

**TOWN OF CORNWALL
CORNWALL, NEW YORK
AUDIT REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2016**

TOWN OF CORNWALL
CORNWALL, NEW YORK
DECEMBER 31, 2016

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NUMBER

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Cornwall, as of and for the year ended December 31, 2016, 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 accounting principles generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Cornwall, as of December 31, 2016, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, funding progress for other postemployment benefits, Town's proportionate share of the net pension liability, and the Town contributions on pages 4 through 16 and 56 through 65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

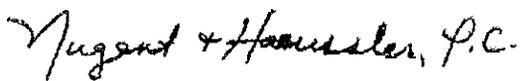
Other Information

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

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2017 on our consideration of the Town's internal control over financial reporting and out tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering Town of Cornwall's internal control over financial reporting.



Montgomery, New York
May 2, 2017

TOWN OF CORNWALL
CORNWALL, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016

The following is a discussion and analysis of the Town of Cornwall's financial performance for the year ended December 31, 2016. 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 2016 and 2015 were \$(512,588) and \$(1,065,689) (net position) respectively.
- As of the close of the current calendar year, the Town of Cornwall's governmental funds reported a combined ending fund balance of \$1,422,415, an increase of \$217,458 in comparison with the prior year.
- At the end of the current calendar year, the unassigned fund balance for the General Fund was \$525,335 at 10.14% of the total General Fund expenditures.
- The Town of Cornwall's total debt decreased by \$4,294,375 (53.85 percent) during the current calendar year.

TOWN OF CORNWALL
CORNWALL, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016

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, 2016

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, 2016

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, 2016

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 \$(512,588). This is a \$553,101 increase over last year's net position of \$(1,065,689). The following table provides a summary of the Town's net position:

FIGURE A-2

<i>Condensed Statement of Net Position</i>			Total Dollar
	2016	2015	Change
			2016 -2015
Current Assets	\$ 2,773,232	\$ 5,877,641	\$ (3,104,409)
Capital Assets	7,511,290	7,362,057	149,233
Deferred Outflows	2,109,821	98,612	2,011,209
Total Assets and Deferred Outflows	12,394,343	13,338,310	(943,967)
Long-Term Debt Outstanding	\$ 11,130,996	\$ 13,441,198	\$ (2,310,202)
Other Liabilities	1,369,474	901,943	467,531
Deferred Inflows	406,461	60,858	345,603
Total Liabilities and Deferred Inflows	12,906,931	14,403,999	(1,497,068)
Investment in Capital Assets, Net of Debt	3,831,665	2,410,805	1,420,860
Restricted	606,548	758,026	(151,478)
Unrestricted Net Assets	(4,950,801)	(4,234,520)	(716,281)
Total Net Position	\$ (512,588)	\$ (1,065,689)	\$ 553,101

TOWN OF CORNWALL
CORNWALL, NEW YORK
STATEMENT OF ACTIVITIES
SUMMARY OF CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

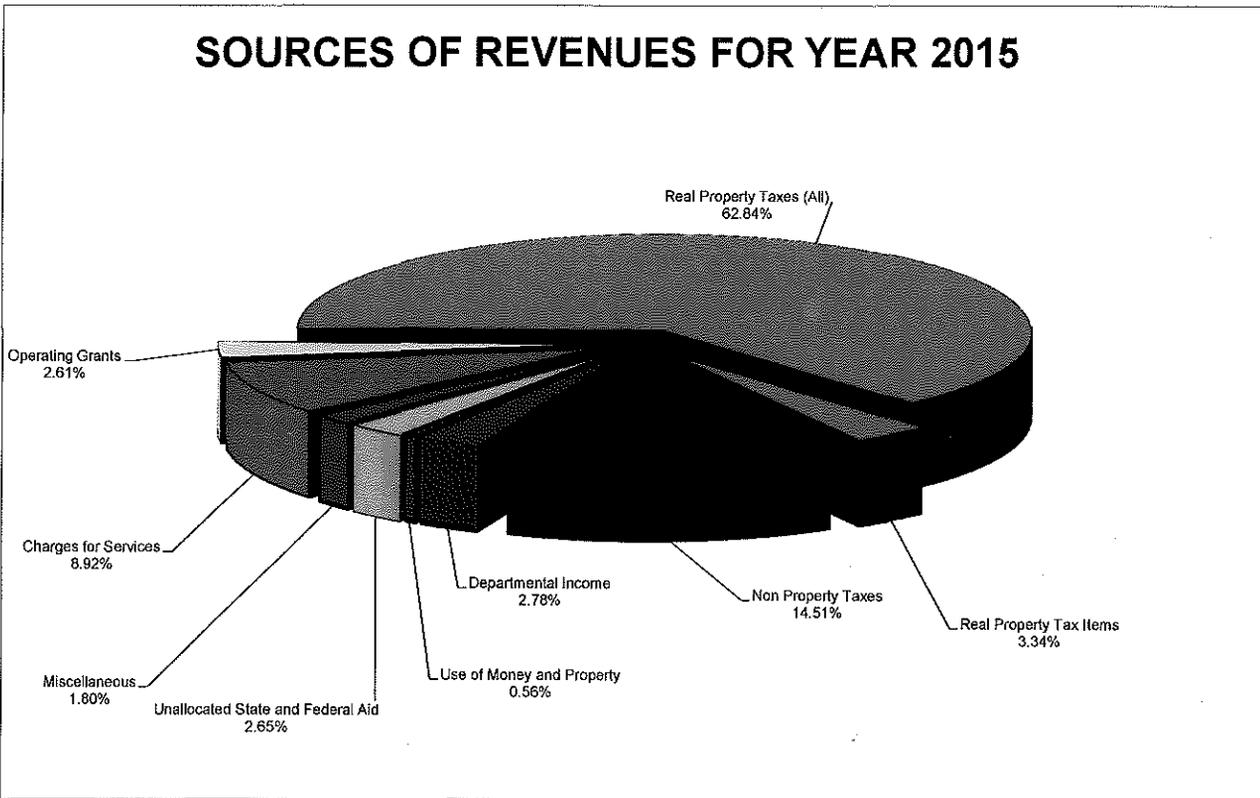
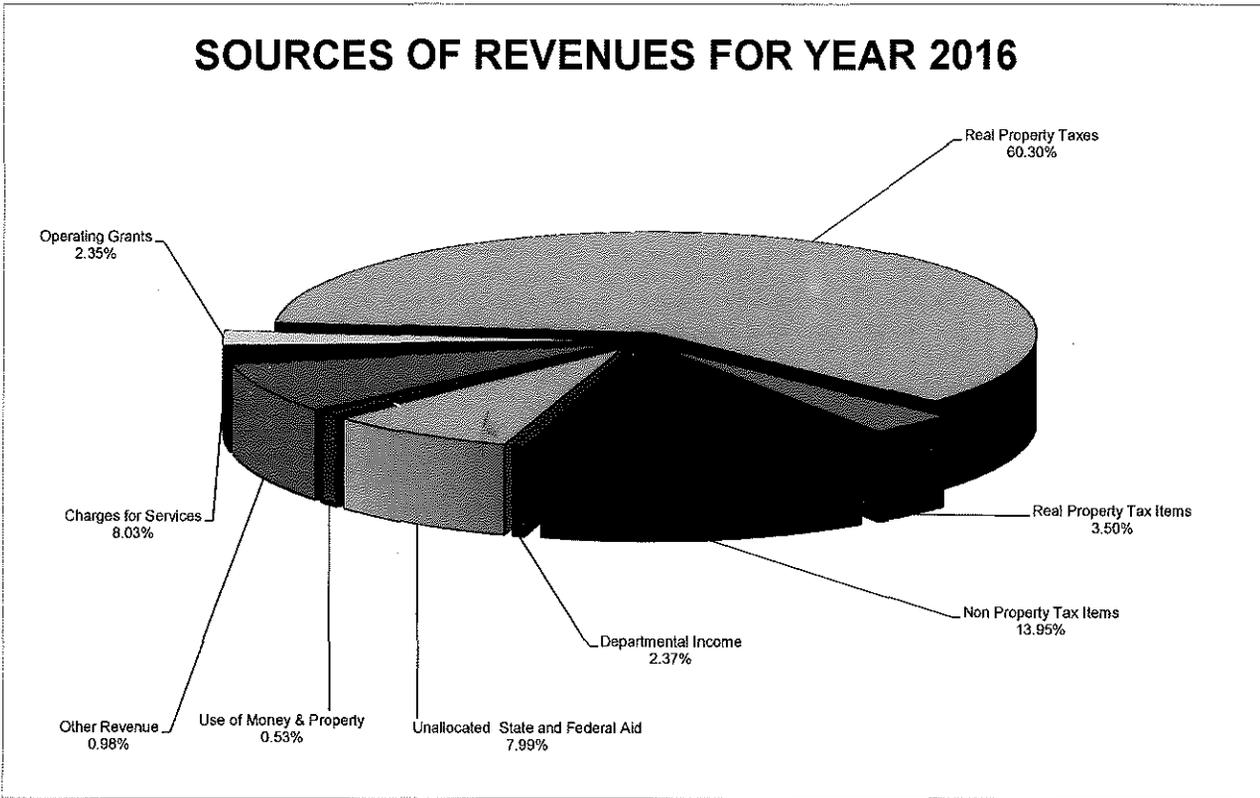
The schedule on the following pages and supporting graphs provides a summary of revenues, expenses and changes in net position for the calendar years ended December 31, 2016 and 2015:

FIGURE A-3

<u>REVENUES</u>	<u>2016</u>	<u>%</u>	<u>2015</u>	<u>%</u>	<u>\$ Change</u>	<u>% Change</u>
	<u>AMOUNT</u>		<u>AMOUNT</u>			
PROGRAM REVENUES						
Charges for Services	\$ 916,957	8.03%	\$ 968,089	8.92%	\$ (51,132)	-5.28%
Operating Grants	268,389	2.35%	283,249	2.61%	(14,860)	-5.25%
GENERAL REVENUES						
Real Property Taxes	6,889,756	60.30%	6,818,734	62.84%	71,022	1.04%
Real Property Tax Items	400,019	3.50%	362,645	3.34%	37,374	10.31%
Non Property Taxes	1,594,265	13.95%	1,573,977	14.51%	20,288	1.29%
Departmental Income	270,627	2.37%	301,229	2.78%	(30,602)	-10.16%
Use of Money and Property	60,844	0.53%	60,327	0.56%	517	0.86%
Unallocated State and Federal Aid	912,546	7.99%	287,183	2.65%	625,363	217.76%
Other Revenues	112,077	0.98%	195,368	1.80%	(83,291)	-42.63%
	<u>11,425,480</u>	<u>100.00%</u>	<u>10,850,801</u>	<u>100.00%</u>	<u>574,679</u>	<u>5.30%</u>
 <u>EXPENDITURES</u>						
General Government	1,312,859	12.08%	1,661,226	15.65%	(348,367)	-20.97%
Public Safety	1,506,977	13.86%	1,381,868	13.02%	125,109	9.05%
Health	204,001	1.88%	222,965	2.10%	(18,964)	-8.51%
Transportation	1,418,034	13.04%	1,652,580	15.57%	(234,546)	-14.19%
Economic Assistance and Opportunity	46,163	0.42%	42,218	0.40%	3,945	9.34%
Culture and Recreation	393,632	3.62%	296,332	2.79%	97,300	32.83%
Home and Community Services	2,142,136	19.70%	2,074,001	19.54%	68,135	3.29%
Interest on Debt	143,433	1.32%	149,958	1.41%	(6,525)	-4.35%
Employee Benefits	3,115,368	28.65%	2,499,269	23.55%	616,099	24.65%
Depreciation	589,776	5.42%	633,905	5.97%	(44,129)	-6.96%
	<u>10,872,379</u>	<u>100.00%</u>	<u>10,614,322</u>	<u>100.00%</u>	<u>258,057</u>	<u>2.43%</u>
 CHANGE IN NET POSITION	<u>\$ 553,101</u>		<u>\$ 236,479</u>		<u>\$ 316,622</u>	

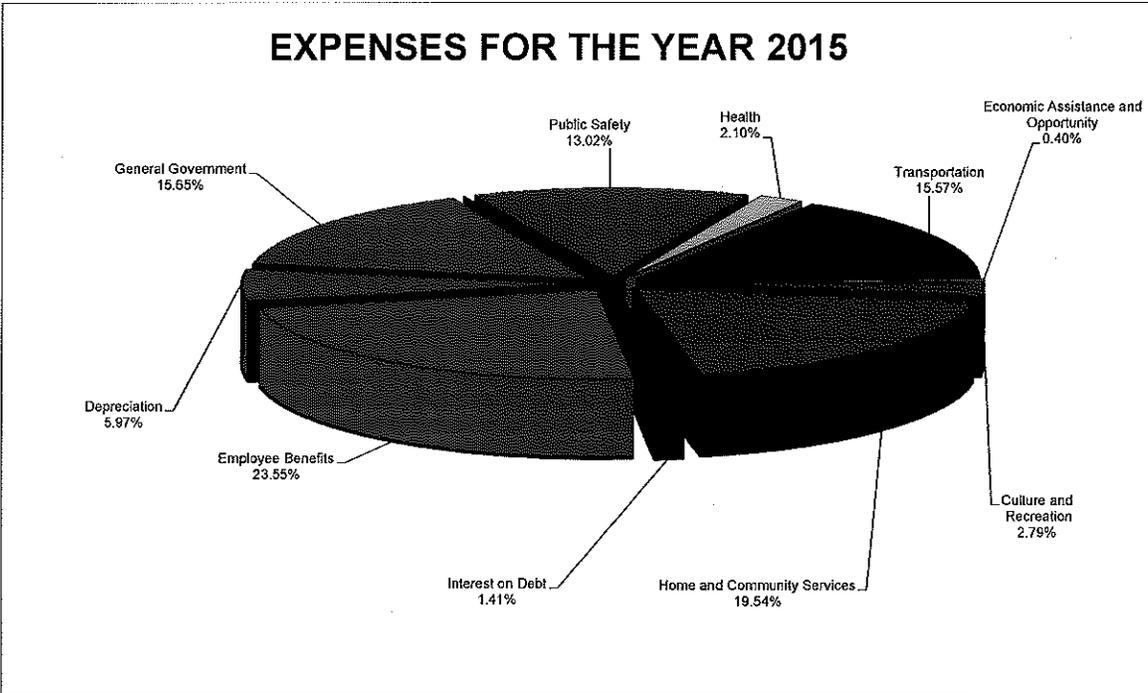
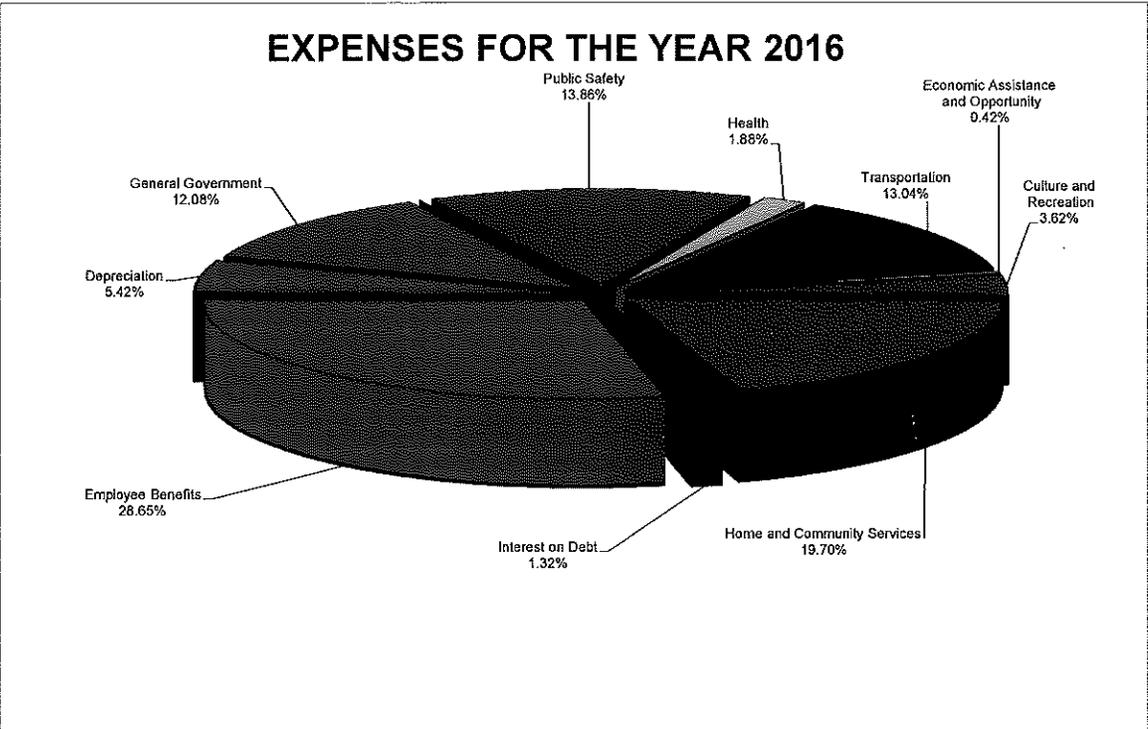
TOWN OF CORNWALL
CORNWALL, NEW YORK
December 31, 2016

FIGURE A-4



TOWN OF CORNWALL
CORNWALL, NEW YORK
December 31, 2016

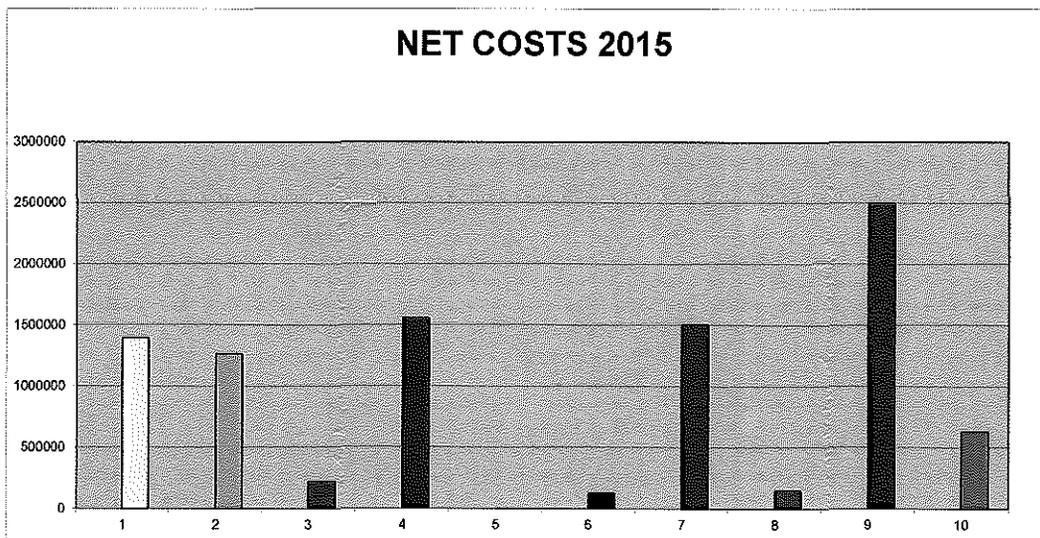
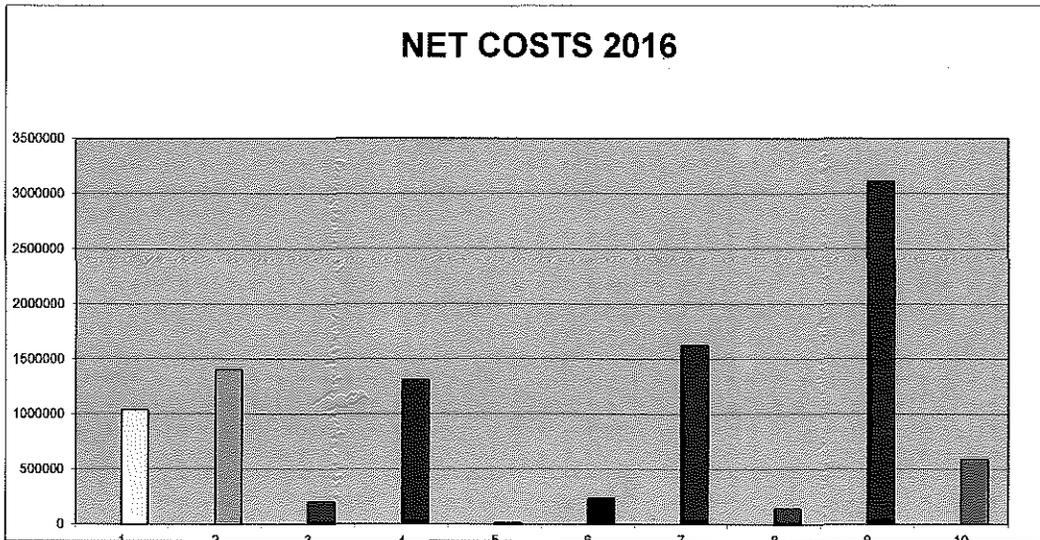
FIGURE A-5



TOWN OF CORNWALL
CORNWALL, NEW YORK
December 31, 2016

FIGURE A-6

	TOTAL COST OF SERVICES 2016	NET COST OF SERVICES 2016	TOTAL COST OF SERVICES 2015	NET COST OF SERVICES 2015
GENERAL GOVERNMENT	\$ 1,312,859	\$ 1,039,931	\$ 1,661,226	\$ 1,394,930
PUBLIC SAFETY	1,506,977	1,403,225	1,381,868	1,265,165
HEALTH	204,001	204,001	222,965	222,965
TRANSPORTATION	1,418,034	1,314,043	1,652,580	1,555,679
ECONOMIC ASSISTANCE & OPPORTUNITY	46,163	12,723	42,218	4,108
CULTURE AND RECREATION	393,632	237,818	296,332	129,552
HOME AND COMMUNITY SERVICES	2,142,136	1,626,715	2,074,001	1,507,453
INTEREST ON DEBT	143,433	143,433	149,958	149,958
EMPLOYEE BENEFITS	3,115,368	3,115,368	2,499,269	2,499,269
DEPRECIATION	589,776	589,776	633,905	633,905
	<u>\$ 10,872,379</u>	<u>\$ 9,687,033</u>	<u>\$ 10,614,322</u>	<u>\$ 9,362,984</u>



TOWN OF CORNWALL
CORNWALL, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016

Total costs of services provided by the Town for the calendar years ended December 31, 2016 and 2015 were \$10,872,379 and \$10,614,322, respectively. In 2016, these charges were offset by grants and contributions of \$268,389 and charges for services of \$916,957, resulting in net cost of services of \$9,687,033. This is a \$324,049 increase under last year's net costs of \$9,362,984.

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, Sanitation Fund, and Non-Major Funds. 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, 2016		
	<u>Restricted</u>	<u>Assigned</u>	<u>Unassigned</u>
General Fund	\$ -	\$ 684,039	\$ 525,335
Highway Fund	326,914	55,000	-
Water Fund	-	-	(35,091)
Sewer Fund	279,634	100,000	-
Capital Fund	-	-	(797,604)
Sanitation Fund	-	20,000	121,203
Non-Major Funds	-	142,985	-
Total	<u>\$ 606,548</u>	<u>\$ 1,002,024</u>	<u>\$ (186,157)</u>
	December 31, 2015		
	<u>Restricted</u>	<u>Assigned</u>	<u>Unassigned</u>
General Fund	\$ -	\$ 750,460	\$ 332,515
Highway Fund	368,872	-	-
Water Fund	-	-	(39,201)
Sewer Fund	389,154	-	-
Capital Fund	-	-	(867,077)
Sanitation Fund	-	50,000	86,104
Non-Major Funds	-	137,251	(3,121)
Total	<u>\$ 758,026</u>	<u>\$ 937,711</u>	<u>\$ (490,780)</u>

TOWN OF CORNWALL
CORNWALL, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016

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 \$308,133 and actual expenditures were lower than budgeted expenditures by \$174,144. Figure A-8 summarizes the General Funds original and revised budgets, actual expenditures and the variances for the year ended December 31, 2016.

Figure A-8

Condensed Budgetary Comparison General Funds	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Real Property Taxes	\$ 3,374,903	\$ 3,374,903	\$ 3,374,903	\$ -
Non Property Taxes	806,000	806,000	871,028	65,028
State and Federal Aid	443,000	443,000	501,410	58,410
All Other	443,664	476,184	660,879	184,695
Total Revenues	\$ 5,067,567	\$ 5,100,087	\$ 5,408,220	\$ 308,133
OTHER SOURCES				
Appropriated Fund Balance	220,000	355,878		
Total Revenues and Other Sources	\$ 5,287,567	\$ 5,455,965	\$ 5,408,220	
EXPENDITURES				
General Government Support	\$ 1,806,963	\$ 1,742,276	\$ 1,581,530	\$ 160,746
Public Safety	1,518,845	1,521,675	1,552,058	(30,383)
Health	1,500	6,900	6,900	-
Economic Assistance and Opportunity	44,437	47,652	46,164	1,488
Culture & Recreation	323,950	407,504	393,640	13,864
Home & Community Service	74,917	96,000	93,183	2,817
Employee Benefits	1,401,100	1,418,103	1,402,990	15,113
Debt Service	115,855	115,855	105,356	10,499
Total Expenditures	\$ 5,287,567	\$ 5,355,965	\$ 5,181,821	\$ 174,144
OTHER USES				
Other Budgetary Purposes	\$ -	\$ 100,000	\$ 100,000	\$ -
Total Expenditures And Other Uses	\$ 5,287,567	\$ 5,455,965	\$ 4,786,285	\$ 174,144

TOWN OF CORNWALL
CORNWALL, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016

CAPITAL ASSETS

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

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

In 2016, the Town expended \$739,009 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
	2016	2015	2016 - 2015
Land	\$ 324,775	\$ 324,775	\$ -
Buildings	1,774,269	1,532,783	241,486
Machinery and Equipment	348,001	396,456	(48,455)
Infrastructure	4,579,545	4,550,135	29,410
Vehicles	484,700	557,908	(73,208)
Totals	\$ 7,511,290	\$ 7,362,057	\$ 149,233

Major additions in 2016 included:

Buildings	\$ 325,478
Machinery and Equipment	23,072
Infrastructure	289,817
Vehicles	100,642
Total	\$ 739,009

TOWN OF CORNWALL
CORNWALL, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016

DEBT ADMINISTRATION

Debt, short-term and long-term, decreased by \$4,294,375 during 2016.

The Town's liability for compensated absences decreased \$165 during 2016.

The Town's obligation for Other Post Retirement Benefits Payable increased by \$527,653 during 2016.

The Town's Net Pension Liability – Proportionate Share increased \$1,920,927 during 2016.

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 debt for 2016.

Figure A-10

	Governmental Activities		Total Dollar Change
	2016	2015	2016 - 2015
Serial Bonds and Notes	\$ 2,753,772	\$ 3,695,000	\$ (941,228)
Bond Anticipation Notes	925,853	4,279,000	(3,353,147)
Other Postemployment Benefits	5,994,851	5,467,198	527,653
Net Pension Liability - Proportionate Share	2,301,437	380,510	1,920,927
Compensated Absences	80,936	81,101	(165)

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, 2016

ASSETS

Cash and Cash Equivalents	\$ 2,159,824
Accounts Receivable	613,408
Capital Assets (Net of Accumulated Depreciation)	7,511,290
TOTAL ASSETS	10,284,522

DEFERRED OUTFLOWS OF RESOURCES

Pensions	2,109,821
----------	-----------

LIABILITIES

Current Liabilities:

Accounts Payable	411,688
Accrued Liabilities	13,276
Accrued Interest Payable	18,657
Bond Anticipation Notes Payable	925,853

Long-Term Liabilities:

Due and Payable Within One Year:

Bonds and Notes Payable	893,772
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Due and Payable More Than One Year:

Bonds and Notes Payable	1,860,000
Other Post Retirement Benefits Payable	5,994,851
Net Pension Liability - Proportionate Share	2,301,437
Compensated Absences	80,936

TOTAL LIABILITIES **12,500,470**

DEFERRED INFLOWS OF RESOURCES

Pensions	406,461
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NET POSITION

Net Investment in Capital Assets	3,831,665
Restricted	606,548
Unrestricted	(4,950,801)
TOTAL NET POSITION	\$ (512,588)

See notes to financial statements.

TOWN OF CORNWALL
CORNWALL, NEW YORK
STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2016

	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES
<u>PRIMARY GOVERNMENT:</u>				
Governmental Activities:				
General Government	\$ (2,183,017)	\$ 272,928	\$ -	\$ (1,910,089)
Public Safety	(2,849,745)	101,525	2,227	(2,745,993)
Health	(212,479)	-	-	(212,479)
Transportation	(2,065,719)	-	103,991	(1,961,728)
Economic Assistance and Opportunity	(76,778)	-	33,440	(43,338)
Culture and Recreation	(562,427)	27,083	128,731	(406,613)
Home and Community Services	(2,778,780)	515,421	-	(2,263,359)
Interest on Debt	(143,433)	-	-	(143,433)
TOTAL PRIMARY GOVERNMENT	\$ (10,872,379)	\$ 916,957	\$ 268,389	(9,687,033)
<u>GENERAL REVENUES</u>				
Real Property Taxes				6,889,756
Real Property Tax Items				400,019
Non Property Taxes				1,594,265
Departmental Income				270,627
Use of Money and Property				60,844
Intergovernmental Charges				59,422
Licenses and Permits				14,795
Unallocated State and Federal Aid				912,546
Sale of Property and Compensation for Loss				19,609
Miscellaneous				18,251
TOTAL GENERAL REVENUES				10,240,134
Change in Net Position				553,101
Net Position - Beginning				(1,065,689)
Net Position - Ending				(512,588)

See notes to financial statements.

TOWN OF CORNWALL
CORNWALL, NEW YORK
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	GENERAL	HIGHWAY	WATER	SEWER	CAPITAL PROJECTS	SANITATION	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS								
Cash and Cash Equivalents	\$ 869,854	\$ 240,082	\$ 4,019	\$ 466,177	\$ 126,781	\$ 200,653	\$ 252,258	\$ 2,159,824
Accounts Receivable, Net	310,617	214,898	15,446	-	-	-	72,447	613,408
Due from Other Funds	100,273	-	-	30,000	78,139	-	-	208,412
TOTAL ASSETS	\$ 1,280,744	\$ 454,980	\$ 19,465	\$ 496,177	\$ 204,920	\$ 200,653	\$ 324,705	\$ 2,981,644
LIABILITIES								
Accounts Payable	\$ 55,295	\$ 70,858	\$ 1,097	\$ 368	\$ 52,398	\$ 57,952	\$ 173,720	\$ 411,688
Accrued Liabilities	9,570	2,208	-	-	-	1,498	-	13,276
Due to Other Funds	6,505	-	53,459	116,175	24,273	-	8,000	208,412
Bond Anticipation Notes Payable	-	-	-	-	925,853	-	-	925,853
TOTAL LIABILITIES	71,370	73,066	54,556	116,543	1,002,524	59,450	181,720	1,559,229
FUND BALANCES								
Restricted	-	326,914	-	279,634	-	-	-	606,548
Assigned	684,039	55,000	-	100,000	-	20,000	142,985	1,002,024
Unassigned	525,335	-	(35,091)	-	(797,604)	121,203	-	(186,157)
TOTAL FUND BALANCES	1,209,374	381,914	(35,091)	379,634	(797,604)	141,203	142,985	1,422,415
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,280,744	\$ 454,980	\$ 19,465	\$ 496,177	\$ 204,920	\$ 200,653	\$ 324,705	\$ 2,981,644

See notes to financial statements.

TOWN OF CORNWALL
CORNWALL, NEW YORK
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEETS
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2016

	TOTAL GOVERNMENTAL FUNDS	LONG-TERM ASSETS, LIABILITIES	RECLASSIFICATIONS AND ELIMINATIONS	STATEMENT OF NET POSITION TOTALS
ASSETS				
Cash and Cash Equivalents	\$ 2,159,824	\$ -	\$ -	\$ 2,159,824
Due from Other Funds	208,412		(208,412)	-
Accounts Receivable, Net	613,408	-	-	613,408
Capital Assets, Net	-	7,511,290	-	7,511,290
TOTAL ASSETS	2,981,644	7,511,290	(208,412)	10,284,522
DEFERRED OUTFLOWS OF RESOURCES				
Pension	-	2,109,821	-	2,109,821
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 2,981,644	\$ 9,621,111	\$ (208,412)	\$ 12,394,343
LIABILITIES				
Accounts Payable	\$ 411,688	\$ -	\$ -	\$ 411,688
Accrued Liabilities	13,276	18,657	-	31,933
Bond Anticipation Notes Payable	925,853	-	-	925,853
Bonds And Notes Payable	-	2,753,772	-	2,753,772
Due to Other Funds	208,412	-	(208,412)	-
Post Retirement Benefits Payable	-	5,994,851	-	5,994,851
Net Pension Liability - Proportionate Share	-	2,301,437	-	2,301,437
Compensated Absences Payable	-	80,936	-	80,936
TOTAL LIABILITIES	1,559,229	11,149,653	(208,412)	12,500,470
DEFERRED INFLOWS OF RESOURCES				
Pension	-	406,461	-	406,461
TOTALS FUND BALANCES/NET POSITION	1,422,415	(1,935,003)	-	(512,588)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES/NET POSITION	\$ 2,981,644	\$ 9,621,111	\$ (208,412)	\$ 12,394,343

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, 2016

	GENERAL	HIGHWAY	WATER	SEWER	CAPITAL PROJECTS	SANITATION	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES								
Real Property Taxes	\$ 3,374,903	\$ 1,566,362	\$ 38,443	\$ 322,990	\$ -	\$ 1,392,705	\$ 194,353	\$ 6,889,756
Real Property Tax Items	19,219	-	-	380,800	-	-	-	400,019
Non Property Tax Items	851,809	742,456	-	-	-	-	-	1,594,265
Departmental Income	302,355	-	113,619	303,317	-	-	197,102	916,393
Intergovernmental Charges	-	59,422	-	-	-	-	-	59,422
Use of Money and Property	58,490	419	15	332	1,048	371	169	60,844
Licenses and Permits	17,838	-	-	6,400	-	-	-	24,238
Fines and Forfeitures	261,748	-	-	-	-	-	-	261,748
Sale of Property and Compensation for Loss	6,416	9,336	-	-	-	3,857	-	19,609
Miscellaneous	14,032	-	-	-	3,145	1,074	-	18,251
State and Federal Aid	501,410	103,991	-	-	575,534	-	-	1,180,935
TOTAL REVENUES	5,408,220	2,481,986	152,077	1,013,839	579,727	1,398,007	391,624	11,425,480
EXPENDITURES								
General Government Support	1,581,530	-	-	-	180,710	-	-	1,762,240
Public Safety	1,552,058	-	-	-	-	-	-	1,552,058
Health	6,900	-	-	-	-	-	197,101	204,001
Transportation	-	1,380,764	-	-	-	-	97,344	1,478,108
Economic Assistance and Opportunity	46,164	-	-	-	-	-	-	46,164
Culture and Recreation	393,640	-	-	-	-	-	-	393,640
Home and Community Service	93,183	-	141,388	908,270	136,103	970,848	76,973	2,326,765
Employee Benefits	1,402,990	566,639	816	7,713	-	354,236	-	2,332,394
Debt Service	105,356	329,754	5,763	592,604	-	67,824	11,351	1,112,652
TOTAL EXPENDITURES	5,181,821	2,277,157	147,967	1,508,587	316,813	1,392,908	382,769	11,208,022
OTHER FINANCING SOURCES (USES)								
Operating Transfers In	-	100,000	-	485,228	344,076	-	-	929,304
Operating Transfers Out	(100,000)	(291,787)	-	-	(537,517)	-	-	(929,304)
TOTAL FINANCING SOURCES (USES)	(100,000)	(191,787)	-	485,228	(193,441)	-	-	-
Net Change in Fund Balances	126,399	13,042	4,110	(9,520)	69,473	5,099	8,855	217,458
Fund Balances-Beginning	1,082,975	368,872	(39,201)	389,154	(867,077)	136,104	134,130	1,204,957
Fund Balances-Ending	\$ 1,209,374	\$ 381,914	\$ (35,091)	\$ 379,634	\$ (797,604)	\$ 141,203	\$ 142,985	\$ 1,422,415

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 AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2016

	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	\$ 6,889,756	\$ -	\$ -	\$ -	\$ -	\$ 6,889,756
Real Property Tax Items	400,019	-	-	-	-	400,019
Non Property Tax Items	1,594,265	-	-	-	-	1,594,265
Departmental Income	916,393	-	-	-	-	916,393
Intergovernmental Charges	59,422	-	-	-	-	59,422
Use of Money and Property	60,844	-	-	-	-	60,844
Licenses and Permits	24,238	-	-	-	-	24,238
Fines and Forfeitures	261,748	-	-	-	-	261,748
Sale of Property and Compensation for Loss	19,609	-	-	-	-	19,609
Miscellaneous	18,251	-	-	-	-	18,251
State and Federal Aid	1,180,935	-	-	-	-	1,180,935
TOTAL REVENUES	11,425,480	-	-	-	-	11,425,480
EXPENDITURES						
General Government Support	1,762,240	(38)	138,510	-	282,306	2,183,017
Public Safety	1,552,058	(60)	213,739	-	1,084,009	2,849,745
Health	204,001	-	1,350	-	7,129	212,479
Transportation	1,478,108	(29)	103,097	-	484,543	2,065,719
Economic Assistance and Opportunity	46,164	(1)	4,873	-	25,742	76,778
Culture and Recreation	393,640	(8)	26,868	-	141,927	562,427
Home and Community Service	2,326,765	(29)	101,339	-	350,704	2,778,780
Employee Benefits	2,332,394	782,974	-	-	(3,115,368)	-
Capital Outlay	-	-	(739,009)	-	739,009	-
Debt Service	1,112,652	(27,991)	-	(941,228)	-	143,433
TOTAL EXPENDITURES	11,208,022	754,818	(149,233)	(941,228)	-	10,872,379
Excess (Deficiency) of Revenues Over Expenditures	217,458	(754,818)	149,233	941,228	-	553,101
OTHER SOURCES (USES):						
Operating Transfers In	929,304	-	-	-	(929,304)	-
Operating Transfers Out	(929,304)	-	-	-	929,304	-
TOTAL OTHER SOURCES (USES)	-	-	-	-	-	-
NET CHANGE FOR THE YEAR	\$ 217,458	\$ (754,818)	\$ 149,233	\$ 941,228	\$ -	\$ 553,101

See notes to financial statements.

TOWN OF CORNWALL
CORNWALL, NEW YORK
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2016

	<u>AGENCY FUNDS</u>
ASSETS	
Cash	\$ 247,259
TOTAL ASSETS	<u>\$ 247,259</u>
LIABILITIES	
Escrow Deposits	\$ 175,569
Other Agency Liabilities	<u>71,690</u>
TOTAL LIABILITIES	<u>\$ 247,259</u>

See notes to financial statements.

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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, 2016

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, 2016

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, 2016

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

B. Basis of Presentation (Continued)

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

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

The Town reports the following fiduciary funds:

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

C. Measurement Focus and Basis of Accounting

The Government-Wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the Town gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

Material revenues that are accrued include real property taxes, state and federal aid, sales tax and certain user charges. If expenditures are the prime factor for determining eligibility, revenues from federal and state grants are accrued when the expenditure is made.

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

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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, 2016

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, 2016

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, 2016

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 one item that qualifies for reporting in this category. This is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the Town's proportion of the collective net pension asset or liability and difference during the measurement period between the Town's contributions and its proportion share of total contributions to the pension systems not included in pension expense. Lastly is the Town contributions to the pension systems (PFRS and ERS Systems) subsequent to the measurement date.

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

O. Post Employment Benefits

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

P. Long-Term Obligations

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

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

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

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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

Q. Equity Classification

1. Government-wide Statements

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

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

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

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

2. Funds Statements

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

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

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

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

Assigned: Includes amounts that are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. Assigned fund balance includes (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the General Fund that are intended to be used for a specific purpose. Assigned fund balance in the General, Sanitation, Sewer, and Non-Major Funds also includes \$370,000, \$20,000, \$100,000, and \$6,000 respectively assigned to be used to reduce the tax levy for the year ending December 31, 2017. This assignment is made when the tax levy is set by the Board of Trustees pursuant to the Town's annual budget policy.

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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

Q. Equity Classification (Continued)

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

R. Restricted Resources

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

S. New Accounting Standards

The Town has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At December 31, 2016, the Town implemented the following new standards issued by GASB:

- GASB Statement 72, *Fair Value Measurement and Application* effective for the year ending December 31, 2016.
- GASB Statement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, effective for the year ending December 31, 2016.
- GASB Statement 77, *Tax Abatement Disclosures*, effective for the year ending December 31, 2016

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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

S. New Accounting Standards (Continued)

GASB has issued Statement 72, *Fair Value Measurement and Application*, which addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. The Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The Town has implemented Statement 72 as required.

GASB has issued Statement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which improves financial reporting by (1) raising the category of GASB Implementation Guides in the GAAP hierarchy, thus providing the opportunity for broader public input on implementation guidance; (2) emphasizing the importance of analogies to authoritative literature when the accounting treatment for an event is not specified in authoritative GAAP; and (3) requiring the consideration of consistency with the GASB Concepts Statements when evaluating accounting treatments specified in nonauthoritative literature. The Town has implemented Statement 76 as required.

GASB has issued Statement 77, *Tax Abatement Disclosures*, which improves financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. The Town has implemented Statement 77 as required.

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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, 2016

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	\$ 15,355,043
Accumulated Depreciation	(7,843,753)
Capital Assets, Net	\$ 7,511,290

(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, 2016	\$ 18,657
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(3) Long-term liabilities are reported in the Statement of Net Position, but not in the governmental funds, because they are not due and payable in the current period. Balances at year-end were:

Bonds and Notes Payable	\$ 2,753,772
Other Postemployment Benefits	5,994,851
Compensated Absences	80,936
	\$ 8,829,559

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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, 2016 were as follows:

Deferred Outflows of Resources -- Pensions	\$ 2,109,821
Net Pension Liability, Proportionate Share (ERS & PFRS)	(2,301,437)
Deferred Inflows of Resources -- Pensions	<u>(406,461)</u>
	<u>\$ (598,077)</u>

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

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

- Long-term revenue differences arise because Governmental Funds report revenues only when they are considered "available", whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because Governmental Funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the Statement of Activities.

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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

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

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

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

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

Total Revenues and Other Funding Sources:	
Total Revenues of Governmental Funds	\$ 11,425,480
Differences	<u>0</u>
Total Revenues of Governmental Activities	<u>\$ 11,425,480</u>

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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 \$ 11,208,022

In the Statement of Activities, certain operating expenses (compensated absences) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The liability for compensated absences decreased by \$165 during the year. Other postemployment benefits earned exceeded the amount paid by \$527,653. 527,488

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 \$739,009. was more than depreciation of \$589,776. in the current year. (149,233)

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 less than the interest payable last year. (27,991)

(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 \$121,327 and ERS of \$133,994) 255,321

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. (941,228)

Total Expenses of Governmental Activities \$ 10,872,379

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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, 2016, per the bank, are categorized as follows:

	1	2	3
Governmental & Agency Funds	\$ 2,448,640	\$ 0	\$ 0

NOTE 4. INTERFUND ACTIVITY.

The interfund receivables and payables at December 31, 2016 were as follows:

	Receivables	Payables
General Fund	\$ 100,273	\$ 6,505
Water Fund	-	53,459
Sewer Fund	30,000	116,175
Capital Projects Fund	78,139	24,273
Non-Major Funds	-	8,000
	\$ 208,412	\$ 208,412

The interfund transfers in and transfers out at December 31, 2016 were as follows:

	Transfers In	Transfers Out
General Fund	\$ -	\$ 100,000
Highway Fund	100,000	291,787
Sewer Fund	485,228	-
Capital Projects Fund	344,076	537,517
	\$ 929,304	\$ 929,304

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 5. CAPITAL ASSETS.

Capital asset balances and activity for the year ended December 31, 2016, were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals and Reclassifications</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>				
Capital Assets that are not Depreciated:				
Land	\$ 324,775	\$ -	\$ -	\$ 324,775
Total Not Depreciated	<u>324,775</u>	<u>-</u>	<u>-</u>	<u>324,775</u>
Capital Assets that are Depreciated:				
Buildings	2,439,727	325,478	-	2,765,205
Machinery and Equipment	1,508,296	23,072	-	1,531,368
Infrastructure	6,333,285	289,817	-	6,623,102
Vehicles	4,061,355	100,642	51,404	4,110,593
Total Depreciated	<u>14,342,663</u>	<u>739,009</u>	<u>51,404</u>	<u>15,030,268</u>
Less Accumulated Depreciation:				
Buildings	906,944	83,992	-	990,936
Machinery and Equipment	1,111,840	71,527	-	1,183,367
Infrastructure	1,783,150	260,407	-	2,043,557
Vehicles	3,503,447	173,850	51,404	3,625,893
Total Accumulated Depreciation	<u>7,305,381</u>	<u>589,776</u>	<u>51,404</u>	<u>7,843,753</u>
Total Historical Cost, Net	<u>\$ 7,362,057</u>	<u>\$ 149,233</u>	<u>\$ -</u>	<u>\$ 7,511,290</u>

Depreciation was charged to governmental functions as follows:

General government support	\$ 138,510
Public safety	213,739
Transportation	103,097
Economic Assistance and Opportunity	4,873
Culture and Recreation	26,868
Health	1,350
Home and Community Services	<u>101,339</u>

Total Depreciation Expense \$ 589,776

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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, 2016, there were two Bond Anticipation Notes (BAN) outstanding for \$925,853.

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

Interest paid	\$ 77,471
Less: Interest accrued - prior year	(28,892)
Plus: Interest accrued - current year	<u>4,223</u>
Total Short-Term Interest	<u>\$ 52,802</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	\$ 93,953
Less: Interest accrued - prior year	(17,756)
Plus: Interest accrued - current year	<u>14,433</u>
Total Long-Term Interest	<u>\$ 90,630</u>

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 6. LIABILITIES. (Continued)

B. Long-Term Debt (Continued)

Long-term liability activity for the year ended December 31, 2016, was as follows:

	<u>Balance</u> <u>01/01/16</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/16</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities					
Bonds and Notes Payable:					
General Obligation					
Debt	\$ 3,695,000	\$ 0	\$ 941,228	\$ 2,753,772	\$ 893,772
Other Liabilities					
Other Postemployment					
Benefits	5,467,198	754,692	227,039	5,994,851	0
Vested Compensated					
Absences	<u>81,101</u>	<u>0</u>	<u>165</u>	<u>80,936</u>	<u>0</u>
Total Governmental					
Activities Long-Term					
Liabilities	<u>\$ 9,243,299</u>	<u>\$ 754,692</u>	<u>\$ 1,168,432</u>	<u>\$ 8,829,559</u>	<u>\$ 893,772</u>

Vested compensation absences – Represents the value earned and unused portion of the liability for compensated absences.

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

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 893,772	\$ 78,350	\$ 972,122
2018	295,000	62,266	357,266
2019	305,000	51,969	356,969
2020	320,000	40,916	360,916
2021	330,000	29,034	359,034
2022-2024	<u>610,000</u>	<u>26,432</u>	<u>636,432</u>
Total	<u>\$2,753,772</u>	<u>\$ 288,967</u>	<u>\$3,042,739</u>

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 6. LIABILITIES. (Continued)

C. Postemployment Benefits

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

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

The Town recognizes the cost of providing health insurance annually as expenditures in the General Fund of the funds financial statements as payments are made. For the year ended December 31, 2016, the Town recognized \$227,039 for its share of insurance premiums for currently enrolled retirees.

The Town has obtained an actuarially prepared valuation report as of December 31, 2016 which indicates that the total liability for other post-employment benefits is \$7,654,661.

Plan Description:

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

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

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

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

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 6. LIABILITIES. (Continued)

C. Postemployment Benefits (continued)

Retiree Eligibility & Contribution Requirements:

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

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

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

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

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

Annual required contribution	\$889,842
Interest on net OPEB obligation	218,688
Adjustment to annual required contribution	<u>(353,838)</u>
Annual OPEB cost (expense)	754,692
Contributions made	<u>(227,039)</u>
Increase in net OPEB obligation	527,653
Net OPEB obligation - beginning of year	<u>5,467,198</u>
Net OPEB obligation - end of year	<u><u>\$ 5,994,851</u></u>

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 6. LIABILITIES. (Continued)

C. Postemployment Benefits (continued)

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended December 31, 2016 and the two preceding years were as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2016	\$ 754,692	30.08%	\$ 527,653
12/31/2015	\$ 719,903	31.85%	\$ 490,639
12/31/2014	\$ 1,279,146	14.47%	\$ 1,094,021

Funded Status and Funding Progress: As of December 31, 2016, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$7,654,661, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$7,654,661. The covered payroll (annual payroll of active employees covered by the plan) was \$3,643,453., and the ratio of the UAAL to the covered payroll was 210%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

The following assumptions were made:

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

Discount Rate: 4% compounded annually.

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 6. LIABILITIES. (Continued)

C. Postemployment Benefits (continued)

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

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

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

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

Amortization Period: 30 years. The remaining amortization period at December 31, 2016 is 22 years.

NOTE 7. PENSION PLANS.

Plan Description

The Town of Cornwall participates in the New York State and Local Employees' Retirement System (ERS) and the New York State and Local Police and Fire Retirement System (PFRS). These are cost-sharing multiple-employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, Gov. Alfred E. Smith State Office Building, Albany, New York 12244.

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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>
2016	\$ 367,979	\$ 182,962
2015	217,047	266,070
2014	291,342	217,033

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, 2016, 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, 2016 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	3/31/2016	3/31/2016
Net Pension Asset/(Liability)	\$ (1,428,724)	\$ (872,713)
Town's Portion of the Plan's Total Net Pension Asset/(Liability)	0.0089016%	0.0294757%

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 7. PENSION PLANS. (Continued)

For the year ended December 31, 2016, the Town's recognized pension expense of \$501,975 for ERS and the actuarial value \$304,288 for PFRS. At December 31, 2016 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	\$ 7,220	\$ 7,827	\$ 15,047
Changes of Assumptions	380,998	376,224	757,222
Net difference between projected and actual earnings on pension plan investments	847,598	489,085	1,336,683
Changes in proportion and difference between the Town's contributions and proportionate share of contributions	869	-	869
Town's contributions subsequent to the measurement date	-	-	-
Total	<u>\$ 1,236,685</u>	<u>\$ 873,136</u>	<u>\$ 2,109,821</u>

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 7. PENSION PLANS. (Continued)

	Deferred Inflows or Resources		
	<u>ERS</u>	<u>PFRS</u>	<u>Total</u>
Differences between expected and actual experience	\$ 169,351	\$ 131,944	\$ 301,295
Changes of Assumptions	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	-	-
Changes in proportion and difference between the District's contributions and proportionate share of contributions	29,752	75,414	105,166
District's contributions subsequent to the measurement date	-	-	-
Total	<u>\$ 199,103</u>	<u>\$ 207,358</u>	<u>\$ 406,461</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, 2016. 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>
2017	\$ 262,050	\$ 158,044
2018	262,050	158,044
2019	262,050	158,044
2020	251,430	151,235
2021	-	40,411

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 7. PENSION PLANS. (Continued)

Actuarial Assumptions

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

Significant actuarial assumptions used in the valuations were as follows:

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

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

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

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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, 2016	
	Target Allocation	Long-term expected real rate of return
<u>Asset Class:</u>		
Domestic Equity	38%	7.30%
International Equity	13%	8.55%
Private Equity	10%	11.00%
Real Estate	8%	8.25%
Absolute Return Strategies	3%	6.75%
Opportunistic Portfolio	3%	8.60%
Real Assets	3%	8.65%
Bonds and Mortgages	18%	4.00%
Cash	2%	2.25%
Inflation-indexed bonds	2%	4.00%
Total	100%	

Discount Rate

The discount rate used to calculate the total pension liability was 7% for ERS and PFRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 7. PENSION PLANS. (Continued)

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

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

ERS	1% Decrease 6.00%	Current Assumption 7.00%	1% Increase 8.00%
Employer's Proportionate Share of the Net Pension Asset/(Liability)	\$ (3,221,670)	\$ (1,428,724)	\$ 86,238
PFRS	1% Decrease 6.00%	Current Assumption 7.00%	1% Increase 8.00%
Employer's Proportionate Share of the Net Pension Asset/(Liability)	(1,949,296)	(872,713)	29,697

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, 2016	March 31, 2016
Employers' total pension asset/(liability)	\$ (172,303,544)	\$ (30,347,727)
Plan net position	156,253,265	27,386,940
Employer's net pension asset/(liability)	<u>\$ (16,050,279)</u>	<u>\$ (2,960,787)</u>
Ratio of plan net position to the employers' total pension asset/(liability)	90.70%	90.20%

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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, 2016 represent the projected employer contributions for the period of April 1, 2016 through December 31, 2016 based on paid ERS wages multiplied by the employer's contribution rate, by tier.

NOTE 8. DEFICIT FUND BALANCES.

The Water Fund had a deficit fund balance of \$35,091 at December 31, 2016. This deficit will be eliminated by increasing water rates and controlling expenditures. The Capital fund also had a deficit fund balance of \$797,604 at December 31, 2016. 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, 2016

NOTE 11. TOTAL NET POSITION

Included in total net position of (\$512,588) is \$551,000 that has been appropriated by the Town for 2017 expenditures.

NOTE 12. SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 2, 2017, 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, 2016

	<u>ORIGINAL BUDGET</u>	<u>ADJUSTED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES				
Real Property Taxes	\$ 2,104,391	\$ 2,104,391	\$ 2,104,391	\$ -
Real Property Tax Items	16,000	16,000	19,219	3,219
Non-Property Tax Items	90,000	90,000	109,353	19,353
Departmental Income	35,000	35,000	111,788	76,788
Use of Money and Property	53,764	53,764	57,981	4,217
Licenses and Permits	12,800	13,800	17,838	4,038
Fines and Forfeitures	225,000	225,000	261,748	36,748
Sale of Property and Compensation for Loss	-	-	450	450
Miscellaneous	-	10,437	12,308	1,871
State Aid	295,000	295,000	384,195	89,195
Federal Aid	75,000	75,000	33,440	(41,560)
TOTAL REVENUES	<u>2,906,955</u>	<u>2,918,392</u>	<u>\$ 3,112,711</u>	<u>\$ 194,319</u>
OTHER SOURCES				
Appropriated Fund Balance	<u>120,000</u>	<u>155,878</u>		
TOTAL REVENUES AND OTHER SOURCES	<u>\$ 3,026,955</u>	<u>\$ 3,074,270</u>		
EXPENDITURES				
General Government Support	\$ 1,806,963	\$ 1,742,276	\$ 1,581,530	\$ 160,746
Public Safety	165,000	167,868	158,793	9,075
Health	1,500	6,900	6,900	-
Economic Assistance and Opportunity	44,437	47,652	46,164	1,488
Culture and Recreation	262,700	346,254	344,101	2,153
Employee Benefits	630,500	647,465	647,047	418
Debt Service	115,855	115,855	105,356	10,499
TOTAL EXPENDITURES	<u>\$ 3,026,955</u>	<u>\$ 3,074,270</u>	<u>\$ 2,889,891</u>	<u>\$ 184,379</u>

See accompanying notes to financial statements.

TOWN OF CORNWALL
CORNWALL, NEW YORK
SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET-
GENERAL FUND B
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>ORIGINAL BUDGET</u>	<u>ADJUSTED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES				
Real Property Taxes	\$ 1,270,512	\$ 1,270,512	\$ 1,270,512	\$ -
Non-Property Tax Items	700,000	700,000	742,456	42,456
Departmental Income	116,600	137,683	190,567	52,884
Use of Money and Property	500	500	509	9
Sale of Property and Compensation for Loss	-	-	5,966	5,966
Miscellaneous	-	-	1,724	1,724
State Aid	73,000	73,000	83,775	10,775
TOTAL REVENUES	<u>2,160,612</u>	<u>2,181,695</u>	<u>\$ 2,295,509</u>	<u>\$ 113,814</u>
OTHER SOURCES				
Appropriated Fund Balance	100,000	200,000		
TOTAL REVENUES AND OTHER SOURCES	<u>\$ 2,260,612</u>	<u>\$ 2,381,695</u>		
EXPENDITURES				
Public Safety	\$ 1,353,845	\$ 1,353,807	\$ 1,393,265	\$ (39,458)
Culture and Recreation	61,250	61,250	49,539	11,711
Home and Community Services	74,917	96,000	93,183	2,817
Employee Benefits	770,600	770,638	755,943	14,695
TOTAL EXPENDITURES	<u>2,260,612</u>	<u>2,281,695</u>	<u>2,291,930</u>	<u>(10,235)</u>
OTHER USES				
Operating Transfers Out	-	100,000	100,000	-
TOTAL EXPENDITURES AND OTHER USES	<u>\$ 2,260,612</u>	<u>\$ 2,381,695</u>	<u>\$ 2,391,930</u>	<u>\$ (10,235)</u>

See accompanying notes to financial statements.

TOWN OF CORNWALL
CORNWALL, NEW YORK
SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET-
HIGHWAY FUND-TOWN WIDE
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>ORIGINAL BUDGET</u>	<u>ADJUSTED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES				
Real Property Taxes	\$ 222,050	\$ 222,050	\$ 222,050	\$ -
Sale of Property and Compensation for Loss	-	-	9,067	9,067
TOTAL REVENUES	<u>222,050</u>	<u>222,050</u>	<u>\$ 231,117</u>	<u>\$ 9,067</u>
OTHER SOURCES				
Appropriated Fund Balance	-	20,000		
TOTAL REVENUES AND OTHER SOURCES	<u>\$ 222,050</u>	<u>\$ 242,050</u>		
EXPENDITURES				
Transportation	\$ 120,000	\$ 140,000	\$ 126,721	\$ 13,279
Debt Service	102,050	102,050	102,025	25
TOTAL EXPENDITURES	<u>\$ 222,050</u>	<u>\$ 242,050</u>	<u>\$ 228,746</u>	<u>\$ 13,304</u>

See accompanying notes to financial statements.

TOWN OF CORNWALL
CORNWALL, NEW YORK
SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET-
HIGHWAY FUND-PART TOWN
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>ORIGINAL BUDGET</u>	<u>ADJUSTED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES				
Real Property Taxes	\$ 1,344,312	\$ 1,344,312	\$ 1,344,312	\$ -
Non Property Tax Items	700,000	700,000	742,456	42,456
Intergovernmental	58,000	58,000	59,422	1,422
Use of Money and Property	-	-	419	419
Sale of Property and Compensation for Loss	-	-	269	269
State and Federal Aid	84,729	103,991	103,991	-
TOTAL REVENUES	<u>2,187,041</u>	<u>2,206,303</u>	<u>2,250,869</u>	<u>44,566</u>
OTHER SOURCES				
Appropriated Fund Balance	-	291,787	-	
Operating Transfers In	-	-	100,000	
TOTAL REVENUES AND OTHER SOURCES	<u>\$ 2,187,041</u>	<u>\$ 2,498,090</u>	<u>\$ 2,350,869</u>	
EXPENDITURES				
Transportation	\$ 1,388,009	\$ 1,407,271	\$ 1,254,043	\$ 153,228
Employee Benefits	571,300	571,300	566,639	4,661
Debt Service	227,732	227,732	227,729	3
TOTAL EXPENDITURES	<u>2,187,041</u>	<u>2,206,303</u>	<u>2,048,411</u>	<u>157,892</u>
OTHER USES				
Operating Transfers Out	-	291,787	291,787	-
TOTAL EXPENDITURES AND OTHER USES	<u>\$ 2,187,041</u>	<u>\$ 2,498,090</u>	<u>\$ 2,340,198</u>	<u>\$ 157,892</u>

See accompanying notes to financial statements.

TOWN OF CORNWALL
CORNWALL, NEW YORK
SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET -
WATER FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>ORIGINAL BUDGET</u>	<u>ADJUSTED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES				
Real Property Taxes	\$ 38,443	\$ 38,443	\$ 38,443	\$ -
Departmental Income	100,000	100,000	113,619	13,619
Use of Money and Property	-	-	15	15
TOTAL REVENUES	<u>\$ 138,443</u>	<u>\$ 138,443</u>	<u>\$ 152,077</u>	<u>\$ 13,634</u>
EXPENDITURES				
Home and Community Services	\$ 132,215	\$ 131,861	\$ 141,388	\$ (9,527)
Employee Benefits	463	817	816	1
Debt Service	5,765	5,765	5,763	2
TOTAL EXPENDITURES	<u>\$ 138,443</u>	<u>\$ 138,443</u>	<u>\$ 147,967</u>	<u>\$ (9,524)</u>

See accompanying notes to financial statements.

TOWN OF CORNWALL
CORNWALL, NEW YORK
SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET-
SEWER FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>ORIGINAL BUDGET</u>	<u>ADJUSTED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES				
Real Property Taxes	\$ 322,990	\$ 322,990	322,990	\$ -
Real Property Tax Items	380,800	380,800	380,800	-
Departmental Income	303,000	303,000	303,317	317
Use of Money and Property	-	-	332	332
Licenses and Permits	-	-	6,400	6,400
TOTAL REVENUES	<u>1,006,790</u>	<u>1,006,790</u>	<u>1,013,839</u>	<u>7,049</u>
OTHER SOURCES				
Operating Transfers In	-	485,228	485,228	-
TOTAL REVENUES AND OTHER SOURCES	<u>\$ 1,006,790</u>	<u>\$ 1,492,018</u>	<u>\$ 1,499,067</u>	<u>\$ 7,049</u>
EXPENDITURES				
Home and Community Services	\$ 851,580	\$ 851,580	\$ 908,270	\$ (56,690)
Employee Benefits	7,800	7,800	7,713	87
Debt Service	147,410	632,638	592,604	40,034
TOTAL EXPENDITURES	<u>\$ 1,006,790</u>	<u>\$ 1,492,018</u>	<u>\$ 1,508,587</u>	<u>\$ (16,569)</u>

See accompanying notes to financial statements.

TOWN OF CORNWALL
CORNWALL, NEW YORK
SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET-
SANITATION FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>ORIGINAL BUDGET</u>	<u>ADJUSTED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES				
Real Property Taxes	\$ 1,392,705	\$ 1,392,705	1,392,705	\$ -
Use of Money and Property	400	400	371	(29)
Sale of Property and Compensation for Loss	-	-	3,857	3,857
Miscellaneous	-	-	1,074	1,074
TOTAL REVENUES	<u>1,393,105</u>	<u>1,393,105</u>	<u>\$ 1,398,007</u>	<u>\$ 4,902</u>
OTHER SOURCES				
Appropriated Fund Balance	<u>50,000</u>	<u>125,000</u>		
TOTAL REVENUES AND OTHER SOURCES	<u>\$ 1,443,105</u>	<u>\$ 1,518,105</u>		
EXPENDITURES				
Home and Community Services	\$ 1,081,481	\$ 1,092,648	\$ 970,848	121,800
Employee Benefits	293,800	357,633	354,236	3,397
Debt Service	<u>67,824</u>	<u>67,824</u>	<u>67,824</u>	<u>-</u>
TOTAL EXPENDITURES	<u>\$ 1,443,105</u>	<u>\$ 1,518,105</u>	<u>\$ 1,392,908</u>	<u>\$ 125,197</u>

See accompanying notes to financial statements

TOWN OF CORNWALL
CORNWALL, NEW YORK
SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2016

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

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

TOWN OF CORNWALL
CORNWALL, NEW YORK
SCHEDULE OF THE TOWN'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED DECEMBER 31, 2016

NYSERS Pension Plan
 Last 10 Fiscal Years*

	<u>3/31/2016</u>	<u>3/31/2015</u>	<u>3/31/2014</u>
Town's proportion of the net pension asset/(liability)	0.0089016%	0.0088611%	0.0088611%
Town's proportionate share of the net pension asset/(liability)	(1,428,724)	(299,348)	(400,419)
Town's covered-employee payroll	2,392,800	2,345,882	2,261,428
Town's proportionate share of the net pension asset/(liability) as a percentage of its covered-employee payroll	-59.71%	-12.76%	-17.71%
Plan fiduciary net position as a percentage of the total pension liability	90.70%	97.90%	97.15%

NYSPFRS Pension Plan
 Last 10 Fiscal Years*

	<u>3/31/2016</u>	<u>3/31/2015</u>	<u>3/31/2014</u>
Town's proportion of the net pension asset/(liability)	0.0294757%	0.0294855%	0.0294855%
Town's proportionate share of the net pension asset/(liability)	(872,713)	(81,162)	(122,751)
Town's covered-employee payroll	1,195,574	1,172,131	1,208,558
Town's proportionate share of the net pension asset/(liability) as a percentage of its covered-employee payroll	-73.00%	-6.92%	-10.16%
Plan fiduciary net position as a percentage of the total pension liability	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, 2016

NYSERS Pension Plan
 Last 10 Fiscal Years*

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

NYSPFRS Pension Plan
 Last 10 Fiscal Years*

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

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

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

TOWN OF CORNWALL
CORNWALL, NEW YORK
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
DECEMBER 31, 2016

	<u>DRAINAGE</u>	<u>LIGHTING</u>	<u>HYDRANT</u>	<u>AMBULANCE</u>	<u>MAIN STREET PARKING</u>	<u>TOTAL NON-MAJOR GOVERNMENTAL FUNDS</u>
ASSETS						
Cash and Cash Equivalents	\$ 13,603	\$ 20,114	\$ 16,595	\$ 200,473	\$ 1,473	\$ 252,258
Accounts Receivable, Net	-	-	-	72,447	-	72,447
TOTAL ASSETS	<u>\$ 13,603</u>	<u>\$ 20,114</u>	<u>\$ 16,595</u>	<u>\$ 272,920</u>	<u>\$ 1,473</u>	<u>\$ 324,705</u>
LIABILITIES						
Accounts Payable	\$ -	\$ 8,129	\$ -	\$ 165,591	\$ -	\$ 173,720
Due to Other Funds	-	8,000	-	-	-	8,000
TOTAL LIABILITIES	<u>-</u>	<u>16,129</u>	<u>-</u>	<u>165,591</u>	<u>-</u>	<u>181,720</u>
FUND BALANCES						
Assigned	13,603	3,985	16,595	107,329	1,473	142,985
TOTAL FUND BALANCES	<u>13,603</u>	<u>3,985</u>	<u>16,595</u>	<u>107,329</u>	<u>1,473</u>	<u>142,985</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 13,603</u>	<u>\$ 20,114</u>	<u>\$ 16,595</u>	<u>\$ 272,920</u>	<u>\$ 1,473</u>	<u>\$ 324,705</u>

See accompanying notes to financial statements.

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, 2016

	<u>DRAINAGE</u>	<u>LIGHTING</u>	<u>HYDRANT</u>	<u>AMBULANCE</u>	<u>MAIN STREET PARKING</u>	<u>TOTAL NON-MAJOR GOVERNMENTAL FUNDS</u>
REVENUES						
Real Property Taxes	\$ -	\$ 104,000	\$ 79,000	\$ 11,353	\$ -	\$ 194,353
Use of Money and Property	7	31	38	92	1	169
Departmental Income	-	-	-	197,102	-	197,102
TOTAL REVENUES	<u>7</u>	<u>104,031</u>	<u>79,038</u>	<u>208,547</u>	<u>1</u>	<u>391,624</u>
EXPENDITURES						
Transportation	-	96,925	-	-	419	97,344
Home and Community Service	-	-	76,973	-	-	76,973
Health	-	-	-	197,101	-	197,101
Debt Service	-	-	-	11,351	-	11,351
TOTAL EXPENDITURES	<u>-</u>	<u>96,925</u>	<u>76,973</u>	<u>208,452</u>	<u>419</u>	<u>382,769</u>
Net Change in Fund Balances	7	7,106	2,065	95	(418)	8,855
Fund Balances-Beginning	<u>13,596</u>	<u>(3,121)</u>	<u>14,530</u>	<u>107,234</u>	<u>1,891</u>	<u>134,130</u>
Fund Balances-Ending	<u>\$ 13,603</u>	<u>\$ 3,985</u>	<u>\$ 16,595</u>	<u>\$ 107,329</u>	<u>\$ 1,473</u>	<u>\$ 142,985</u>

See accompanying notes to financial statements.

TOWN OF CORNWALL
CORNWALL, NEW YORK
COMBINED GENERAL FUNDS
BALANCE SHEETS
DECEMBER 31, 2016

	<u>GENERAL FUND (A)</u>	<u>GENERAL FUND (B)</u>	<u>TOTAL OF GENERAL FUNDS</u>
ASSETS			
Cash and Cash Equivalents	\$ 561,888	\$ 307,966	\$ 869,854
Accounts Receivable	55,068	255,549	310,617
Due from Other Funds	100,273	-	100,273
TOTAL ASSETS	<u>\$ 717,229</u>	<u>\$ 563,515</u>	<u>\$ 1,280,744</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts Payable	\$ 32,520	\$ 22,775	\$ 55,295
Accrued Liabilities	2,869	6,701	9,570
TOTAL LIABILITIES	<u>41,894</u>	<u>29,476</u>	<u>71,370</u>
FUND BALANCE			
Assigned	150,000	534,039	684,039
Unassigned	525,335	-	525,335
TOTAL FUND BALANCE	<u>675,335</u>	<u>534,039</u>	<u>1,209,374</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 717,229</u>	<u>\$ 563,515</u>	<u>\$ 1,280,744</u>

TOWN OF CORNWALL
CORNWALL, NEW YORK
GENERAL FUND
STATEMENT OF CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2016

FUND BALANCE - January 1, 2016	\$ 452,515	\$ 630,460	\$ 1,082,975
ADD: Revenues and Other Sources	3,112,711	2,295,509	5,408,220
	<u>3,565,226</u>	<u>2,925,969</u>	<u>6,491,195</u>
LESS: Expenditures and Other Uses	2,889,891	2,391,930	5,281,821
FUND BALANCE - December 31, 2016	<u>\$ 675,335</u>	<u>\$ 534,039</u>	<u>\$ 1,209,374</u>

See accompanying notes to financial statements.

TOWN OF CORNWALL
CORNWALL, NEW YORK
SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET-
COMBINED GENERAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>ORIGINAL</u> <u>BUDGET</u>	<u>ADJUSTED</u> <u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u> <u>FAVORABLE</u> <u>(UNFAVORABLE)</u>
REVENUES				
Real Property Taxes	\$ 3,374,903	\$ 3,374,903	\$ 3,374,903	\$ -
Real Property Tax Items	16,000	16,000	19,219	3,219
Non Property Tax Items	790,000	790,000	851,809	61,809
Departmental Income	151,600	172,683	302,355	129,672
Use of Money and Property	54,264	54,264	58,490	4,226
Licences and Permits	12,800	13,800	17,838	4,038
Fines and Forfeitures	225,000	225,000	261,748	36,748
Sale of Property and Compensation for Loss	-	-	6,416	6,416
Miscellaneous	-	10,437	14,032	3,595
State and Federal Aid	443,000	443,000	501,410	58,410
TOTAL REVENUES	<u>5,067,567</u>	<u>5,100,087</u>	<u>\$ 5,408,220</u>	<u>\$ 308,133</u>
OTHER SOURCES				
Appropriated Fund Balance	<u>220,000</u>	<u>355,878</u>		
TOTAL	<u>\$ 5,287,567</u>	<u>\$ 5,455,965</u>		
EXPENDITURES				
General Government Support	\$ 1,806,963	\$ 1,742,276	\$ 1,581,530	\$ 160,746
Public Safety	1,518,845	1,521,675	1,552,058	(30,383)
Health	1,500	6,900	6,900	-
Economic Assistance and Opportunity	44,437	47,652	46,164	1,488
Culture and Recreation	323,950	407,504	393,640	13,864
Home and Community Service	74,917	96,000	93,183	2,817
Employee Benefits	1,401,100	1,418,103	1,402,990	15,113
Debt Service	115,855	115,855	105,356	10,499
TOTAL EXPENDITURES	<u>5,287,567</u>	<u>5,355,965</u>	<u>5,181,821</u>	<u>174,144</u>
OTHER USES				
Other Budgetary Purposes	<u>-</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
TOTAL	<u>\$ 5,287,567</u>	<u>\$ 5,455,965</u>	<u>\$ 5,281,821</u>	<u>\$ 174,144</u>

See accompanying notes to financial statements.

TOWN OF CORNWALL
CORNWALL, NEW YORK
NET INVESTMENT IN CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016

Capital Assets, Net		\$ 7,511,290
Deduct:		
Bond Anticipation Notes	\$ 925,853	
Short-Term Portion of Bonds Payable	893,772	
Long-Term Portion of Bonds Payable	<u>1,860,000</u>	
		<u>3,679,625</u>
Net Investment in Capital Assets		<u><u>\$ 3,831,665</u></u>

See accompanying notes to financial statements

**TOWN OF CORNWALL
CORNWALL, NEW YORK
STATEMENT OF INDEBTEDNESS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>DATE OF ORIGINAL ISSUE</u>	<u>MATURITY</u>	<u>INTEREST RATE</u>	<u>OUTSTANDING BEGINNING OF YEAR</u>	<u>ISSUED DURING YEAR</u>	<u>REFINANCED TO BOND</u>	<u>PAID DURING YEAR</u>	<u>OUTSTANDING END OF YEAR</u>	<u>AMOUNT OF INTEREST PAID DURING YEAR</u>	<u>AMOUNT OF INTEREST ACCRUED AT DECEMBER 31, 2016</u>
<u>BOND ANTICIPATION NOTES</u>										
Sewer District Improvements	12/1/2011	7/28/2017	1.11%	\$ 1,004,000	\$ -	\$ -	\$ 353,147	\$ 650,853	\$ 12,153	\$ 2,969
Sewer District Improvements	7/30/2015	7/28/2017	1.11%	3,275,000	-	-	3,000,000	275,000	65,318	1,254
TOTAL BOND ANTICIPATION NOTES				4,279,000	-	-	3,353,147	925,853	77,471	4,223
<u>SERIAL BONDS & NOTES</u>										
2009 Serial Bond	10/1/2009	3/1/2024	3.00%	940,000	-	-	90,000	850,000	28,994	8,384
2003 Serial Bond	12/1/2003	12/1/2017	3.50%	325,000	-	-	160,000	165,000	12,188	1,914
2007 Serial Bond	8/15/2007	5/15/2022	4.38%	855,000	-	-	105,000	750,000	35,284	4,135
2012 EFC Loan	5/25/2012	12/1/2016	0.00%	940,000	-	454,772	485,228	-	-	-
EFC Loan	7/1/2016	7/1/2017	0.00%	-	454,772	-	16,000	438,772	-	-
2013 Public Improvements	10/29/2013	5/15/2023	2.50%	635,000	-	-	85,000	550,000	17,488	1,695
TOTAL SERIAL BONDS AND NOTES				3,695,000	454,772	454,772	941,228	2,753,772	93,953	14,433
TOTAL INDEBTEDNESS				\$ 7,974,000	\$ 454,772	\$ 454,772	\$ 4,294,375	\$ 3,679,625	\$ 171,424	\$ 18,657

See accompanying notes to financial statements.



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Town of Cornwall, as of and for the year ended December 31, 2016 and the related notes to the financial statements, which collectively comprise Town of Cornwall’s basic financial statements and have issued our report thereon dated May 2, 2017.

Internal Control Over Financial Reporting

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

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

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

deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. 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 2016-1 and 2016-2.

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.

Nugent & Haeussler, P.C.

Montgomery, New York
May 2, 2017

TOWN OF CORNWALL
CORNWALL, NEW YORK
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2016

SECTION II - FINANCIAL STATEMENT FINDINGS

SIGNIFICANT DEFICIENCIES:

Finding 2016-1 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 2016-2 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, 2016.

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.