15c2-12” shall mean Rule 15c2-12 under the Securities Exchange Act of 1934, as amended through the date of this Undertaking, including any official interpretations thereof.

“Securities” shall mean the Issuer’s **\$2,100,000 Bond Anticipation Notes - 2020**, dated July 23 2020, maturing July 23, 2021, and delivered on the date hereof.

Section 2. Obligation to Provide Notices of Events. (a) The Issuer hereby undertakes, for the benefit of Holders of the Securities, to provide or cause to be provided either directly or through Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776 to the Electronic Municipal Market Access (“EMMA”) System implemented by the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of such Board contemplated by the Undertaking, in a timely manner, not in excess of ten (10) business days after the occurrence of any such event, notice of any of the following events with respect to the Securities:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;

- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Securities, or other material events affecting the tax status of the Securities;
- (vii) modifications to rights of Securities holders, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Securities, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of the Issuer;

Note to clause (12): For the purposes of the event identified in clause (12) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or government authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer;

- (xiii) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (xv) incurrence of a financial obligation, as defined in Rule 15c2-12, of the Town, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Issuer, any of which affect security holders, if material; and
- (xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Issuer, any of which reflect financial difficulties.

(b) Nothing herein shall be deemed to prevent the Issuer from disseminating any other information in addition to that required hereby in the manner set forth herein or in any other manner. If the Issuer disseminates any such additional information, the Issuer shall have no obligation to update such information or include it in any future materials disseminated hereunder.

(c) Nothing herein shall be deemed to prevent the Issuer from providing notice of the occurrence of certain other events, in addition to those listed above, if the Issuer determines that any such other event is material with respect to the Securities; but the Issuer does not undertake to commit to provide any such notice of the occurrence of any event except those events listed above.

Section 3. Remedies. If the Issuer shall fail to comply with any provision of this Undertaking, then any Holder of Securities may enforce, for the equal benefit and protection of all Holders similarly situated, by mandamus or other suit or proceeding at law or in equity, this Undertaking against the Issuer and any of the officers, agents and employees of the Issuer, and may compel the Issuer or any such officers, agents or employees to perform and carry out their duties under this Undertaking; provided that the sole and exclusive remedy for breach of this Undertaking shall be an action to compel specific performance of the obligations of the Issuer hereunder and no person or entity shall be entitled to recover monetary damages hereunder under any circumstances. Failure to comply with any provision of this Undertaking shall not constitute an event of default on the Securities.

Section 4. Parties in Interest. This Undertaking is executed to assist the Purchaser to comply with (b)(5) of the Rule and is delivered for the benefit of the Holders. No other person shall have any right to enforce the provisions hereof or any other rights hereunder.

Section 5. Amendments. Without the consent of any holders of Securities, the Issuer at any time and from time to time may enter into any amendments or changes to this Undertaking for any of the following purposes:

- (a) to comply with or conform to any changes in Rule 15c2-12 (whether required or optional);

- (b) to add a dissemination agent for the information required to be provided hereby and to make any necessary or desirable provisions with respect thereto;
- (c) to evidence the succession of another person to the Issuer and the assumption of any such successor of the duties of the Issuer hereunder;
- (d) to add to the duties of the Issuer for the benefit of the Holders, or to surrender any right or power herein conferred upon the Issuer;
- (e) to cure any ambiguity, to correct or supplement any provision hereof which may be inconsistent with any other provision hereof, or to make any other provisions with respect to matters or questions arising under this Undertaking which, in each case, comply with Rule 15c2-12 or Rule 15c2-12 as in effect at the time of such amendment or change;

provided that no such action pursuant to this Section 5 shall adversely affect the interests of the Holders in any material respect. In making such determination, the Issuer shall rely upon an opinion of nationally recognized bond counsel.

Section 6. Termination. This Undertaking shall remain in full force and effect until such time as all principal, redemption premiums, if any, and interest on the Securities shall have been paid in full or the Securities shall have otherwise been paid or legally defeased in accordance with their terms. Upon any such legal defeasance, the Issuer shall provide notice of such defeasance to the EMMA System. Such notice shall state whether the Securities have been defeased to maturity or to redemption and the timing of such maturity or redemption.

Section 7. Undertaking to Constitute Written Agreement or Contract. This Undertaking shall constitute the written agreement or contract for the benefit of Holders of Securities, as contemplated under Rule 15c2-12.

Section 8. Governing Law. This Undertaking shall be governed by the laws of the State of New York determined without regard to principles of conflict of law.

IN WITNESS WHEREOF, the undersigned has duly authorized, executed and delivered this Undertaking as of **July 23, 2020**.

TOWN OF CORNWALL, NEW YORK

By: _____
Town of Supervisor