

PRELIMINARY OFFICIAL STATEMENT DATED JULY 9, 2018

RENEWALS

BOND ANTICIPATION NOTES

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Town, under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Notes is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed for taxable years beginning prior to January 1, 2018. In addition, in the opinion of Bond Counsel to the Town, under existing statutes, interest on the Notes is exempt from personal income taxes of New York State and its political subdivisions, including The City of New York. See "Tax Matters" herein.

The Town will designate the Notes as "qualified tax-exempt obligations" pursuant to the provision of Section 265(b)(3) of the Code.

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

\$1,580,000

BOND ANTICIPATION NOTES – 2018 (the "Notes")

Dated Date: July 26, 2018

Maturity Date: July 26, 2019

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

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

Form and Denomination: At the option of the purchaser, the Notes may be either registered to the purchaser or registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC") as book-entry notes. For those Notes registered to the purchaser, a single note certificate shall be delivered to the purchaser(s), for those Notes bearing the same rate of interest in the aggregate principal amount awarded to such purchaser at such interest rate. Those Notes issued in book-entry form will be issued as registered notes, and, when issued, will be registered in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as the Securities Depository for the Notes. A single note certificate will be issued for those Notes bearing the same rate of interest and CUSIP number in the aggregate principal amount awarded to such purchaser at such interest rate. Individual purchases of any Notes issued in book-entry form may be made only in book-entry form in denominations of \$5,000 or integral multiples thereof. Noteholders will not receive certificates representing their respective ownership interests in any Notes issued in book-entry form. (See "Book-Entry System" herein).

Payment: Payment of the principal of and interest on any Notes issued in book-entry form will be made by DTC Participants and Indirect Participants in accordance with standing instructions and customary practices. Payment will be the responsibility of the DTC Participants or Indirect Participants and not of DTC or the Town, subject to any statutory and regulatory requirements as may be in effect from time to time. Principal and interest payments on any book-entry Notes shall be payable at the office of the Town Clerk. See "Book-Entry System" herein. Payment of the principal of and interest on the Notes registered to the Purchaser will be payable in lawful money of the United States of America (Federal Funds) at such bank or trust company located and authorized to do business in the State of New York as may be selected by the successful bidder.

Proposals for the Notes will be received at 11:00 A.M. (Prevailing Time) on July 17, 2018 at the office of Munistat Services, Inc., 12 Roosevelt Avenue, Port Jefferson Station, New York 11776.

The Notes are offered subject to the final approving opinion of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel, and certain other conditions. It is expected that delivery of the Notes will be made on or about July 26, 2018 in New York, New York, or as otherwise agreed to by the Town and the purchaser.

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



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ORANGE COUNTY, NEW YORK**

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* * *

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* * *

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

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OFFICIAL STATEMENT
Relating to
TOWN OF CORNWALL
ORANGE COUNTY, NEW YORK

\$1,580,000 BOND ANTICIPATION NOTES – 2018
(the “Notes”)

This Official Statement, including the cover page and appendices thereto, has been prepared by the Town and presents certain information relating to the Town's \$1,580,000 Bond Anticipation Notes – 2018 (the “Notes”). All quotations from and summaries and explanations of provisions of the Constitution and laws of the State of New York (the “State”) and acts and proceedings of the Town contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof and all references to the Notes and the proceedings of the Town relating thereto are qualified in their entirety by reference to the definitive form of the Notes and such proceedings.

THE NOTES

Description of the Notes

The Notes are general obligations of the Town. The Town has pledged its faith and credit for the payment of the principal of and interest on the Notes and, unless paid from other sources, the Notes are payable from ad valorem taxes which may be levied upon all the taxable real property within the Town, subject to certain statutory limitations imposed by the Tax Levy Limit Law. (See “*Tax Levy Limit Law*” herein).

The Notes will be dated and will mature, without the option of prior redemption, as indicated on the cover page hereof.

Paying agent fees, if any, for those Notes registered to the purchaser will be paid by the purchaser(s).

The Town will act as Fiscal Agent for any Notes, issued in book-entry form. The Town’s contact information is as follows: Richard Randazzo, Supervisor, Town of Cornwall, Town Hall, 183 Main Street, Cornwall, New York 12518, telephone number 845/534-3770, email: rrandazzo@cornwallny.gov.

Optional Redemption

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

Book-Entry System

DTC will act as securities depository for any Notes issued as book-entry notes. Such Notes will be issued as fully-registered securities, in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered note certificate will be issued and deposited with DTC for each maturity of the Notes.

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

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

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

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

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

Beneficial Owners of the Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of the Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to the Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the Town. Under such circumstances, in the event that a successor depository is not obtained, note certificates are required to be printed and delivered to the Noteowners. The Town may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In such event, note certificates will be printed and delivered to the Noteowners.

The information contained in the above section concerning DTC and DTC's book-entry system has been obtained from sample offering document language supplied by DTC, but the Town takes no responsibility for the accuracy thereof. In addition, the Town will not have any responsibility or obligation to participants, to indirect participants or to any beneficial owner with respect to: (i) the accuracy of any records maintained by DTC, any participant or any indirect participant; (ii) the payments by DTC or any participant or any indirect participant of any amount with respect to the principal of, or premium, if any, or interest on the Notes or (iii) any notice which is permitted or required to be given to Noteowners.

Authorization and Purpose

The Notes are being issued pursuant to the Constitution and statutes of the State of New York, including among others, the Town Law and the Local Finance Law, and multiple bond resolutions duly adopted by the Town Board of the Town as follows:

<u>Date</u> <u>Authorized</u>	<u>Purpose</u>	<u>Amount</u> <u>Authorized</u>	<u>Amount to be</u> <u>Paid</u>	<u>Total Amount</u> <u>to be Issued</u>
03/21/2017	Real Property Revaluation Project	\$175,000	\$35,000	\$140,000
05/08/2017	Acquisition of Highway Equipment	359,000	19,000	340,000
05/08/2017	Acquisition of Rear Load Packer Truck	230,000	15,000	215,000
05/08/2017	Repaving of Parking Lot at Town Hall	75,000	10,000	65,000
05/11/2015	Improvements to Town Hall	245,000	20,000	225,000
10/24/2011	Sewer District Improvements	635,853	40,853	595,000
Totals:		<u>\$1,719,853</u>	<u>\$139,853</u>	<u>\$1,580,000</u>

Security and Source of Payment

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

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

Under the Constitution of the State, the Town is required to pledge its faith and credit for the payment of the principal of and interest on the Notes, and the State is specifically precluded from restricting the power of the Town to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted. However, the Tax Levy Limit Law imposes a statutory limitation on the Town's power to increase its annual tax levy, unless the Town complies with certain procedural requirements to permit the Town to levy certain year-to-year increases in real property taxes. (See "*Tax Levy Limit Law*," herein).

MARKET MATTERS AFFECTING FINANCINGS OF THE MUNICIPALITIES OF THE STATE

There are certain potential risks associated with an investment in the Notes, and investors should be thoroughly familiar with this Official Statement, including its appendices, in order to make an informed investment decision. Investors should consider, in particular, the following factors:

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

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

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

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

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

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

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

REMEDIES UPON DEFAULT

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

Upon default in the payment of principal of or interest on the Notes, at the suit of the owner, a Court has the power, in proper and appropriate proceedings, to render judgment against the Town. The present statute limits interest on the amount adjudged due to contract creditors to nine per centum per annum from the date due to the date of payment. As a general rule, property and funds of a municipal corporation serving the public welfare and interest have not been judicially subjected to execution or attachment to satisfy a judgment. A Court also has the power, in proper and appropriate proceedings, to order payment of a judgment on such Notes from funds lawfully available therefor or, in the absence thereof, to order the Town to take all lawful action to obtain the same, including the raising of the required amount in the next annual tax levy. In exercising its discretion as to whether to issue such an order, the Court may take into account all relevant factors, including the current operating needs of the Town and the availability and adequacy of other remedies. Upon any default in the payment of the principal of or interest on a Note, the owner of such Note could, among other remedies, seek to obtain a writ of mandamus from a Court ordering the governing body of the Town to assess, levy and collect an *ad valorem* tax, upon all taxable property of the Town subject to taxation by the Town, sufficient to pay the principal of and interest on the Notes as the same shall come due and payable (and interest from the due date to date of payment) and otherwise to observe the covenants contained in the Notes and the proceedings with respect thereto all of which are included in the contract with the owners of the Notes. The mandamus remedy, however, may be impracticable and difficult to enforce. Further, the right to enforce payment of the principal of or interest on the Notes may be limited by bankruptcy, insolvency, reorganization, moratorium and similar laws and equitable principles, which may limit the specific enforcement of certain remedies.

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

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

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

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

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

MUNICIPAL BANKRUPTCY

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

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

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

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

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

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

Financial Control Boards

Pursuant to Article IX Section 2(b)(2) of the State Constitution, any municipality in the State may request the intervention of the State in its “property, affairs and government” by a two-thirds vote of the total membership of its legislative body or on request of its chief executive officer concurred in by a majority of such membership. This has resulted in the adoption of special acts for the establishment of public benefit corporations with varying degrees of authority to control the finances (including debt issuance) of the Cities of Buffalo, Troy and Yonkers and the County of Nassau. The specific authority, powers and composition of the financial control boards established by these acts varies based upon circumstances and needs. Generally, the State legislature has granted such boards the power to approve or disapprove budget and financial plans and to issue debt on behalf of the municipality, as well as to impose wage and/or hiring freezes and in certain cases approve or disapprove collective bargaining agreements. Implementation is generally left to the discretion of the board of the public benefit corporation. Such a State financial control board was first established for New York City in 1975. In addition, upon the issuance of a certificate of necessity of the Governor reciting facts which in the judgment of the Governor constitute an emergency requiring enactment of such laws, with the concurrences of two-thirds of the members elected in each house of the State legislature, the State is authorized to intervene in the “property, affairs and governments” of local government units. This occurred in the case of the County of Erie in 2005. The authority of the State to intervene in the financial affairs of a local government is further supported by Article VIII, Section 12 of the Constitution which declares it to be the duty of the State legislature to restrict, subject to other provisions of the Constitution, the power of taxation, assessment, borrowing money and contracting indebtedness and loaning the credit of counties, cities, towns and villages so as to prevent abuses in taxation and assessment and in contracting indebtedness by them.

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

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

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

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

No Past Due Debt

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

THE TOWN

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

General Information

The Town, with a land area of over 25 square miles and a currently estimated population of 12,464 according to the 2016 U.S. Census estimates, is located in east central Orange County, south of the Town of New Windsor on the west bank of the Hudson River about 60 miles north of New York City. The Town is primarily a suburban residential area with some commercial and industrial operations and some agriculture, the latter principally in the western portion.

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

The former Stewart Air Force Base (now Stewart International Airport) has grown into a major passenger airport for the mid-Hudson region and continues to serve as a military airfield as well. In the late 1990's it became the first US commercial airport to be privatized when National Express Group was awarded a 99 year lease on the airport. On January 25, 2007, the Port Authority of New York and New Jersey voted to acquire the lease and has set aside \$150 million in its ten-year capital improvement plan to develop the airport. Some of the major airlines with terminals in the airport include Delta, Northwest Airlines, US Airways, Express, Jet Blue and Allegiant Air.

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

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

Utilities and Other Services

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

Government

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

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

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

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

Financial Organization

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

Employees

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

<u>Name of Union</u>	<u>Approximate Membership</u>	<u>Date Contract Expires</u>
Civil Service Employees Association	26	12/31/2020
Patrolmen's Benevolent Association	16	12/31/2017 ^a

a. Currently in negotiation.

ECONOMIC AND DEMOGRAPHIC INFORMATION

Population Characteristics

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

<u>Year</u>	<u>Town of Cornwall</u>	<u>County of Orange</u>	<u>State of New York</u>
1990	11,274	307,647	17,990,455
2000	12,307	341,367	18,976,457
2010	12,646	372,813	19,378,102
2016	12,464	376,242	19,697,457

Source: U.S. Bureau of the Census

Income Data

	<u>Per Capita Money Income</u>			
	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2016^a</u>
Town of Cornwall	\$18,974	\$28,509	\$36,658	\$43,515
County of Orange	5,198	21,597	28,944	31,272
State of New York	16,501	23,389	30,791	34,212

	<u>Median Family Income</u>			
	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>2016^a</u>
Town of Cornwall	\$43,967	\$59,237	\$76,495	\$89,284
County of Orange	39,198	60,355	82,480	71,910
State of New York	32,965	51,691	67,405	60,741

Source: United States Bureau of the Census

a. Based on American Community Survey 5-Year Estimates (2012-2016)

Selected Listing of Larger Employers in the County

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

Source: 2017 Directory of Major Employers, Orange County Partnership

Unemployment Rate Statistics

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

<u>Annual Averages:</u>	<u>County of Orange (%)</u>	<u>New York State (%)</u>
2013	6.8	7.7
2014	5.5	6.4
2015	4.7	5.3
2016	4.2	4.9
2017	4.6	4.7
2018 (4 Month Average)	4.9	4.9

Source: Department of Labor, State of New York

INDEBTEDNESS OF THE TOWN

Constitutional Requirements

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

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

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

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

General. The Town is further subject to constitutional limitation by the general constitutionally imposed duty on the State Legislature to restrict the power of taxation, assessment, borrowing money, contracting indebtedness and loaning the credit of the Town so as to prevent abuses in the exercise of such powers; however, as has been noted under "*Security and Source of Payment*", the State Legislature is prohibited by a specific constitutional provision from restricting the power of the Town to levy taxes on real estate for the payment of interest on or principal of indebtedness theretofore contracted. However, the Tax Levy Limit Law imposes a statutory limitation on the Town's power to increase its annual tax levy, unless the Town complies with certain procedural requirements to permit the Town to levy certain year-to-year increases in real property taxes. (See "*Tax Levy Limit Law*," herein).

Statutory Procedure

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

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

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

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

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

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

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

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

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

The following pages set forth certain details with respect to the indebtedness of the Town.

Computation of Debt Limit and Calculation of Net Debt Contracting Margin^a
(As of July 9, 2018)

<u>Fiscal Year Ending December 31:</u>	<u>Assessed Valuation</u>	<u>State Equalization Rate (%)</u>	<u>Full Valuation</u>
2014	\$ 956,665,914	76.50	\$1,250,543,678
2015	978,477,278	77.34	1,265,163,276
2016	981,114,219	76.35	1,285,021,898
2017	1,081,678,086	73.52	1,471,270,520
2018	1,627,601,094	100.00	<u>1,627,601,094</u>
Total Five Year Full Valuation			\$6,899,600,466
Average Five Year Full Valuation			1,379,920,093
Debt Limit - 7% of Average Full Valuation			96,594,407
Inclusions:			
Outstanding Bonds:			
General Town Purposes			\$1,525,000
Bond Anticipation Notes			<u>1,719,853</u>
Total Inclusions			3,244,853
Exclusions:			
Appropriations			<u>139,853</u>
Total Exclusions:			139,853
Total Net Indebtedness Before the Issuance of the Notes			<u>3,105,000</u>
The Notes			1,580,000
Less BANs to be Redeemed with the Issuance of the Notes			<u>1,580,000</u>
Net Effect of the Notes			0
Total Net Indebtedness After the Issuance of the Notes			3,105,000
Net Debt Contracting Margin			<u><u>93,489,407</u></u>
Per Cent of Debt Contracting Margin Exhausted			3.21%

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

Debt Service Requirements - Outstanding Bonds^a

Fiscal Year Ending December 31:	Principal	Interest	Total
2018	\$295,000	\$45,688	\$340,688
2019	300,000	38,950	338,950
2020	310,000	31,528	341,528
2021	320,000	23,375	343,375
2022	300,000	14,869	314,869
2023	175,000	7,487	182,487
2024	120,000	2,175	122,175
	<u>\$1,820,000</u>	<u>\$164,072</u>	<u>\$1,984,072</u>

a. Does not include payments made to date.

Details of Short-Term Indebtedness Outstanding (As of July 9, 2018)

The Town has outstanding bond anticipation notes in the amount of \$1,719,853 for various improvements to the Town that mature on July 27, 2018. Such bond anticipation notes are being redeemed with the issuance of the Notes, along with \$139,853 of available funds.

New York State Environmental Facilities Corporation

The Town is in the process of completing improvements to the Sewer District. The estimated cost for such projects is \$5.3 million, 1.1 million of which is expected to be received in the form of a grant from New York State. The Town has applied to the New York State Environmental Facilities Corporation ("EFC") for financial assistance, grants and subsidized loans. In May of 2016, the Town entered into a Project Financing Agreement with the NYSEFC to finance such project. As of the date of this Statement, the Town has drawn down \$3,632,696 of the \$4.2 million authorized to be drawn down through EFC's short-term loan financing program.

Capital Project Plans

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

Authorized but Unissued Indebtedness

As of the date of this Statement, the Town has the following authorized but unissued indebtedness:

<u>Date of Authorization</u>	<u>Purpose</u>	<u>Amount</u>
06/19/2017	Sewer District No. 1	\$8,000,000
01/08/2018	Sewer District No. 1	7,500,000
06/18/2018	Various Purposes	<u>380,000</u>
		<u><u>\$15,880,000</u></u>

Trend of Town Indebtedness

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

	<u>Fiscal Year Ending December 31:</u>				
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Bonds	\$3,605,000	\$3,185,000	\$2,755,000	\$2,025,000	\$1,820,000
EFC Short-Term Loans	-	-	-	438,772	431,272
BANs	<u>2,262,500</u>	<u>1,994,500</u>	<u>4,279,000</u>	<u>925,853</u>	<u>1,719,853</u>
Total Debt Outstanding	<u><u>\$5,867,500</u></u>	<u><u>\$5,179,500</u></u>	<u><u>\$7,034,000</u></u>	<u><u>\$3,389,625</u></u>	<u><u>\$3,971,125</u></u>

Calculation of Estimated Overlapping and Underlying Indebtedness

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

<u>Overlapping Units</u>	<u>Date of Report</u>	<u>Percentage Applicable (%)</u>	<u>Applicable Total Indebtedness</u>	<u>Applicable Net Indebtedness</u>
County of Orange	11/10/2017	4.14	\$10,328,774	\$10,328,774
Village of Cornwall on the Hudson	05/31/2017	100.00	2,099,297	2,099,297
Cornwall CSD	06/30/2017	82.29	26,501,495	26,501,495
Washingtonville CSD	06/30/2017	0.73	129,013	129,013
Fire Districts (Est.)	12/31/2016	Var.	<u>270,000</u>	<u>270,000</u>
Totals			<u><u>\$39,328,578</u></u>	<u><u>\$39,328,578</u></u>

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

Debt Ratios
(As of July 9, 2018)

	<u>Amount</u>	<u>Per Capita^a</u>	<u>Percentage of Full Value (%)^b</u>
Total Direct Debt	\$ 3,244,853	\$ 260	0.199
Net Direct Debt	3,105,000	249	0.191
Total Direct & Applicable Total Overlapping Debt	42,573,431	3,416	2.616
Net Direct & Applicable Net Overlapping Debt	42,433,578	3,404	2.607

a. The estimated population of the Town is 12,464.

b. The full valuation of taxable real property in the Town is \$1,627,601,094.

FINANCES OF THE TOWN

Financial Statements and Accounting Procedures

The Town maintains its financial records in accordance with the Uniform System of Accounts for Towns prescribed by the State Comptroller. The financial records of the Town are audited by independent accountants. The last such audit made available for public inspection covers the fiscal year ended December 31, 2017, such report is attached as Appendix B. In addition, the financial affairs of the Town are subject to periodic compliance review by the Office of the State Comptroller to ascertain whether the Town has complied with the requirements of various State and Federal statutes.

Fund Structure and Accounts

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

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

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

Basis of Accounting

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Town considers all revenues reported in the governmental funds to be available if the revenues are collected within 365 days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, sanitary landfill post closure costs, installment purchases, judgments and claims, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Investment Policy

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

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

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

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

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

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

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

Budgetary Procedures

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

Budget Summaries for the 2017 and 2018 fiscal years may be found in Appendix A.

Financial Operations

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

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

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

The State Comptroller's Fiscal Stress Monitoring System

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

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

The most current applicable report of the State Comptroller designates the Town as "No Designation". (Fiscal Score: 12.5%).

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

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

Revenues

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

State Aid

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

Based on the audited financial statements of the Town, the Town received approximately 7.57% of its total General Fund operating revenue from State aid in 2017. There is no assurance, however, that State appropriations for aid to municipalities will continue, either pursuant to existing formulas or in any form whatsoever. The State is not constitutionally obligated to maintain or continue such aid and, in fact, the State has drastically reduced funding to municipalities and school districts in the last several years in order to balance its own budget.

Although the Town cannot predict at this time whether there will be any delays and/or reductions in State aid in the current year or in future fiscal years, the Town may be able to mitigate the impact of any delays or reductions by reducing expenditures, increasing revenues appropriating other available funds on hand, and/or by any combination of the foregoing.

The following table sets forth the percentage of the Town's General Fund revenue (including transfers) comprised of State aid for each of the fiscal years 2013 through 2017, and budgeted for 2018.

Fiscal Year Ending December 31:	General Fund Total Revenue	State Aid	State Aid to Revenues (%)
2013	\$4,850,720	\$520,203	10.72
2014	5,214,328	378,247	7.25
2015	5,274,026	396,419	7.52
2016	5,408,220	384,195	7.10
2017	5,486,577	415,152	7.57
2018 (Budgeted)	5,730,312	382,729	6.68

Source: Audited financial statements (2013-2017), and the Adopted Budget for 2018.

Expenditures

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

Pension Systems

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

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

Required Contributions to the Retirement Systems

Fiscal Year Ending <u>December 31:</u>	<u>ERS</u>	<u>PFRS</u>
2013	\$430,835	\$211,892
2014	421,428	218,592
2015	378,320	191,480
2016	348,075	187,879
2017	346,174	216,727
2018 (Budgeted)	354,210	224,900

Other Post Employment Benefits

The Town provides post-retirement healthcare benefits to various categories of former employees. These costs may be expected to rise substantially in the future. Accounting rules now require governmental entities, such as the Town, to account for post-retirement health care benefits as its accounts for vested pension benefits. GASB Statement No. 45 ("GASB 45") described below requires such accounting.

GASB 45 and OPEB. OPEB refers to "other post-employment benefits," meaning benefits other than pension benefits. OPEB consists primarily of health care benefits, and may include other benefits such as disability benefits and life insurance. Before GASB 45, OPEB costs were generally accounted for and managed as current expenses in the year paid and were not reported as a liability on governmental financial statements.

GASB 45 requires municipalities to account for OPEB liabilities in the same manner as they already account for pension liabilities. It requires them to adopt the actuarial methodologies used for pensions, with adjustments for the different characteristics of OPEB and the fact that most municipalities have not set aside any funds against this liability. Unlike GASB Statement No. 27, which covers accounting for pensions, GASB 45 does not require municipalities to report a net OPEB obligation at the start.

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

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

	<u>Fiscal Year Ending December 31, 2017:</u>
Annual Required Contribution	\$950,693
Interest on Net OPEB Obligation	239,794
Adjustment to Annual Required Contribution	<u>(398,881)</u>
Annual OPEB Cost	791,606
Contributions Made	<u>(222,681)</u>
Increase in Net OPEB Obligation	568,925
Net OPEB Obligation - Beginning of Year	<u>5,994,851</u>
Net OPEB Obligation - End of Year	<u><u>\$6,563,776</u></u>

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

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

Actuarial Valuation will be required every 2 years for OPEB plans with more than 200 members, every 3 years if there are less than 200 members.

REAL PROPERTY TAX INFORMATION

Real Property Taxes

The Town derives a major portion of its revenues from a tax on real property (see “Statement of Revenues, Expenditures and Changes in Fund Balance” in Appendix B, herein.) Property taxes accounted for approximately 63.26% of total general fund revenues, for the fiscal year ended 2017. On June 24, 2011, the Tax Levy Limit Law was enacted, which imposes a tax levy limitation upon the municipalities, school districts and fire districts in the State, including the Town, without providing an exclusion for debt service on obligations issued by municipalities and fire districts, including the Town. See “Tax Levy Limit Law,” herein.

The following table presents the total tax levy, by purpose, with adjustments and collection performance for each of the last five fiscal years.

Tax Rates					
(Per \$1,000 Assessed Valuation)					
	Fiscal Year Ending December 31:				
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
County	5.07%	5.07%	5.14%	5.25%	3.83%
General:					
Town-Wide	2.27	2.26	2.38	2.41	1.63
Part-Town	1.79	1.94	1.73	1.81	1.50
Highway	1.63	1.70	1.83	1.83	1.05
Special Districts (Selected Items):					
Cornwall Sewer	1.68	1.89	2.06	2.07	1.58
Cantebury Fire	1.58	1.56	1.54	1.55	1.06
Ambulance	0.02	0.01	0.01	0.01	0.00

The following table sets forth the percentage of the Town’s General Fund revenue (excluding other financing sources) comprised of real property taxes for each of the fiscal years 2013 through 2017 inclusive and budgeted for the fiscal year 2018.

Fiscal Year Ending <u>December 31:</u>	<u>Total Revenue</u>	<u>Real Property Taxes</u>	<u>Real Property Taxes to Revenues (%)</u>
2013	\$4,850,720	\$2,953,629	60.89
2014	5,214,328	3,262,006	62.56
2015	5,274,026	3,387,828	64.24
2016	5,408,220	3,374,903	62.40
2017	5,486,577	3,471,066	63.26
2018 (Budgeted)	5,730,312	3,692,948	64.45

Source: Audited financial statements (2013-2017) and the Adopted Budget for 2018.

Tax Collection Procedure

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

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

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

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

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

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

Tax Levy Limit Law

Prior to the enactment of Chapter 97 of the Laws of 2011 (the "Tax Levy Limit Law") on June 24, 2011, all the taxable real property within the Town had been subject to the levy of ad valorem taxes to pay the bonds and notes of the Town and interest thereon without limitation as to rate or amount. However, the Tax Levy Limit Law imposes a tax levy limitation upon the Town for any fiscal year commencing after May 31, 2012, continuing through May 31, 2020 as extended, without providing an exclusion for debt service on obligations issued by the Town. As a result, the power of the Town to levy real estate taxes on all the taxable real property within the Town is subject to statutory limitations, according to the formulas set forth in Tax Levy Limit Law.

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

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

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

The 2014 through 2018 Budgets did not exceed the tax levy limitation.

Large Taxable Properties
2017 Assessment Roll^a

<u>Name</u>	<u>Type</u>	<u>Assessed Valuation</u>
Idlewind Creek Apartments	Apartments	\$25,041,700
Central Hudson	Public Utility	15,356,128
Palisades Interstate Park Commission	State Lands	17,314,090
Cornwall Apartments	Apartments	10,141,000
Vails Gate Business Center	Commercial	8,836,800
Joy Apartment, LLC.	Apartments	8,583,000
Cornwall Owners Corp.	Co-Ops	7,152,200
Cornwall Medical Complex, LLC.	Medical Building	5,243,200
CSX Transportation, Inc.	Transportation	5,136,342
Bigg	Various	4,215,500
Cornwall Shopping, LLC.	Commercial	3,753,500
A&W Properties	Commercial	3,152,800
Cornwall Properties	Manufacturing	3,149,500
Total ^b		<u><u>\$117,075,760</u></u>

a. Assessment Roll established in 2017 for levy and collection of taxes in 2018.

b. Represents 7.19% of the 2018 Taxable Assessed Valuation of the Town.

LITIGATION

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

The Town is being sued in New York Supreme Court for \$3,800,000 by Cornwall Commons. The law suit alleges a regulatory taking by the Town in delaying the plaintiff's approvals for a residential project. The lower court granted summary judgement dismissing the suit. Cornwall Commons has appealed and the decision has not yet been rendered.

The Town is being sued based on allegations that the Town caused water damage to a plaintiff's property by failing to maintain a roadside storm drainage system. The Town is vigorously contesting the claim.

There is a claim seeking money damages by Cornwall Warehousing and SRII in the amount of \$4,700,000 in monetary loss and \$3,000,000 in emotional distress based upon alleged interference with contract, defamation and violation of civil rights arising from the Town Building Department's issuance of orders to remedy building code violations and refusal to issue a "no open violations" letter for the plaintiff's property. The claim is not yet in suit and is being vigorously contested by the Town.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Town, under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Notes is excluded from gross income for federal income tax purposes pursuant to Section 103 of Internal Revenue Code of 1986, as amended (the "Code"), and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed for taxable years beginning prior to January 1, 2018. The Tax Certificate of the Town (the "Tax Certificate"), which will be delivered concurrently with the delivery of the Notes will contain provisions and procedures relating to compliance with applicable requirements of the Code. In rendering its opinion, Bond Counsel has relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Town in connection with the Notes, and Bond Counsel has assumed compliance by the Town with certain ongoing provisions and procedures set forth in the Tax Certificate relating to compliance with applicable requirements of the Code to assure the exclusion of interest on the Notes from gross income under Section 103 of the Code.

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

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

Certain Ongoing Federal Tax Requirements and Certifications

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

Certain Collateral Federal Tax Consequences

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

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

Original Issue Discount

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

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

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

Note Premium

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

Information Reporting and Backup Withholding

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

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

Miscellaneous

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

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

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Notes will be subject to the final approving opinion of the law firm of Hawkins Delafield & Wood LLP, Bond Counsel to the Town with respect to the Notes, which will be available at the time of delivery of the Notes, substantially as set forth in Appendix C.

DISCLOSURE UNDERTAKING

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

Prior Compliance History

<u>Fiscal Year Ending December 31:</u>	<u>Financial & Operating Information</u>	<u>Audited Financial Statements</u>
2013	06/27/2014	06/27/2014
2014	06/26/2015	06/11/2015
2015	06/27/2016	06/08/2016
2016	06/20/2017	06/28/2017
2017	06/18/2018	05/31/2018

RATING

The Notes are not rated. The Town's outstanding bonds are currently rated "Aa3" by Moody's Investors Service ("Moody's"), 7 WTC at 250 Greenwich Street, New York, NY 10007, Phone: (212) 553-4055 and Fax: (212) 298-6761 and "AA" by Standard & Poor's Corporation ("S&P") 55 Water Street, New York, NY 10041, Telephone: (877) 299-2569 and Fax: (212) 438-5153. These ratings reflect only the view of the rating agencies and any desired explanation of the significance of such rating should be obtained from Moody's and S&P. Generally, a rating agency bases its ratings on the information and materials furnished to it and on investigation, studies and assumptions by the rating agency. There is no assurance that a particular rating will apply for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing the rating, circumstances so warrant. Any downward revision or withdrawal of such ratings could have an adverse affect on the market price of the Notes or the availability of a secondary market for such Notes.

MUNICIPAL ADVISOR

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

ADDITIONAL INFORMATION

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

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

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

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

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

July , 2018

APPENDIX A

FINANCIAL INFORMATION

Statement of Revenues, Expenditures and Fund Balances
General Fund

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Revenues:					
Real Property Taxes	\$ 2,953,629	\$ 3,262,006	\$ 3,387,828	\$ 3,374,903	\$ 3,471,066
Real Property Tax Items	19,372	18,163	15,445	19,219	17,987
Non-Property Tax Items	817,146	826,048	838,317	851,809	851,988
Departmental Income	229,447	259,524	266,974	302,355	265,266
Intergovernmental Charges				0	0
Use of Money and Property	55,088	55,152	58,315	58,490	65,929
Licenses & Permits	15,205	15,261	16,225	17,838	14,941
Fines & Forfeitures	212,406	257,876	252,518	261,748	200,300
Sale of Property & Compensation for Loss	14,246	6,714	12,974	6,416	1,134
Miscellaneous	13,978	19,285	29,011	14,032	62,031
State & Federal Aid	520,203	494,299	396,419	501,410	535,935
Total Revenues	<u>4,850,720</u>	<u>5,214,328</u>	<u>5,274,026</u>	<u>5,408,220</u>	<u>5,486,577</u>
Expenditures:					
General Government Support	1,546,734	1,639,846	1,818,883	1,581,530	1,705,016
Public Safety	1,431,074	1,548,849	1,450,405	1,552,058	1,497,983
Health	6,900	6,900	6,900	6,900	6,900
Economic Assistance	42,124	45,102	43,112	46,164	46,430
Culture and Recreation	273,027	261,538	301,262	393,640	320,180
Home and Community Services	75,554	85,336	65,463	93,183	89,936
Employee Benefits	1,312,097	1,346,897	1,334,823	1,402,990	1,502,272
Debt Service	73,904	100,204	98,596	105,356	115,972
Total Expenditures	<u>4,761,414</u>	<u>5,034,672</u>	<u>5,119,444</u>	<u>5,181,821</u>	<u>5,284,689</u>
Other Financing Sources (Uses):					
Proceeds From:					
Advanced Refunding					600,000
Payments to Escrow Agent					(651,464)
Operating Transfers In					145,135
Operating Transfers Out				(100,000)	
Total Other Financing Sources (Uses)				<u>(100,000)</u>	<u>93,671</u>
Excess (Deficiency) of Revenues & Other Financing Sources Over Expenditures & Other Uses	89,306	179,656	154,582	126,399	295,559
Fund Balance Adjustments		2			
Fund Balance Beginning of Year	659,429	748,735	928,393	1,082,975	1,209,374
Fund Balance End of Year	<u>\$ 748,735</u>	<u>\$ 928,393</u>	<u>\$ 1,082,975</u>	<u>\$ 1,209,374</u>	<u>\$ 1,504,933</u>

Sources: Audited Financial Reports of the Town (2013-2017)

NOTE: This Schedule NOT audited.

Statement of Revenues, Expenditures and Fund Balances
Highway Fund

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Revenues:					
Real Property Taxes	\$ 1,518,421	\$ 1,365,582	\$ 1,449,530	\$ 1,566,362	\$ 1,564,444
Non-Property Tax Items	722,438	727,891	735,660	742,456	780,574
Intergovernmental Charges	58,797	58,797	58,797	59,422	59,422
Use of Money and Property	799	542	303	419	572
Sale of Property & Compensation for Loss	587	3,729	25,927	9,336	2,563
State & Federal Aid	167,140	94,473	96,901	103,991	119,890
Miscellaneous	37	57	33		
Total Revenues	<u>2,468,219</u>	<u>2,251,071</u>	<u>2,367,151</u>	<u>2,481,986</u>	<u>2,527,465</u>
Expenditures:					
Transportation	1,531,873	1,408,929	1,445,825	1,380,764	1,365,894
Employee Benefits	521,170	509,816	577,975	566,639	578,906
Debt Service	296,830	335,856	332,129	329,754	323,729
Total Expenditures	<u>2,349,873</u>	<u>2,254,601</u>	<u>2,355,929</u>	<u>2,277,157</u>	<u>2,268,529</u>
Other Financing Sources (Uses):					
Proceeds From:					
Operating Transfers In				100,000	
Operating Transfers Out				(291,787)	
Total Other Financing Sources (Uses)				<u>(191,787)</u>	
Excess (Deficiency) of Revenues & Other Financing Sources Over Expenditures & Other Uses	118,346	(3,530)	11,222	13,042	258,936
Fund Balance Adjustments					
Fund Balance Beginning of Year	242,834	361,180	357,650	368,872	381,914
Transfers of Fund Balance					
Residual Equity Transfer - Risk Retention					
Fund Balance End of Year	<u>\$ 361,180</u>	<u>\$ 357,650</u>	<u>\$ 368,872</u>	<u>\$ 381,914</u>	<u>\$ 640,850</u>

Sources: Audited Financial Reports of the Town (2013-2017)

NOTE: This Schedule NOT audited.

Statement of Revenues, Expenditures and Fund Balances
Sanitation Fund

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Revenues:					
Real Property Taxes	\$ 1,246,938	\$ 1,402,452	\$ 1,425,645	\$ 1,392,705	\$ 1,495,682
Use of Money and Property	528	649	367	371	503
Sale of Property & Compensation for Loss	607	602	1,306	3,857	102
Miscellaneous	<u>4,587</u>	<u>2,849</u>	<u>1,335</u>	<u>1,074</u>	<u>3,144</u>
Total Revenues	<u>1,252,660</u>	<u>1,406,552</u>	<u>1,428,653</u>	<u>1,398,007</u>	<u>1,499,431</u>
Expenditures:					
General Government Support					
Home and Community Services	1,028,151	998,969	1,006,031	970,848	968,559
Employee Benefits	272,093	271,420	268,494	354,236	368,880
Debt Service	<u>49,452</u>	<u>70,652</u>	<u>69,445</u>	<u>67,824</u>	<u>66,500</u>
Total Expenditures	<u>1,349,696</u>	<u>1,341,041</u>	<u>1,343,970</u>	<u>1,392,908</u>	<u>1,403,939</u>
Excess (Deficiency) of Revenues & Other Financing Sources Over Expenditures & Other Uses	(97,036)	65,511	84,683	5,099	95,492
Fund Balance Adjustments		(1)			
Fund Balance Beginning of Year	<u>82,947</u>	<u>(14,089)</u>	<u>51,421</u>	<u>136,104</u>	<u>141,203</u>
Fund Balance End of Year	<u>\$ (14,089)</u>	<u>\$ 51,421</u>	<u>\$ 136,104</u>	<u>\$ 141,203</u>	<u>\$ 236,695</u>

Sources: Audited Financial Reports of the Town (2013-2017)

NOTE: This Schedule NOT audited.

Statement of Revenues, Expenditures and Fund Balances
Sewer Fund

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Revenues:					
Real Property Taxes	\$ 221,539	\$ 277,350	\$ 333,029	\$ 322,990	\$ 336,887
Real Property Tax Items	105,558	301,700	347,200	380,800	291,540
Departmental Income	332,297	315,560	413,227	303,317	289,117
Use of Money and Property	971	404	202	332	353
Licenses & Permits	13,500	35,100	9,800	6,400	20,450
Sale of Property and Comp. for Loss			2,500		
Interfund Transfers				485,228	
Miscellaneous		400			1,422
Total Revenues	<u>673,865</u>	<u>930,514</u>	<u>1,105,958</u>	<u>1,499,067</u>	<u>939,769</u>
Expenditures:					
Home and Community Services	810,294	868,528	808,581	908,270	853,011
Employee Benefits	6,836	6,969	7,278	7,713	8,553
Debt Service	<u>86,868</u>	<u>88,954</u>	<u>88,455</u>	<u>592,604</u>	<u>64,433</u>
Total Expenditures	<u>903,998</u>	<u>964,451</u>	<u>904,314</u>	<u>1,508,587</u>	<u>925,997</u>
Transfers In	48,185				
Transfers Out					(645)
Total Transfers	<u>48,185</u>				<u>(645)</u>
Excess (Deficiency) of Revenues & Other Financing Sources Over Expenditures & Other Uses	(181,948)	(33,937)	201,644	(9,520)	13,127
Fund Balance Adjustments	(2)	1			
Fund Balance Beginning of Year	<u>403,396</u>	<u>221,446</u>	<u>187,511</u>	<u>389,155</u>	<u>379,634</u>
Fund Balance End of Year	<u>\$ 221,446</u>	<u>\$ 187,510</u>	<u>\$ 389,155</u>	<u>\$ 379,634</u>	<u>\$ 392,761</u>

Sources: Audited Financial Reports of the Town (2013-2017)

NOTE: This Schedule NOT audited.

Statement of Revenues, Expenditures and Fund Balances
Water Fund

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Revenues:					
Real Property Taxes	\$ 16,409	\$ 15,057	\$ 30,978	\$ 38,443	\$ 38,489
Departmental Income	95,466	100,975	112,190	113,619	109,998
Use of Money and Property	26	27	17	15	28
Miscellaneous	<u>5,900</u>	<u>1,000</u>	<u>2,000</u>		<u>1,000</u>
Total Revenues	<u>117,801</u>	<u>117,059</u>	<u>145,185</u>	<u>152,077</u>	<u>149,515</u>
Expenditures:					
Home and Community Services	110,015	125,436	148,461	141,388	134,702
Debt Service	480	6,060	5,888	5,763	5,638
Employee Benefits	<u>6,325</u>	<u>491</u>	<u>474</u>	<u>816</u>	<u>470</u>
Total Expenditures	<u>116,820</u>	<u>131,987</u>	<u>154,823</u>	<u>147,967</u>	<u>140,810</u>
Excess (Deficiency) of Revenues & Other Financing Sources Over Expenditures & Other Uses	981	(14,928)	(9,638)	4,110	8,705
Fund Balance Adjustments					
Fund Balance Beginning of Year	<u>(15,616)</u>	<u>(14,635)</u>	<u>(29,563)</u>	<u>(39,201)</u>	<u>(35,091)</u>
Fund Balance End of Year	<u>\$ (14,635)</u>	<u>\$ (29,563)</u>	<u>\$ (39,201)</u>	<u>\$ (35,091)</u>	<u>\$ (26,386)</u>

Sources: Audited Financial Reports of the Town (2013-2017)

NOTE: This Schedule NOT audited.

BALANCE SHEET - GENERAL & MAJOR TOWN FUNDS
Fiscal Year Ending December 31, 2017

<u>Assets</u>	<u>General Fund</u>	<u>Highway Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Sanitation Fund</u>
Cash	\$ 1,157,249	\$ 478,760	\$ 18,561	\$ 473,684	\$ 280,707
Accounts Receivable	258,478	219,198	9,224	3,000	
Due from Other Funds	216,135			30,000	
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	\$ <u>1,631,862</u>	\$ <u>697,958</u>	\$ <u>27,785</u>	\$ <u>506,684</u>	\$ <u>280,707</u>
 <u>Liabilities</u>					
Accounts Payable	\$ 112,194	\$ 52,180	\$ 1,171	\$ 68,923	\$ 42,510
Accrued Liabilities	14,735	4,928			1,502
Due to Other Funds			53,000	45,000	
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>126,929</u>	<u>57,108</u>	<u>54,171</u>	<u>113,923</u>	<u>44,012</u>
 <u>Fund Equity</u>					
Fund Balance:					
Restricted		510,850		362,761	181,695
Assigned	815,392	130,000		30,000	55,000
Unassigned	689,541		(26,386)		
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Equity	<u>1,504,933</u>	<u>640,850</u>	<u>(26,386)</u>	<u>392,761</u>	<u>236,695</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Equity	\$ <u>1,631,862</u>	\$ <u>697,958</u>	\$ <u>27,785</u>	\$ <u>506,684</u>	\$ <u>280,707</u>

Sources: Audited Financial Reports of the Town (2017)

NOTE: This Schedule NOT audited

Budget Summaries

Fiscal Year Ending December 31, 2018

	<u>Appropriations</u>	<u>Less Estimated Revenues</u>	<u>Less Unexpected Balance</u>	<u>Amount To Be Raised By Tax</u>
General Fund - Townwide	\$ 3,142,748	\$ 819,264	\$ 250,000	\$ 2,073,484
General Fund - Town- Outside Village	2,587,564	818,100	150,000	1,619,464
Highway Fund-Townwide	263,095			263,095
Highway Fund-Town Outside Village	2,112,405	843,065	130,000	1,139,340
Ambulance				0
Fire District	1,203,372	500		1,202,872
Hydrants District	90,000		5,000	85,000
Lighting District	102,000			102,000
Sanitation District	1,606,100	300	55,000	1,550,800
Drainage District	5,000		5,000	0
Sewer District	1,033,188	304,000	30,000	699,188
Parking District	2,000			2,000
Water District	<u>168,983</u>	<u>130,000</u>	<u></u>	<u>38,983</u>
Totals	<u>\$ 12,316,455</u>	<u>\$ 2,915,229</u>	<u>\$ 625,000</u>	<u>\$ 8,776,226</u>

Budget Summaries

Fiscal Year Ending December 31, 2017

	<u>Appropriations</u>	<u>Less Estimated Revenues</u>	<u>Less Unexpected Balance</u>	<u>Amount To Be Raised By Tax</u>
General Fund - Townwide	\$ 3,089,912	\$ 798,764	\$ 150,000	\$ 2,141,148
General Fund - Town- Outside Village	2,367,318	817,400	220,000	1,329,918
Highway Fund-Townwide	222,071		5,000	217,071
Highway Fund-Town Outside Village	2,240,038	842,665		1,397,373
Ambulance	161,371	150,000		11,371
Fire District	1,181,958	400		1,181,558
Hydrants District	80,000		1,000	79,000
Lighting District	102,000			102,000
Sanitation District	1,515,982	300	20,000	1,495,682
Drainage District	5,000		5,000	0
Sewer District	1,032,427	304,000	100,000	628,427
Parking District	2,000			2,000
Water District	<u>178,989</u>	<u>140,500</u>	<u></u>	<u>38,489</u>
Totals	<u>\$ 12,179,066</u>	<u>\$ 3,054,029</u>	<u>\$ 501,000</u>	<u>\$ 8,624,037</u>

TOWN OF CORNWALL
APPENDIX B
AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2017

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

TOWN OF CORNWALL
CORNWALL, NEW YORK
DECEMBER 31, 2017

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TOWN OF CORNWALL
CORNWALL, NEW YORK
DECEMBER 31, 2017

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Cornwall, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Other Matters

Required Supplemental Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 1, 2018 on our consideration of the Town's internal control over financial reporting and out tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering Town of Cornwall's internal control over financial reporting.



Montgomery, New York

May 1, 2018

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

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

The section is a summary of the Town's financial activities based on currently known facts, decisions, or conditions. It is also based on both the government-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. This section is only an introduction and should be read in conjunction with the Town's financial statements, which immediately follow this section.

HIGHLIGHTS

Financial Highlights:

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

Figure A-1

Major Features of the Government-wide and Fund Financial Statements

	Government-wide	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire Government (except fiduciary funds)	The activities of the Town that are not proprietary or fiduciary, such as highway water and sewer	Instances in which the Town administrators resources on behalf of someone else, such as bid deposits, engineering fees, and street opening deposits.
Required financial statements	- Statement of net position - Statement of activities	- Balance sheet - Statement of revenues, expenditures, and changes in fund balances	- Statement of fiduciary net position - Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/deferred outflows of resources/liability/ deferred inflows of resources information	All assets, deferred outflows of resources, liabilities and deferred inflows of resources both financial and capital, short-term and long-term	Generally, assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due or available during the year or soon thereafter; no capital assets or long-term liabilities included	All assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources (if any) both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

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

GOVERNMENT-WIDE STATEMENTS

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

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

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

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

Fund Financial Statements

The fund financial statements provide more detailed information about the Town's funds, focusing on its most significant or "major" funds - not the Town as a whole. Funds are accounting devices the Town uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The Town establishes other funds to control and to manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues.

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

The Town has two kinds of funds:

- **Governmental Funds:** Most of the Town's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, reconciling statements (Schedule 4 and Schedule 6) have been added to explain the relationship (or differences) between them.
- **Fiduciary Funds-Agency Funds:** The Town acts in an agency capacity for assets that are ultimately transferred to others, such as payroll withholdings. The Town excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

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

FIGURE A-2

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

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

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

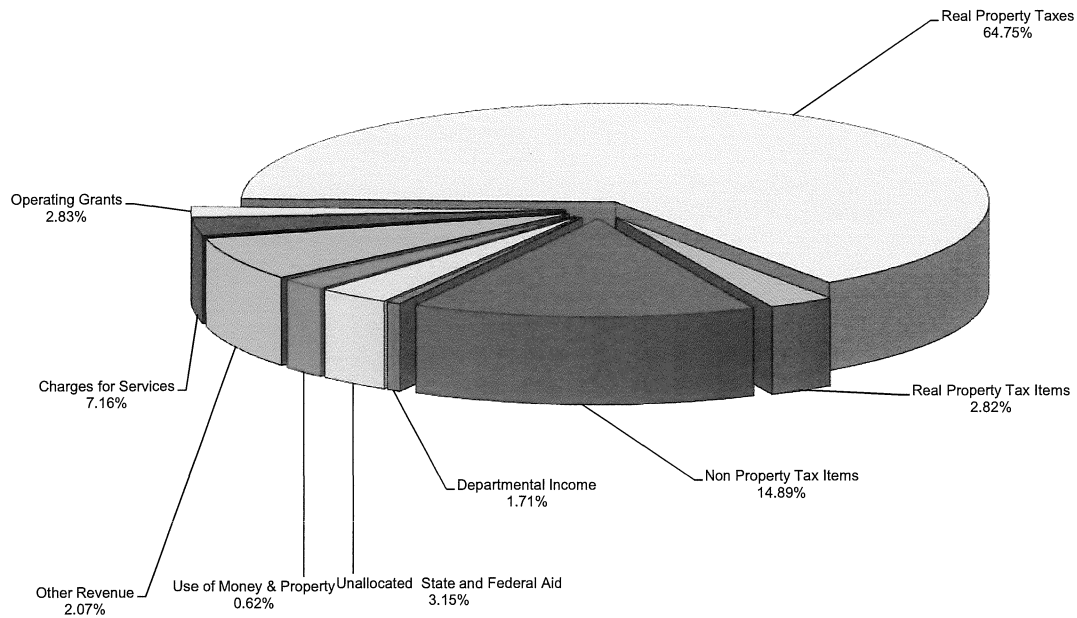
FIGURE A-3

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

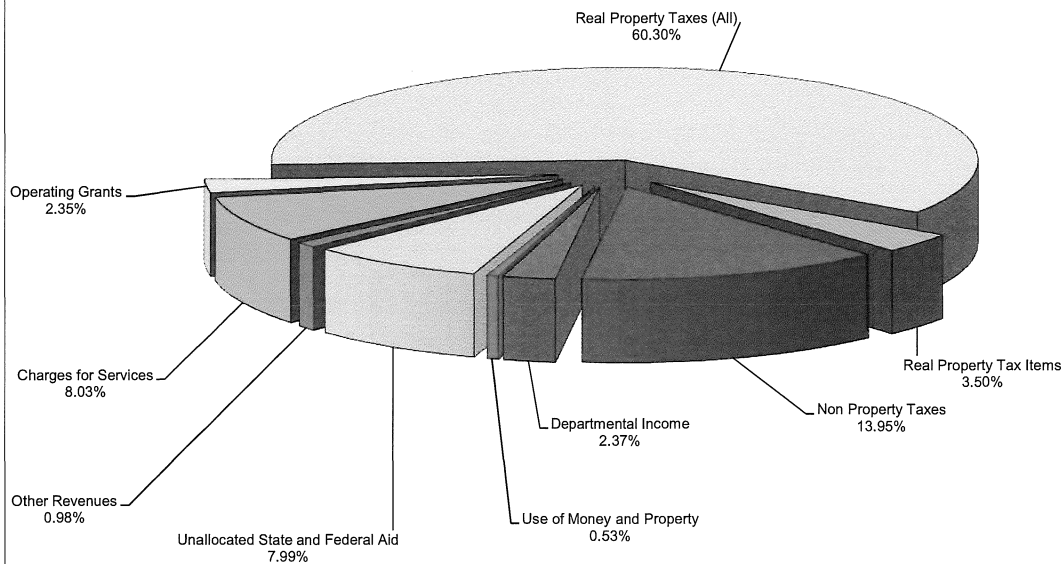
TOWN OF CORNWALL
CORNWALL, NEW YORK
December 31, 2017

FIGURE A-4

SOURCES OF REVENUES FOR YEAR 2017

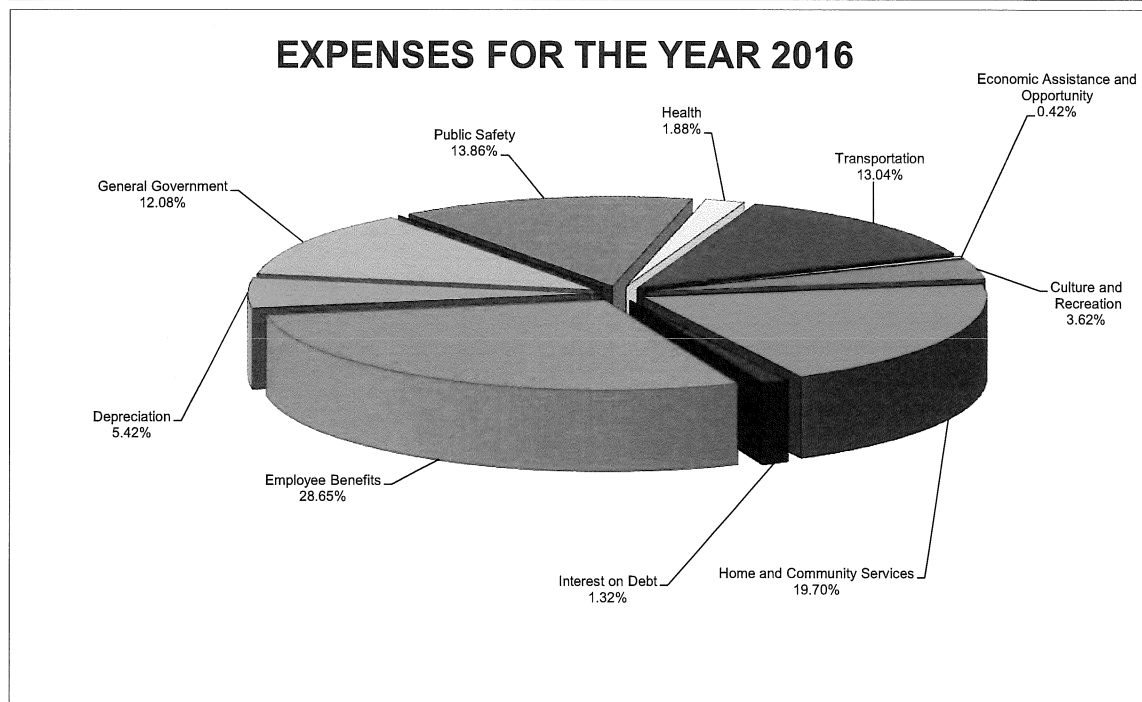
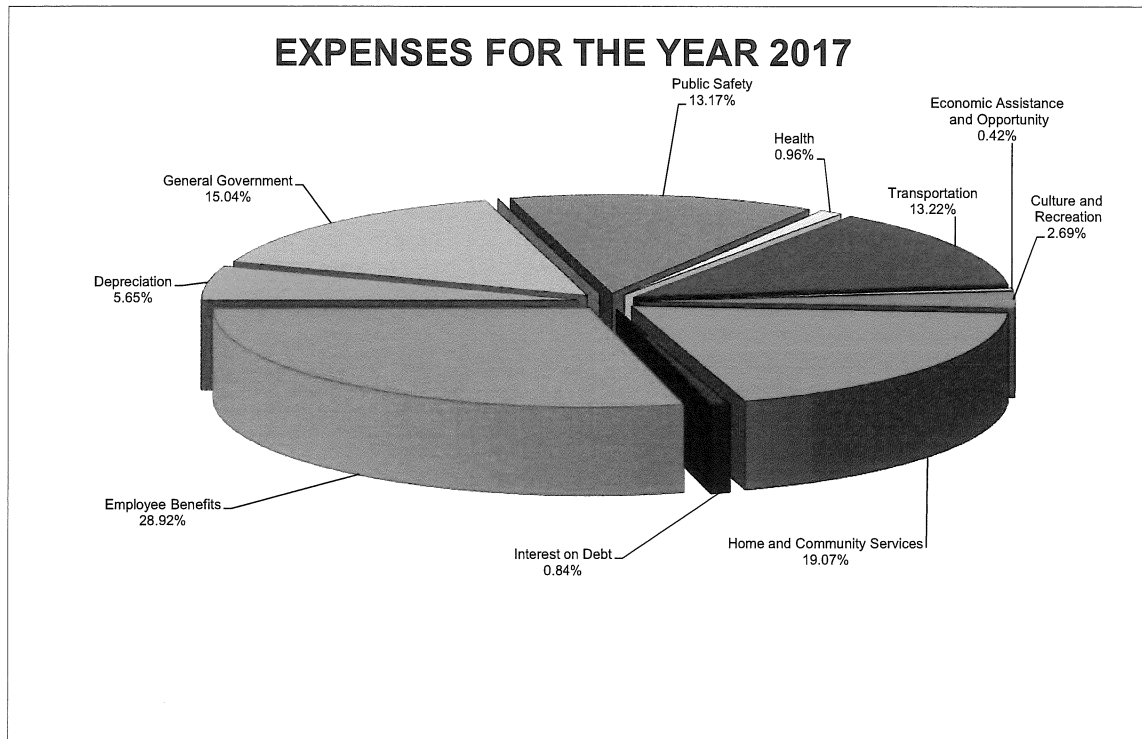


SOURCES OF REVENUES FOR YEAR 2016



TOWN OF CORNWALL
CORNWALL, NEW YORK
December 31, 2017

FIGURE A-5



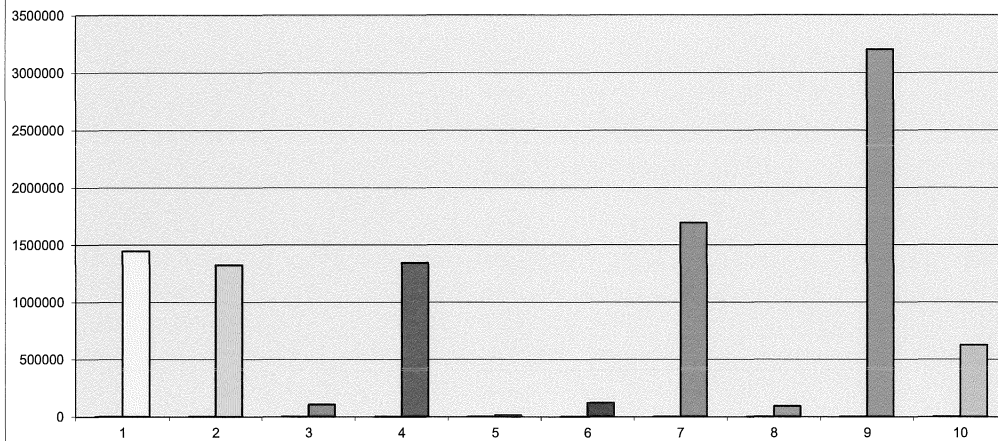
TOWN OF CORNWALL
CORNWALL, NEW YORK

December 31, 2017

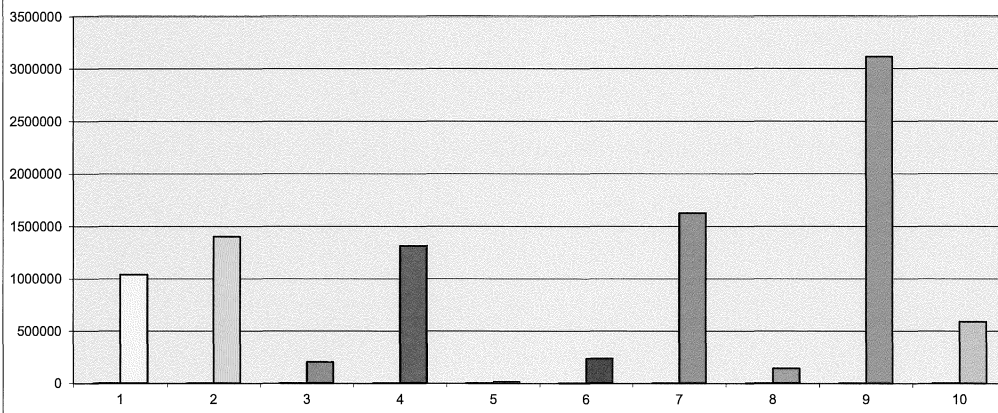
FIGURE A-6

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

NET COSTS 2017



NET COSTS 2016



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

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

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

Figure A-7

	December 31, 2017		
	Restricted	Assigned	Unassigned
General Fund	\$ 0	\$ 815,392	\$ 689,541
Highway Fund	510,850	130,000	0
Water Fund	0	0	(26,386)
Sewer Fund	362,761	30,000	0
Capital Fund	0	0	(2,332,723)
Sanitation Fund	181,695	55,000	0
Non-Major Funds	0	34,965	0
Total	<u>\$ 1,055,306</u>	<u>\$ 1,065,357</u>	<u>\$ (1,669,568)</u>

	December 31, 2016		
	Restricted	Assigned	Unassigned
General Fund	\$ 0	\$ 684,039	\$ 525,335
Highway Fund	326,914	55,000	0
Water Fund	0	0	(35,091)
Sewer Fund	279,634	100,000	0
Capital Fund	0	0	(797,604)
Sanitation Fund	121,203	20,000	0
Non-Major Funds	0	142,985	0
Total	<u>\$ 727,751</u>	<u>\$ 1,002,024</u>	<u>\$ (307,360)</u>

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

GENERAL FUND BUDGETARY HIGHLIGHTS

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

Figure A-8

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

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

CAPITAL ASSETS

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

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

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

Figure A-9

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

Major additions in 2017 included:

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

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

LONG-TERM LIABILITIES

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

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

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

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

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

Figure A-10

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

FINANCIAL CONTACT

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

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

ASSETS

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

DEFERRED OUTFLOWS OF RESOURCES

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

LIABILITIES

Current Liabilities:

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

Long-Term Liabilities:

Due and Payable Within One Year:

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

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

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

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

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

See notes to financial statements.

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

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

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

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

See notes to financial statements.

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

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

See notes to financial statements.

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

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

See notes to financial statements.

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

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

See notes to financial statements.

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

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

See notes to financial statements.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

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

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

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

A. Financial Reporting Entity

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

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

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

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

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

A. Financial Reporting Entity (Continued)

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

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

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

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

B. Basis of Presentation

1. Government-wide Statements

The Statement of Net Position and the Statement of Activities present financial information about the Town's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Government activities generally are financed through taxes, state aid, intergovernmental revenues, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

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

B. Basis of Presentation (Continued)

2. Fund Financial Statements

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

The Town of Cornwall reports the following major Governmental Funds:

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

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

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

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

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

B. Basis of Presentation (Continued)

- 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, 2017

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, 2017

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, 2017

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, 2017

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

N. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has two items that qualify for reporting in this category. The first item is a result of bond refunding. The second is related to pensions reported in the district-wide Statement of Net Position. This represents the effect of the net change in the Town's proportion of the collective net pension asset or liability and difference during the measurement period between the Town's contributions and its proportion share of total contributions to the pension systems not included in pension expense. Lastly is the Town contributions to the pension systems (PFRS and ERS Systems) subsequent to the measurement date.

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

O. Post Employment Benefits

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

P. Long-Term Obligations

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

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

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

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

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

Q. Equity Classification

1. Government-wide Statements

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

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

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

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

2. Funds Statements

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

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

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

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

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

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

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

Q. Equity Classification (Continued)

2. Funds Statements (Continued)

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

R. Restricted Resources

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

S. New Accounting Standards

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

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

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

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

S. New Accounting Standards (Continued)

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

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

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

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

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

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, 2017

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Total Expenditures/Expenses:

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

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

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

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

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

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

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

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

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

Total Expenditures/Expenses: (Continued)

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

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

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

NOTE 3. CASH

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

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

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

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

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

NOTE 4. INTERFUND ACTIVITY.

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

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

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

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

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

NOTE 5. CAPITAL ASSETS.

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

	Beginning Balance	Additions	Disposals and Reclassifications	Ending Balance
<u>Governmental Activities</u>				
Capital Assets that are not Depreciated:				
Land	\$ 324,775	\$ 0	\$ 0	\$ 324,775
Construction in Progress	0	1,181,998	0	1,181,998
Total Not Depreciated	<u>324,775</u>	<u>1,181,998</u>	<u>0</u>	<u>1,506,773</u>
Capital Assets that are Depreciated:				
Buildings	2,765,205	19,775	0	2,784,980
Machinery and Equipment	1,531,368	256,353	0	1,787,721
Infrastructure	6,623,102	21,300	0	6,644,402
Vehicles	4,110,593	198,848	26,000	4,283,441
Total Depreciated	<u>15,030,268</u>	<u>496,276</u>	<u>26,000</u>	<u>15,500,544</u>
Less Accumulated Depreciation:				
Buildings	990,936	90,108	0	1,081,044
Machinery and Equipment	1,183,367	79,900	0	1,263,267
Infrastructure	2,043,557	264,828	0	2,308,385
Vehicles	3,625,893	191,106	26,000	3,790,999
Total Accumulated Depreciation	<u>7,843,753</u>	<u>625,942</u>	<u>26,000</u>	<u>8,443,695</u>
Total Historical Cost, Net	<u>\$ 7,511,290</u>	<u>\$ 1,052,332</u>	<u>\$ 0</u>	<u>\$ 8,563,622</u>
Depreciation was charged to governmental functions as follows:				
General government support			\$ 147,003	
Public safety			226,845	
Transportation			109,419	
Economic Assistance and Opportunity			5,172	
Culture and Recreation			28,516	
Health			1,432	
Home and Community Services			<u>107,554</u>	
Total Depreciation Expense			<u>\$ 625,942</u>	

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

NOTE 6. LIABILITIES.

A. Short-Term Debt

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

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

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

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

B. Long-Term Debt

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

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

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

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

NOTE 6. LIABILITIES. (Continued)

B. Long-Term Debt (Continued)

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

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

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

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

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

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

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

NOTE 6. LIABILITIES. (Continued)

B. Long-Term Debt (Continued)

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

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

C. Postemployment Benefits

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

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

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

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

Plan Description:

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

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

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

NOTE 6. LIABILITIES. (Continued)

C. Postemployment Benefits (continued)

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

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

Retiree Eligibility & Contribution Requirements:

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

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

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

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

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

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

NOTE 6. LIABILITIES. (Continued)

C. Postemployment Benefits (continued)

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

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

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

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

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

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

NOTE 6. LIABILITIES. (Continued)

C. Postemployment Benefits (continued)

The following assumptions were made:

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

Discount Rate: 4% compounded annually.

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

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

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

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

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

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

NOTE 7. PENSION PLANS

Plan Description

The Town participates in the New York State and Local Employees' Retirement System (ERS). ERS and the New York State and Local Police and Fire Retirement System (PFRS) which are collectively referred to as New York State and Local Retirement System (the ERS System). These are cost-sharing multiple-employer defined benefit retirement systems. The net position of the ERS System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in fiduciary net position allocated to the ERS System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the ERS System. The Comptroller is an elected official determined in a direct statewide election and serves a four-year term. Thomas P. DiNapoli has served as Comptroller since February 7, 2007. In November, 2014, he was elected for a new term commencing January 1, 2015. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. The Town also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, NY 12244.

ERS and PFRS Benefits Provided

The ERS and PFRS Systems provide retirement benefits as well as death and disability benefits.

Tiers 1 and 2

Eligibility: Tier 1 members, with the exception of those retiring under special retirement plans, must be at least age 55 to be eligible to collect a retirement benefit. There is no minimum service requirement for Tier 1 members. Tier 2 members, with the exception of those retiring under special retirement plans, must have five years of service and be at least age 55 to be eligible to collect a retirement benefit. The age at which full benefits may be collected for Tier 1 is 55, and the full benefit age for Tier 2 is 62.

Benefit Calculation: Generally, the benefit is 1.67 percent of final average salary for each year of service if the member retires with less than 20 years. If the member retires with 20 or more years of service, the benefit is 2 percent of final average salary for each year of service. Tier 2 members with five or more years of service can retire as early as age 55 with reduced benefits. Tier 2 members age 55 or older with 30 or more years of service can retire with no reduction in benefits. As a result of Article 19 of the RSSL, Tier 1 and Tier 2 members who worked continuously from April 1, 1999 through October 1, 2000 received an additional month of service credit for each year of credited service they have at retirement, up to a maximum of 24 additional months.

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

NOTE 7. PENSION PLANS. (Continued)

ERS and PFRS Benefits Provided (Continued)

Tiers 1 and 2 (Continued)

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

Tiers 3, 4, and 5

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

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

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

Tier 6

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

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

Final average salary is the average of the wages earned in the five highest consecutive years. For Tier 6 members, each year of final average salary is limited to no more than 10 percent of the average of the previous four years.

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

NOTE 7. PENSION PLANS. (Continued)

ERS and PFRS Benefits Provided (Continued)

Special Plans

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

Ordinary Disability Benefits

Generally, ordinary disability benefits, usually one-third of salary, are provided to eligible members after 10 years of service; in some cases, they are provided after five years of service.

Accidental Disability Benefits

For all eligible Tier 1 and Tier 2 ERS and PFRS members, the accidental disability benefit is a pension of 75 percent of final average salary, with an offset for any Workers' Compensation benefits received. The benefit for eligible Tier 3, 4, 5 and 6 members is the ordinary disability benefit with the years-of-service eligibility requirement dropped.

Ordinary Death Benefits

Death benefits are payable upon the death, before retirement, of a member who meets eligibility requirements as set forth by law. The first \$50,000 of an ordinary death benefit is paid in the form of group term life insurance. The benefit is generally three times the member's annual salary. For most members, there is also a reduced post-retirement ordinary death benefit available.

Post-Retirement Benefit Increases

A cost-of-living adjustment is provided annually to: (i) all pensioners who have attained age 62 and have been retired for five years; (ii) all pensioners who have attained age 55 and have been retired for 10 years; (iii) all disability pensioners, regardless of age, who have been retired for five years; (iv) ERS recipients of an accidental death benefit, regardless of age, who have been receiving such benefit for five years and (v) the spouse of a deceased retiree receiving a lifetime benefit under an option elected by the retiree at retirement. An eligible spouse is entitled to one-half the cost-of-living adjustment amount that would have been paid to the retiree when the retiree would have met the eligibility criteria. This cost-of-living adjustment is a percentage of the annual retirement benefit of the eligible member as computed on a base benefit amount not to exceed \$18,000 of the annual retirement benefit. The cost-of-living percentage shall be 50 percent of the annual Consumer Price Index as published by the U.S. Bureau of Labor, but cannot be less than 1 percent or exceed 3 percent.

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

NOTE 7. PENSION PLANS. (Continued)

Funding Policy

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

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

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

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

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

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

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

NOTE 7. PENSION PLANS. (Continued)

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

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

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

NOTE 7. PENSION PLANS. (Continued)

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

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

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

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

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, 2017

NOTE 7. PENSION PLANS. (Continued)

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

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

Discount Rate

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

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

NOTE 7. PENSION PLANS. (Continued)

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

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

	1% Decrease 6.00%	Current Assumption 7.00%	1% Increase 8.00%
ERS			
Employer's Proportionate Share of the Net Pension Asset/(Liability)	\$ (2,414,158)	\$ (755,888)	\$ 646,175
PFRS			
Employer's Proportionate Share of the Net Pension Asset/(Liability)	(1,477,603)	(521,211)	280,968

Pension Plan Fiduciary Net Position

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

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

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

NOTE 7. PENSION PLANS. (Continued)

Payables to the Pension Plan

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

NOTE 8. DEFICIT FUND BALANCES.

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

NOTE 9. CONTINGENCIES.

A. Compliance with Grant Programs

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

B. Litigation

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

NOTE 10. RISK MANAGEMENT.

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

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

NOTE 11. SUBSEQUENT EVENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NYSERS Pension Plan
Last 10 Fiscal Years*

	<u>3/31/2017</u>	<u>3/31/2016</u>	<u>3/31/2015</u>	<u>3/31/2014</u>
Town's proportion of the net pension asset/(liability)	0.0080446%	0.0089016%	0.0088611%	0.0088611%
Town's proportionate share of the net pension asset/(liability)	\$ (755,888)	\$ (1,428,724)	\$ (299,348)	\$ (400,419)
Town's covered-employee payroll	\$ 2,253,470	\$ 2,392,800	\$ 2,345,882	\$ 2,261,428
Town's proportionate share of the net pension asset/(liability) as a percentage of its covered-employee payroll	-33.54%	-59.71%	-12.76%	-17.71%
Plan fiduciary net position as a percentage of the total pension liability	94.70%	90.70%	97.90%	97.15%

NYSPFRS Pension Plan
Last 10 Fiscal Years*

	<u>3/31/2017</u>	<u>3/31/2016</u>	<u>3/31/2015</u>	<u>3/31/2014</u>
Town's proportion of the net pension asset/(liability)	0.0251471%	0.0294757%	0.0294855%	0.0294855%
Town's proportionate share of the net pension asset/(liability)	\$ (521,211)	\$ (872,713)	\$ (81,162)	\$ (122,751)
Town's covered-employee payroll	\$ 939,764	\$ 1,195,574	\$ 1,172,131	\$ 1,208,558
Town's proportionate share of the net pension asset/(liability) as a percentage of its covered-employee payroll	-55.46%	-73.00%	-6.92%	-10.16%
Plan fiduciary net position as a percentage of the total pension liability	93.50%	90.20%	99.00%	98.50%

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

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

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

NYSERS Pension Plan
Last 10 Fiscal Years*

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

NYSPFRS Pension Plan
Last 10 Fiscal Years*

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

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

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

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

	<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	\$ 13,611	\$ 25,391	\$ 9,645	\$ 120,135	\$ 2,805	\$ 171,587
TOTAL ASSETS	<u>\$ 13,611</u>	<u>\$ 25,391</u>	<u>\$ 9,645</u>	<u>\$ 120,135</u>	<u>\$ 2,805</u>	<u>\$ 171,587</u>
LIABILITIES						
Accounts Payable	\$ 0	\$ 8,487	\$ 0	\$ 0	\$ 0	\$ 8,487
Due to Other Funds	0	8,000	0	120,135	0	128,135
TOTAL LIABILITIES	<u>0</u>	<u>16,487</u>	<u>0</u>	<u>120,135</u>	<u>0</u>	<u>136,622</u>
FUND BALANCES						
Assigned	13,611	8,904	9,645	0	2,805	34,965
TOTAL FUND BALANCES	<u>13,611</u>	<u>8,904</u>	<u>9,645</u>	<u>0</u>	<u>2,805</u>	<u>34,965</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 13,611</u>	<u>\$ 25,391</u>	<u>\$ 9,645</u>	<u>\$ 120,135</u>	<u>\$ 2,805</u>	<u>\$ 171,587</u>

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



Nugent & Haeussler, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

ESTABLISHED 1925

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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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Town of Cornwall, as of and for the year ended December 31, 2017 and the related notes to the financial statements, which collectively comprise Town of Cornwall's basic financial statements and have issued our report thereon dated May 1, 2018.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Town of Cornwall's Response to Findings

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

Purpose of this Report

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



Montgomery, New York
May 1, 2018

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

SECTION I – SUMMARY OF AUDITOR’S RESULTS

FINANCIAL STATEMENTS

Type of Auditor's Report Issued: Unqualified

Internal Control Over Financial Reporting:

Material weakness(es) identified? Yes X No

Significant deficiencies identified that are
not considered to be material weaknesses

 X Yes No

Noncompliance material to financial statements noted?

 Yes X No

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

SECTION II - FINANCIAL STATEMENT FINDINGS

SIGNIFICANT DEFICIENCIES:

Finding 2017-001 Limited Segregation of Duties

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

Finding 2017-002 Management Oversight and Monitoring

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

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

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued).

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

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

APPENDIX C

FORM OF BOND COUNSEL OPINION

July 26, 2018

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

Ladies and Gentlemen:

We have acted as Bond Counsel to the Town of Cornwall (the “Town”), in the County of Orange, a municipal corporation of the State of New York, and have examined a record of proceedings relating to the authorization, sale and issuance of the \$1,580,000 Bond Anticipation Notes– 2018 (the “Note”) of the Town dated and delivered on the date hereof.

We have examined a record of proceedings relating to the Notes for purposes of this opinion. In such examination, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity with originals of all documents submitted to us as copies thereof.

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

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

2. Under existing statutes and court decisions and assuming continuing compliance with certain tax certifications described herein, (i) interest on the Notes is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) interest on the Notes is not treated as a preference item in calculating the alternative minimum tax under the Code; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed for taxable years beginning prior to January 1, 2018.

The Code establishes certain requirements that must be met subsequent to the issuance of the Note in order that the interest on the Note be and remain excludable from gross income under Section 103 of the Code. These requirements include, but are not limited to,

requirements relating to the use and expenditure of proceeds of the Notes, restrictions on the investment of proceeds of the Notes prior to expenditure and the requirement that certain earnings be rebated to the federal government. Noncompliance with such requirements may cause the interest on the Note to become subject to federal income taxation retroactive to the date of issuance thereof, irrespective of the date on which such noncompliance occurs or is ascertained.

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

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

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

Except as stated above, we express no opinion as to any other federal, state or local tax consequences arising with respect to the Notes or the ownership or disposition thereof. We render our opinion under existing statutes and court decisions as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any action hereafter taken or not taken, for any facts or circumstances or for any other reason. We express no opinion as to the consequence of any change in law or interpretation thereof, or otherwise, that may hereafter be enacted, arise or occur, and we note that such changes may take place or be proposed from time to time. We express no opinion on the effect of any action hereafter taken or not taken in reliance upon an opinion of other counsel as to the exclusion from gross income for federal income tax purposes of interest on the Notes, or under state and local tax laws.

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

Very truly yours,

APPENDIX D

FORM OF UNDERTAKING TO PROVIDE NOTICES OF EVENTS

UNDERTAKING TO PROVIDE NOTICES OF EVENTS

Section 1. Definitions

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

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

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

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

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

“Purchaser” shall mean the financial institution referred to in the Certificate of Determination, executed by the Town Supervisor as of July 26, 2018.

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

“Securities” shall mean the Issuer’s \$1,580,000 Bond Anticipation Notes-2018, dated July 26, 2018, maturing on July 26, 2019, and delivered on the date hereof.

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

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;

- (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices of determinations with respect to the tax status of the Securities, or other material events affecting the tax status of the Securities;
- (7) modifications to rights of Securities holders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution, or sale of property securing repayment of the Securities, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the Issuer;

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

- (13) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (14) appointment of a successor or additional trustee or the change of name of a trustee, if material.

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

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

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

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

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

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

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

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

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

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

IN WITNESS WHEREOF, the undersigned has duly authorized, executed and delivered this Undertaking as of **July 26, 2018**.

TOWN OF CORNWALL, NEW YORK

By _____
Town Supervisor