

**TOWN OF CORNWALL
CORNWALL, NEW YORK
AUDIT REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2015**

TOWN OF CORNWALL
CORNWALL, NEW YORK
DECEMBER 31, 2015

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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, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Cornwall, as of December 31, 2015, 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.

Change in Accounting Principle

As described in Note 1 to the financial statements, the Town implemented Governmental Accounting Standards Board Statements No. 68 and 71, which improve the usefulness of pension information and enhance its value for assessing accountability and interperiod equity by requiring recognition of a net pension asset or liability and a more comprehensive measure of pension expense. Our opinion is not modified with respect to that matter.

Other Matters*Required Supplemental Information*

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2016 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.

Nugent + Haussler, P.C.

Montgomery, New York
April 29, 2016

TOWN OF CORNWALL
CORNWALL, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015

The following is a discussion and analysis of the Town of Cornwall's financial performance for the year ended December 31, 2015. 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 2015 and 2014 were \$(1,065,689) and \$(1,302,168) (net position) respectively.
- As of the close of the current calendar year, the Town of Cornwall's governmental funds reported a combined ending fund balance of \$1,204,957, an increase of \$185,620 in comparison with the prior year.
- At the end of the current calendar year, the unassigned fund balance for the General Fund was \$332,515 at 6.50% of the total General Fund expenditures.
- The Town of Cornwall's total debt increased by \$2,795,000 (53.97 percent) during the current calendar year.

TOWN OF CORNWALL
CORNWALL, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015

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, 2015

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, 2015

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, 2015

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 \$(1,065,689). This is a \$236,479 increase over last year's net position of \$(1,302,168). 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
	2015	2014	2015-2014
Current Assets	\$ 5,877,641	\$ 2,787,913	\$ 3,089,728
Capital Assets	7,362,057	7,535,472	(173,415)
Deferred Outflows	98,612	-	98,612
Total Assets and Deferred Outflows	13,338,310	10,323,385	3,014,925
Long-Term Debt Outstanding	\$ 13,441,198	\$ 9,310,881	\$ 4,130,317
Other Liabilities	901,943	2,314,672	(1,412,729)
Deferred Inflows	60,858	-	60,858
Total Liabilities and Deferred Inflows	14,403,999	11,625,553	2,778,446
Investment in Capital Assets, Net of Debt	2,410,805	2,517,058	(106,253)
Restricted	758,026	545,610	212,416
Unrestricted Net Assets	(4,234,520)	(4,364,836)	130,316
Total Net Position	\$ (1,065,689)	\$ (1,302,168)	\$ 236,479

TOWN OF CORNWALL
CORNWALL, NEW YORK
STATEMENT OF ACTIVITIES
SUMMARY OF CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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, 2015 and 2014:

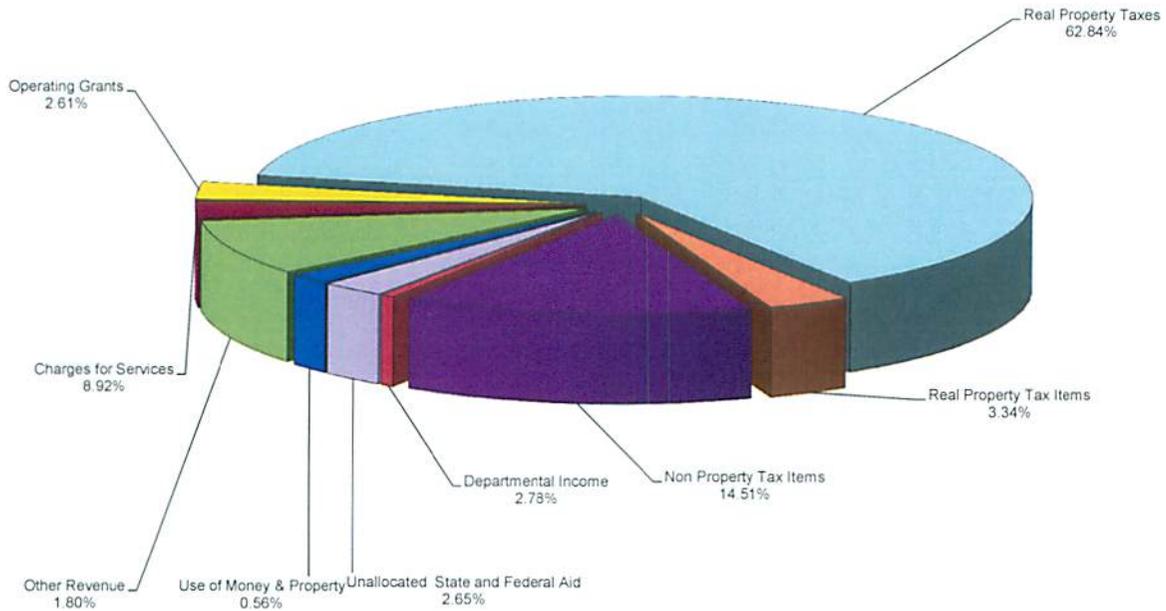
FIGURE A-3

REVENUES	2015		2014		\$ Change	% Change
	AMOUNT	%	AMOUNT	%		
PROGRAM REVENUES						
Charges for Services	\$ 968,089	8.92%	\$ 850,395	8.20%	\$ 117,694	13.84%
Operating Grants	283,249	2.61%	278,062	2.68%	5,187	1.87%
GENERAL REVENUES						
Real Property Taxes	6,818,734	62.84%	6,501,447	62.67%	317,287	4.88%
Real Property Tax Items	362,645	3.34%	319,863	3.08%	42,782	13.38%
Non Property Taxes	1,573,977	14.51%	1,553,939	14.98%	20,038	1.29%
Departmental Income	301,229	2.78%	296,651	2.86%	4,578	1.54%
Use of Money and Property	60,327	0.56%	58,198	0.56%	2,129	3.66%
Unallocated State and Federal Aid	287,183	2.65%	378,598	3.65%	(91,415)	-24.15%
Other Revenues	195,368	1.80%	137,714	1.33%	57,654	41.87%
	<u>10,850,801</u>	<u>100.00%</u>	<u>10,374,867</u>	<u>100.00%</u>	<u>475,934</u>	<u>4.59%</u>
EXPENDITURES						
General Government	1,661,226	15.65%	1,643,957	14.54%	17,269	1.05%
Public Safety	1,381,868	13.02%	1,501,167	13.27%	(119,299)	-7.95%
Health	222,965	2.10%	213,461	1.89%	9,504	4.45%
Transportation	1,652,580	15.57%	1,659,054	14.67%	(6,474)	-0.39%
Economic Assistance and Opportunity	42,218	0.40%	45,212	0.40%	(2,994)	-6.62%
Culture and Recreation	296,332	2.79%	262,145	2.32%	34,187	13.04%
Home and Community Services	2,074,001	19.54%	1,972,418	17.44%	101,583	5.15%
Interest on Debt	149,958	1.41%	140,400	1.24%	9,558	6.81%
Employee Benefits	2,499,269	23.55%	3,229,614	28.56%	(730,345)	-22.61%
Depreciation	633,905	5.97%	641,118	5.67%	(7,213)	-1.13%
	<u>10,614,322</u>	<u>100.00%</u>	<u>11,308,546</u>	<u>100.00%</u>	<u>(694,224)</u>	<u>-6.14%</u>
CHANGE IN NET POSITION	<u>\$ 236,479</u>		<u>\$ (933,679)</u>		<u>\$ 1,170,158</u>	

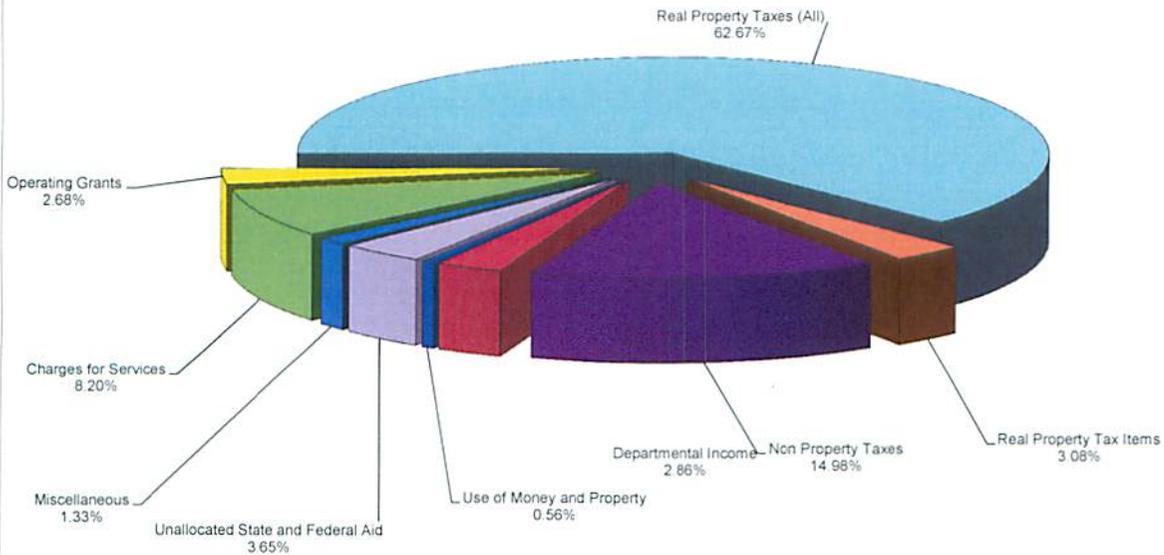
TOWN OF CORNWALL
CORNWALL, NEW YORK
December 31, 2015

FIGURE A-4

SOURCES OF REVENUES FOR YEAR 2015

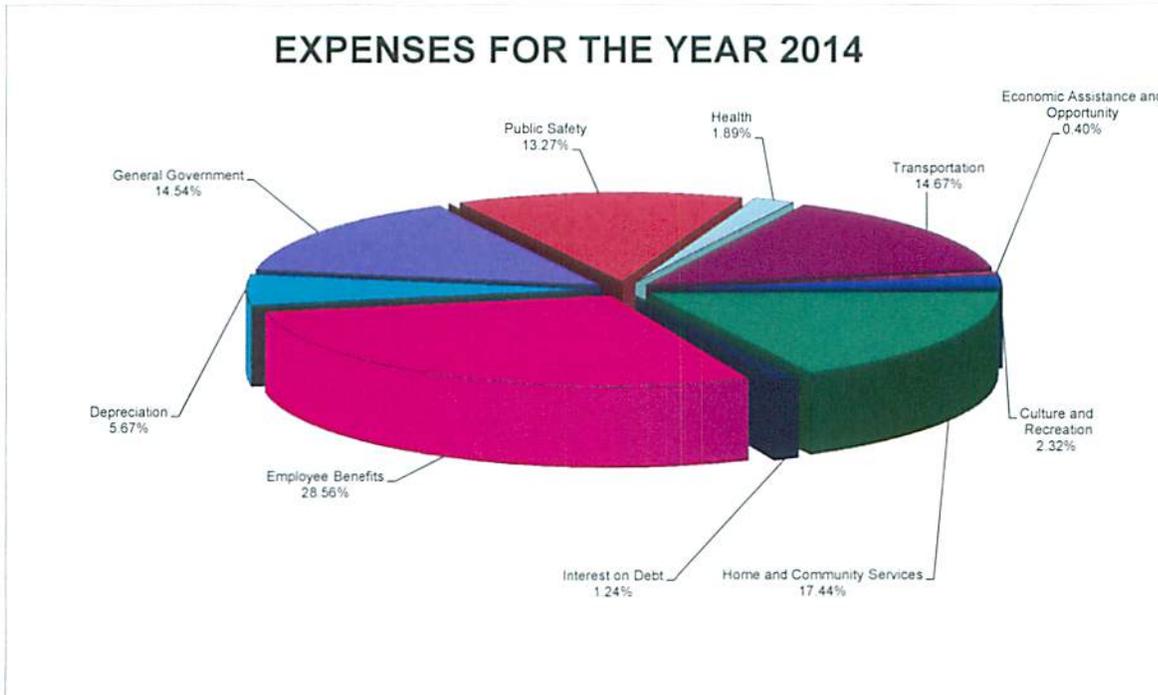
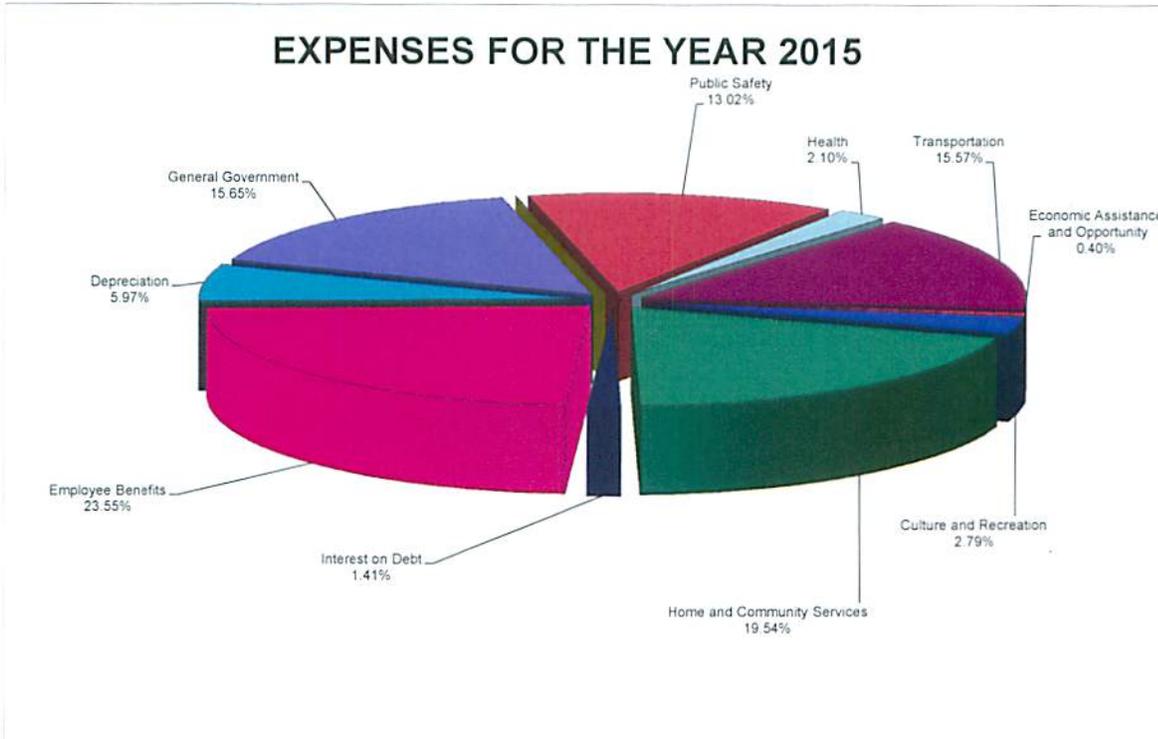


SOURCES OF REVENUES FOR YEAR 2014



TOWN OF CORNWALL
CORNWALL, NEW YORK
December 31, 2015

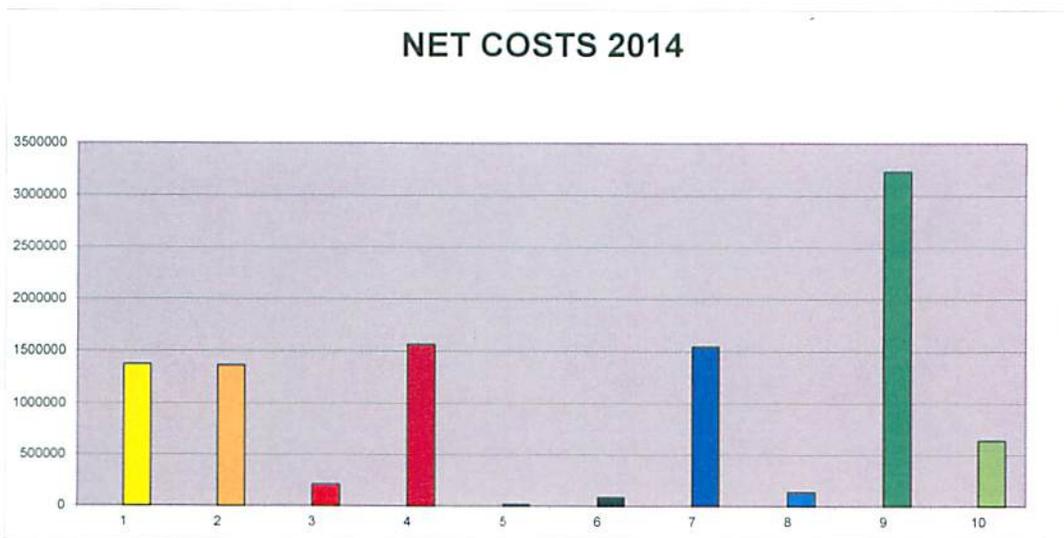
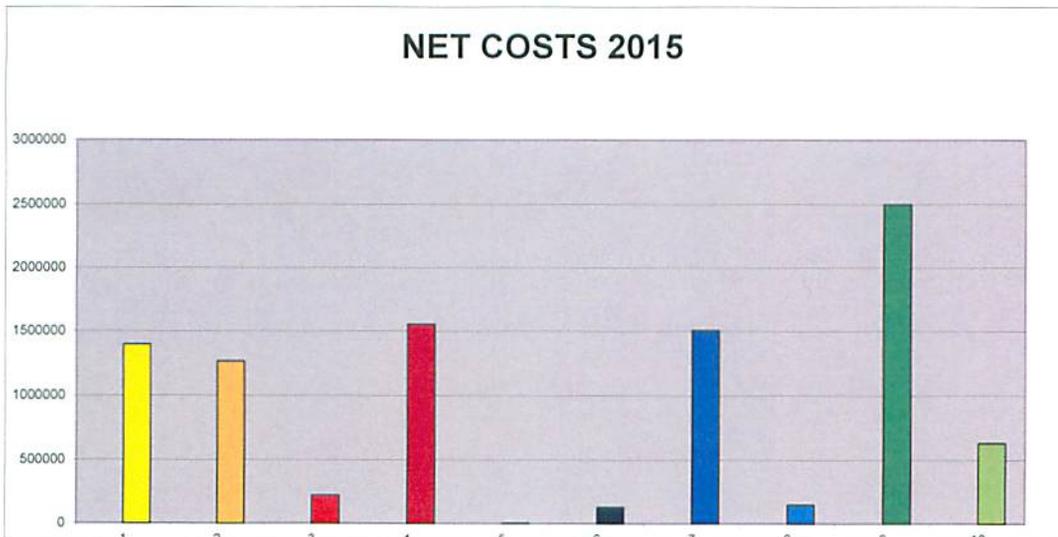
FIGURE A-5



TOWN OF CORNWALL
CORNWALL, NEW YORK
 December 31, 2015

FIGURE A-6

	TOTAL COST OF SERVICES 2015	NET COST OF SERVICES 2015	TOTAL COST OF SERVICES 2014	NET COST OF SERVICES 2014
GENERAL GOVERNMENT	\$ 1,661,226	\$ 1,394,930	\$ 1,643,957	\$ 1,373,890
PUBLIC SAFETY	1,381,866	1,265,165	1,501,167	1,364,631
HEALTH	222,965	222,965	213,461	213,461
TRANSPORTATION	1,652,580	1,555,679	1,659,054	1,564,581
ECONOMIC ASSISTANCE & OPPORTUNITY	42,218	4,108	45,212	16,366
CULTURE AND RECREATION	296,332	129,552	262,145	87,839
HOME AND COMMUNITY SERVICES	2,074,001	1,507,453	1,972,418	1,548,189
INTEREST ON DEBT	149,958	149,958	140,400	140,400
EMPLOYEE BENEFITS	2,499,269	2,499,269	3,229,614	3,229,614
DEPRECIATION	633,905	633,905	641,118	641,118
	<u>10,614,322</u>	<u>9,362,984</u>	<u>11,308,546</u>	<u>10,180,089</u>



TOWN OF CORNWALL
CORNWALL, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015

Total costs of services provided by the Town for the calendar years ended December 31, 2015 and 2014 were \$10,614,322 and \$11,308,546, respectively. In 2015, these charges were offset by grants and contributions of \$283,249 and charges for services of \$968,089, resulting in net cost of services of \$9,362,984. This is a \$817,105 decrease under last year's net costs of \$10,180,089.

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

Figure A-7

	December 31, 2015		
	Restricted	Assigned	Unassigned
General Fund	\$ -	\$ 750,460	\$ 332,515
Highway Fund	368,872	-	-
Water Fund	-	-	(39,201)
Sewer Fund	389,154	-	-
Capital Fund	-	-	(867,077)
Sanitation Fund	-	50,000	86,104
Non-Major Funds	-	137,251	(3,121)
Total	\$ 758,026	\$ 937,711	\$ (490,780)
	December 31, 2014		
	Restricted	Assigned	Unassigned
General Fund	\$ -	\$ 483,508	\$ 444,885
Highway Fund	357,650	-	-
Water Fund	-	-	(29,563)
Sewer Fund	187,510	-	-
Capital Fund	-	-	(605,955)
Sanitation Fund	-	51,421	-
Non-Major Funds	-	135,586	(5,705)
Total	\$ 545,160	\$ 670,515	\$ (196,338)

TOWN OF CORNWALL
CORNWALL, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015

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 \$187,493 and actual expenditures were lower than budgeted expenditures by \$67,089. Figure A-8 summarizes the General Funds original and revised budgets, actual expenditures and the variances for the year ended December 31, 2015.

Figure A-8

Condensed Budgetary Comparison General Funds	Original Budget	Revised Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Real Property Taxes	\$ 3,387,828	\$ 3,387,828	\$ 3,387,828	\$ -
Non Property Taxes	783,000	783,000	853,762	70,762
State and Federal Aid	453,400	510,173	396,419	(113,754)
All Other	403,818	405,532	636,017	230,485
Total Revenues	\$ 5,028,046	\$ 5,086,533	\$ 5,274,026	\$ 187,493
OTHER SOURCES				
Appropriated Fund Balance	100,000	100,000		
Total Revenues and Other Sources	\$ 5,128,046	\$ 5,186,533	\$ 5,274,026	
EXPENDITURES				
General Government Support	\$ 1,674,275	\$ 1,710,063	\$ 1,818,883	\$ (108,820)
Public Safety	1,499,200	1,500,914	1,450,405	50,509
Health	6,900	6,900	6,900	-
Economic Assistance and Opportunity	43,000	43,430	43,112	318
Culture & Recreation	320,457	341,013	301,262	39,751
Home & Community Service	87,917	87,917	65,463	22,454
Employee Benefits	1,397,700	1,397,700	1,334,823	62,877
Debt Service	98,597	98,596	98,596	-
Total Expenditures	\$ 5,128,046	\$ 5,186,533	\$ 5,119,444	\$ 67,089

TOWN OF CORNWALL
CORNWALL, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015

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 2015, the Town expended \$460,490 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
	2015	2014	2015 - 2014
Land	\$ 324,775	\$ 324,775	\$ -
Buildings	1,532,783	1,351,114	181,669
Machinery and Equipment	396,456	482,866	(86,410)
Infrastructure	4,550,135	4,640,991	(90,856)
Vehicles	557,908	735,726	(177,818)
Totals	\$ 7,362,057	\$ 7,535,472	\$ (173,415)

Major additions in 2015 included:

Buildings	\$ 248,059
Machinery and Equipment	18,335
Infrastructure	164,779
Vehicles	29,317
Total	\$ 460,490

TOWN OF CORNWALL
CORNWALL, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015

DEBT ADMINISTRATION

Debt, short-term and long-term, increased by \$2,795,000 during 2015.

The Town's liability for compensated absences decreased \$108,221 during 2015.

The Town's obligation for Other Post Retirement Benefits Payable increased by \$490,639 during 2015.

Detailed information regarding the Town's short and long-term liabilities is presented in more detail in Note 6 in the current year's notes to the financial statements. Figure A-10 reflects the changes in the Town's debt for 2015.

Figure A-10

	Governmental Activities		Total Dollar Change
	2015	2014	2015 - 2014
Serial Bonds and Notes	\$ 3,695,000	\$ 4,145,000	\$ (450,000)
Bond Anticipation Notes	4,279,000	1,034,000	3,245,000
Other Postemployment Benefits	5,467,198	4,976,559	490,639
Compensated Absences	81,101	189,322	(108,221)
Totals	\$ 13,522,299	\$ 10,344,881	\$ 3,177,418

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, 2015

ASSETS

Cash and Cash Equivalents	\$ 5,321,455
Accounts Receivable	556,186
Capital Assets (Net of Accumulated Depreciation)	7,362,057
TOTAL ASSETS	<u>13,239,698</u>

DEFERRED OUTFLOWS OF RESOURCES

Pensions	<u>98,612</u>
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LIABILITIES

Current Liabilities:

Accounts Payable	389,237
Accrued Liabilities	4,447
Accrued Interest Payable	46,648
Bond Anticipation Notes Payable	4,279,000

Long-Term Liabilities:

Due and Payable Within One Year:

Bonds and Notes Payable	1,380,000
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Due and Payable More Than One Year:

Bonds and Notes Payable	2,315,000
Other Post Retirement Benefits Payable	5,467,198
Net Pension Liability - Proportionate Share	380,510
Compensated Absences	81,101
TOTAL LIABILITIES	<u>14,343,141</u>

DEFERRED INFLOWS OF RESOURCES

Pensions	<u>60,858</u>
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NET POSITION

Net Investment in Capital Assets	2,410,805
Restricted	758,026
Unrestricted	(4,234,520)
TOTAL NET POSITION	<u>\$ (1,065,689)</u>

See notes to financial statements.

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

	<u>PROGRAM REVENUES</u>			<u>NET (EXPENSE)</u> <u>REVENUE AND</u> <u>CHANGE IN NET POSITION</u>
	<u>EXPENSES</u>	<u>CHARGES</u> <u>FOR SERVICES</u>	<u>OPERATING</u> <u>GRANTS AND</u> <u>CONTRIBUTIONS</u>	<u>GOVERNMENTAL</u> <u>ACTIVITIES</u>
<u>PRIMARY GOVERNMENT:</u>				
Governmental Activities:				
General Government	\$ (2,397,056)	\$ 266,296	\$ -	\$ (2,130,760)
Public Safety	(2,517,351)	111,483	5,220	(2,400,648)
Health	(230,134)	-	-	(230,134)
Transportation	(2,200,280)	-	96,901	(2,103,379)
Economic Assistance and Opportunity	(68,107)	-	38,110	(29,997)
Culture and Recreation	(439,070)	23,762	143,018	(272,290)
Home and Community Services	(2,612,365)	566,548	-	(2,045,817)
Interest on Debt	(149,958)	-	-	(149,958)
TOTAL PRIMARY GOVERNMENT	<u>\$ (10,614,322)</u>	<u>\$ 968,089</u>	<u>\$ 283,249</u>	<u>(9,362,984)</u>
<u>GENERAL REVENUES</u>				
Real Property Taxes				6,818,734
Real Property Tax Items				362,645
Non Property Taxes				1,573,977
Departmental Income				301,229
Use of Money and Property				60,327
Intergovernmental Charges				58,797
Licenses and Permits				17,862
Unallocated State and Federal Aid				287,183
Sale of Property and Compensation for Loss				42,707
Miscellaneous				76,002
TOTAL GENERAL REVENUES				<u>9,599,463</u>
Change in Net Position				236,479
Net Position - Beginning (As Restated)				<u>(1,302,168)</u>
Net Position - Ending		See notes to financial statements.		<u>\$ (1,065,689)</u>

**TOWN OF CORNWALL
 CORNWALL, NEW YORK
 BALANCE SHEET - GOVERNMENTAL FUNDS
 DECEMBER 31, 2015**

	<u>GENERAL</u>	<u>HIGHWAY</u>	<u>WATER</u>	<u>SEWER</u>	<u>CAPITAL PROJECTS</u>	<u>SANITATION</u>	<u>NON-MAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS								
Cash and Cash Equivalents	\$ 886,880	\$ 33,973	\$ 2,232	\$ 329,866	\$ 3,714,157	\$ 160,750	\$ 193,597	\$ 5,321,455
Accounts Receivable, Net	271,342	210,085	14,436	-	8,416	257	51,650	556,186
Due from Other Funds	76,847	300,000	-	120,000	2,505	100,000	-	599,352
TOTAL ASSETS	<u>\$ 1,235,069</u>	<u>\$ 544,058</u>	<u>\$ 16,668</u>	<u>\$ 449,866</u>	<u>\$ 3,725,078</u>	<u>\$ 261,007</u>	<u>\$ 245,247</u>	<u>\$ 6,476,993</u>
LIABILITIES								
Accounts Payable	\$ 147,647	\$ 73,140	\$ 12,410	\$ 503	\$ 2,517	\$ 49,903	\$ 103,117	\$ 389,237
Accrued Liabilities	4,447	-	-	-	-	-	-	4,447
Due to Other Funds	-	102,046	43,459	60,209	310,638	75,000	8,000	599,352
Bond Anticipation Notes Payable	-	-	-	-	4,279,000	-	-	4,279,000
TOTAL LIABILITIES	<u>152,094</u>	<u>175,186</u>	<u>55,869</u>	<u>60,712</u>	<u>4,592,155</u>	<u>124,903</u>	<u>111,117</u>	<u>5,272,036</u>
FUND BALANCES								
Restricted	-	368,872	-	389,154	-	-	-	758,026
Assigned	750,460	-	-	-	-	50,000	137,251	937,711
Unassigned	332,515	-	(39,201)	-	(867,077)	86,104	(3,121)	(490,780)
TOTAL FUND BALANCES	<u>1,082,975</u>	<u>368,872</u>	<u>(39,201)</u>	<u>389,154</u>	<u>(867,077)</u>	<u>136,104</u>	<u>134,130</u>	<u>1,204,957</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,235,069</u>	<u>\$ 544,058</u>	<u>\$ 16,668</u>	<u>\$ 449,866</u>	<u>\$ 3,725,078</u>	<u>\$ 261,007</u>	<u>\$ 245,247</u>	<u>\$ 6,476,993</u>

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, 2015

	TOTAL GOVERNMENTAL FUNDS	LONG-TERM ASSETS, LIABILITIES	RECLASSIFICATIONS AND ELIMINATIONS	STATEMENT OF NET POSITION TOTALS
ASSETS				
Cash and Cash Equivalents	\$ 5,321,455	\$ -	\$ -	\$ 5,321,455
Due from Other Funds	599,352	-	(599,352)	-
Accounts Receivable, Net	556,186	-	-	556,186
Capital Assets, Net	-	7,362,057	-	7,362,057
TOTAL ASSETS	6,476,993	7,362,057	(599,352)	13,239,698
DEFERRED OUTFLOWS OF RESOURCES				
Pension	-	98,612	-	98,612
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 6,476,993	\$ 7,460,669	\$ (599,352)	\$ 13,338,310
LIABILITIES				
Accounts Payable	\$ 389,237	\$ -	\$ -	\$ 389,237
Accrued Liabilities	4,447	46,648	-	51,095
Bond Anticipation Notes Payable	4,279,000	-	-	4,279,000
Bonds And Notes Payable	-	3,695,000	-	3,695,000
Due to Other Funds	599,352	-	(599,352)	-
Post Retirement Benefits Payable	-	5,467,198	-	5,467,198
Net Pension Liability - Proportionate Share	-	380,510	-	380,510
Compensated Absences Payable	-	81,101	-	81,101
TOTAL LIABILITES	5,272,036	9,670,457	(599,352)	14,343,141
DEFERRED INFLOWS OF RESOURCES				
Pension	-	60,858	-	60,858
TOTALS FUND BALANCES/NET POSITION	1,204,957	(2,270,646)	-	(1,065,689)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES/NET POSITION	\$ 6,476,993	\$ 7,460,669	\$ (599,352)	\$ 13,338,310

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, 2015**

	GENERAL	HIGHWAY	WATER	SEWER	CAPITAL PROJECTS	SANITATION	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES								
Real Property Taxes	\$ 3,387,828	\$ 1,449,530	\$ 30,978	\$ 333,029	\$ -	\$ 1,425,645	\$ 191,724	\$ 6,818,734
Real Property Tax Items	15,445	-	-	347,200	-	-	-	362,645
Non Property Tax Items	838,317	735,660	-	-	-	-	-	1,573,977
Departmental Income	266,974	-	112,190	413,227	-	-	216,246	1,008,637
Intergovernmental Charges	-	58,797	-	-	-	-	-	58,797
Use of Money and Property	58,315	303	17	202	981	367	142	60,327
Licenses and Permits	16,225	-	-	9,800	-	-	-	26,025
Fines and Forfeitures	252,518	-	-	-	-	-	-	252,518
Sale of Property and Compensation for Loss	12,974	25,927	-	2,500	-	1,306	-	42,707
Miscellaneous	29,011	33	2,000	-	43,623	1,335	-	76,002
State and Federal Aid	396,419	96,901	-	-	77,112	-	-	570,432
TOTAL REVENUES	5,274,026	2,367,151	145,185	1,105,958	121,716	1,428,653	408,112	10,850,801
EXPENDITURES								
General Government Support	1,818,883	-	-	-	115,817	-	-	1,934,700
Public Safety	1,450,405	-	-	-	-	-	-	1,450,405
Health	6,900	-	-	-	-	-	216,313	223,213
Transportation	-	1,445,825	-	-	132,242	-	98,855	1,676,922
Economic Assistance and Opportunity	43,112	-	-	-	-	-	-	43,112
Culture and Recreation	301,262	-	-	-	-	-	-	301,262
Home and Community Service	65,463	-	148,461	808,581	164,779	1,006,031	76,972	2,270,287
Employee Benefits	1,334,823	577,975	474	7,278	-	268,494	-	2,189,044
Debt Service	98,596	332,129	5,888	88,455	-	69,445	11,723	606,236
TOTAL EXPENDITURES	5,119,444	2,355,929	154,823	904,314	412,838	1,343,970	403,863	10,695,181
OTHER FINANCING SOURCES (USES)								
BANS Redeemed from Appropriations	-	-	-	-	30,000	-	-	30,000
TOTAL FINANCING SOURCES (USES)	-	-	-	-	30,000	-	-	30,000
Net Change in Fund Balances	154,582	11,222	(9,638)	201,644	(261,122)	84,683	4,249	185,620
Fund Balances-Beginning	928,393	357,650	(29,563)	187,510	(605,955)	51,421	129,881	1,019,337
Fund Balances-Ending	\$ 1,082,975	\$ 368,872	\$ (39,201)	\$ 389,154	\$ (867,077)	\$ 136,104	\$ 134,130	\$ 1,204,957

See notes to financial statements.

TOWN OF CORNWALL
CORNWALL, NEW YORK
RECONCILIATION OF GOVERNMENTAL FUNDS, REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2015

	TOTAL GOVERNMENTAL FUNDS	LONG-TERM REVENUE, EXPENSES	CAPITAL RELATED ITEMS	LONG-TERM DEBT TRANSACTIONS	RECLASSIFICATIONS AND ELIMINATIONS	STATEMENT OF ACTIVITIES TOTALS
REVENUES						
Real Property Taxes	\$ 6,818,734	\$ -	\$ -	\$ -	\$ -	\$ 6,818,734
Real Property Tax Items	362,645	-	-	-	-	362,645
Non Property Tax Items	1,573,977	-	-	-	-	1,573,977
Departmental Income	1,008,637	-	-	-	-	1,008,637
Intergovernmental Charges	58,797	-	-	-	-	58,797
Use of Money and Property	60,327	-	-	-	-	60,327
Licenses and Permits	26,025	-	-	-	-	26,025
Fines and Forfeitures	252,518	-	-	-	-	252,518
Sale of Property and Compensation for Loss	42,707	-	-	-	-	42,707
Miscellaneous	76,002	-	-	-	-	76,002
State and Federal Aid	570,432	-	-	-	-	570,432
TOTAL REVENUES	10,850,801	-	-	-	-	10,850,801
EXPENDITURES						
General Government Support	1,934,700	(25,415)	148,874	-	338,898	2,397,056
Public Safety	1,450,405	(39,220)	229,731	-	876,435	2,517,351
Health	223,213	(248)	1,451	-	5,719	230,134
Transportation	1,676,922	(18,918)	110,811	-	431,465	2,200,280
Economic Assistance and Opportunity	43,112	(894)	5,238	-	20,651	68,107
Culture and Recreation	301,262	(4,930)	28,879	-	113,859	439,070
Home and Community Service	2,270,287	(18,596)	108,922	-	251,752	2,612,365
Employee Benefits	2,189,044	310,225	-	-	(2,499,269)	-
Capital Outlay	-	-	(460,490)	-	460,490	-
Debt Service	606,236	23,722	-	(480,000)	-	149,958
TOTAL EXPENDITURES	10,695,181	225,726	173,415	(480,000)	-	10,614,322
Excess (Deficiency) of Revenues Over Expenditures	155,620	(225,726)	(173,415)	480,000	-	236,479
OTHER SOURCES (USES):						
BANS Redeemed from Appropriations	30,000	-	-	(30,000)	-	-
TOTAL OTHER SOURCES (USES)	30,000	-	-	(30,000)	-	-
NET CHANGE FOR THE YEAR	\$ 185,620	\$ (225,726)	\$ (173,415)	\$ 450,000	\$ -	\$ 236,479

See notes to financial statements.

TOWN OF CORNWALL
CORNWALL, NEW YORK
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2015

	<u>AGENCY FUNDS</u>
ASSETS	
Cash	\$ 289,957
TOTAL ASSETS	<u>\$ 289,957</u>
 LIABILITIES	
Escrow Deposits	\$ 181,669
Other Agency Liabilities	<u>108,288</u>
TOTAL LIABILITIES	<u>\$ 289,957</u>

See notes to financial statements.

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

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, 2015

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, 2015

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, 2015

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, 2015

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, 2015

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, 2015

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, 2015

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

N. Deferred Outflows and Inflows of Resources

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

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

O. Post Employment Benefits

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

P. Long-Term Obligations

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

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

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

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

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

Q. Equity Classification

1. Government-wide Statements

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

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

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

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

2. Funds Statements

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

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

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

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

Assigned: Includes amounts that are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. Assigned fund balance includes (a) all remaining amounts (except for negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed and (b) amounts in the General Fund that are intended to be used for a specific purpose. Assigned fund balance in the General, Sanitation, and Non-Major Funds also includes \$220,000, \$50,000, and \$8,000 respectively assigned to be used to reduce the tax levy for the year ending December 31, 2016. 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, 2015

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

Q. Equity Classification (Continued)

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

R. Restricted Resources

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

S. New Accounting Standards

The Town has adopted all current Statements of the Governmental Accounting Standards Board (GASB) that are applicable. At December 31, 2015, the Town implemented the following new standards issued by GASB:

- GASB Statement 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, effective for the year ending December 31, 2015.
- GASB Statement 69, *Government Combinations and Disposals of Government Operations*, effective for the year ending December 31, 2015.
- GASB Statement 70, *Accounting and Financial Reporting for Non-exchange Financial Guarantees*, effective for the year ending December 31, 2015
- GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*, effective for the year ending December 31, 2015

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

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

S. New Accounting Standards (Continued)

GASB has issued Statement 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, which improves financial reporting by state and local governments for pensions. This Statement and Statement 67 establish a definition of a pension plan that reflects the primary activities associated with the pension arrangement – determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. The Town has implemented Statement 68 as required.

GASB has issued Statement 69, *Government Combinations and Disposals of Government Operations*, which establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The term government combinations, includes a variety of transactions referred to as merger, acquisitions, and transfers of operations. This Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The Town has implemented Statement 69 as required.

GASB has issued Statement 70, *Accounting and Financial Reporting for Non-exchange Financial Guarantees*, which will improve accounting and financial reporting by state and local governments that extend and receive non-exchange financial guarantees. This Statement will enhance comparability of financial statements among governments by requiring consistent reporting by those governments that extend non-exchange financial guarantees and by those governments that receive non-exchange financial guarantees. It will also enhance the information disclosed about a government's obligations and risk exposure from extending nonfinancial guarantees. The Town has implemented Statement 70 as required.

GASB has issued Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*, which addresses an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions* and the amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement amends Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The Town has implemented Statement 70 as required.

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

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, 2015

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	\$ 14,667,438
Accumulated Depreciation	<u>(7,305,381)</u>
Capital Assets, Net	<u><u>\$ 7,362,057</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, 2015	<u><u>\$ 46,648</u></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	\$ 3,695,000
Other Postemployment Benefits	5,467,198
Compensated Absences	<u>81,101</u>
	<u><u>\$ 9,243,299</u></u>

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

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, 2015 were as follows:

Deferred Outflows of Resources – Pensions	\$ 98,612
Net Pension Liability, Proportionate Share (ERS & PFRS)	(380,510)
Deferred Inflows of Resources – Pensions	<u>(60,858)</u>
	<u>\$ (342,756)</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, 2015

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	\$ 10,880,801
BANS Redeemed from Appropriations	<u>(30,000)</u>
Total Revenues of Governmental Activities	<u>\$ 10,850,801</u>

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

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 \$ 10,695,181

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 during the year. Other postemployment benefits earned exceeded the amount paid by \$490,639. (Schedule 6) 382,418

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 \$460,490. was less than depreciation of \$633,905. in the current year. (Schedule 6). 173,415

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. (Schedule 6) 23,722

(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 \$37,143 and ERS of \$143,271) (Schedule 6). (180,414)

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. (Schedule 6) (480,000)

Total Expenses of Governmental Activities \$ 10,614,322

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

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, 2015, per the bank, are categorized as follows:

	<u>1</u>	<u>2</u>	<u>3</u>
Governmental & Agency Funds	\$ 6,066,882	\$ 0	\$ 0

NOTE 4. INTERFUND ACTIVITY.

The interfund receivables and payables at December 31, 2015 were as follows:

	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ 76,847	\$ -
Highway Fund	300,000	102,046
Water Fund	-	43,459
Sewer Fund	120,000	60,209
Capital Projects Fund	2,505	310,638
Sanitation Fund	100,000	75,000
Non-Major Funds	-	8,000
	<u>\$ 599,352</u>	<u>\$ 599,352</u>

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 5. CAPITAL ASSETS.

Capital asset balances and activity for the year ended December 31, 2015, were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals and Reclassifications</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>				
Capital Assets that are not Depreciated:				
Land	\$ 324,775	\$ -	\$ -	\$ 324,775
Total Not Depreciated	<u>324,775</u>	<u>-</u>	<u>-</u>	<u>324,775</u>
Capital Assets that are Depreciated:				
Buildings	2,191,668	248,059	-	2,439,727
Machinery and Equipment	1,489,961	18,335	-	1,508,296
Infrastructure	6,168,506	164,779	-	6,333,285
Vehicles	4,173,585	29,317	141,547	4,061,355
Total Depreciated	<u>14,023,720</u>	<u>460,490</u>	<u>141,547</u>	<u>14,342,663</u>
Less Accumulated Depreciation:				
Buildings	840,554	66,390	-	906,944
Machinery and Equipment	1,007,095	104,745	-	1,111,840
Infrastructure	1,527,515	255,635	-	1,783,150
Vehicles	3,437,859	207,135	141,547	3,503,447
Total Accumulated Depreciation	<u>6,813,023</u>	<u>633,905</u>	<u>141,547</u>	<u>7,305,381</u>
Total Historical Cost, Net	<u>\$ 7,535,472</u>	<u>\$ (173,415)</u>	<u>\$ -</u>	<u>\$ 7,362,057</u>

Depreciation was charged to governmental functions as follows:

General government support	\$ 148,874
Public safety	229,731
Transportation	110,811
Economic Assistance and Opportunity	5,238
Culture and Recreation	28,879
Health	1,451
Home and Community Services	<u>108,922</u>
Total Depreciation Expense	<u>\$ 633,905</u>

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

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, 2015, there were two Bond Anticipation Notes (BAN) outstanding for \$4,279,000.

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

Interest paid	\$ 15,398
Less: Interest accrued - prior year	(1,963)
Plus: Interest accrued - current year	<u>28,892</u>
Total Short-Term Interest	<u>\$ 42,327</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	\$ 108,810
Less: Interest accrued - prior year	(20,963)
Plus: Interest accrued - current year	<u>17,756</u>
Total Long-Term Interest	<u>\$ 105,603</u>

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 6. LIABILITIES. (Continued)

B. Long-Term Debt (Continued)

Long-term liability activity for the year ended December 31, 2015, was as follows:

	<u>Balance</u> <u>01/01/15</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/15</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities					
Bonds and Notes Payable:					
General Obligation					
Debt	\$ 4,145,000	\$ 0	\$ 450,000	\$ 3,695,000	\$ 1,380,000
Other Liabilities					
Other Postemployment					
Benefits	4,976,559	719,903	229,264	5,467,198	0
Vested Compensated					
Absences	<u>189,322</u>	<u>0</u>	<u>108,221</u>	<u>81,101</u>	<u>0</u>
Total Governmental					
Activities Long-Term					
Liabilities	<u>\$ 9,310,881</u>	<u>\$ 719,903</u>	<u>\$ 787,485</u>	<u>\$ 9,243,299</u>	<u>\$ 1,380,000</u>

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

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

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$1,380,000	\$ 93,954	\$1,473,954
2017	455,000	78,350	533,350
2018	295,000	62,266	357,266
2019	305,000	51,969	356,969
2020	320,000	40,916	360,916
2021-2024	940,000	55,466	995,466
Total	<u>\$3,695,000</u>	<u>\$ 382,921</u>	<u>\$4,077,921</u>

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 6. LIABILITIES. (Continued)

C. Postemployment Benefits

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

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

The Town recognizes the cost of providing health insurance annually as expenditures in the General Fund of the funds financial statements as payments are made. For the year ended December 31, 2015, the Town recognized \$229,264 for its share of insurance premiums for currently enrolled retirees.

The Town has obtained an actuarially prepared valuation report as of December 31, 2015 which indicates that the total liability for other post-employment benefits is \$7,234,346.

Plan Description:

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

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

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

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

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 6. LIABILITIES. (Continued)

C. Postemployment Benefits (continued)

Retiree Eligibility & Contribution Requirements:

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

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

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

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

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

Annual required contribution	\$834,684
Interest on net OPEB obligation	199,062
Adjustment to annual required contribution	<u>(313,843)</u>
Annual OPEB cost (expense)	719,903
Contributions made	<u>(229,264)</u>
Increase in net OPEB obligation	490,639
Net OPEB obligation - beginning of year	<u>4,976,559</u>
Net OPEB obligation - end of year	<u><u>\$ 5,467,198</u></u>

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 6. LIABILITIES. (Continued)

C. Postemployment Benefits (continued)

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended December 31, 2015 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>
12/31/2015	\$ 719,903	31.85%	\$ 490,639
12/31/2014	\$ 1,279,146	14.47%	\$ 1,094,021
12/31/2013	\$ 1,210,356	14.04%	\$ 1,040,471

Funded Status and Funding Progress: As of December 31, 2015, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$7,234,346, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$7,234,346. The covered payroll (annual payroll of active employees covered by the plan) was \$3,476,112., and the ratio of the UAAL to the covered payroll was 208%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

The following assumptions were made:

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

Discount Rate: 4% compounded annually.

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 6. LIABILITIES. (Continued)

C. Postemployment Benefits (continued)

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

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

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

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

Amortization Period: 30 years. The remaining amortization period at December 31, 2015 is 23 years.

NOTE 7. PENSION PLANS.

Plan Description

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

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

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>
2015	\$ 217,047	\$ 266,070
2014	291,342	217,033
2013	251,727	223,267

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, 2015, 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, 2015 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	3/31/2015	3/31/2015
Net Pension Asset/(Liability)	\$ (299,348)	\$ (81,162)
Town's Portion of the Plan's Total Net Pension Asset/(Liability)	0.0088611%	0.0294855%

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 7. PENSION PLANS. (Continued)

For the year ended December 31, 2015, the Town's recognized pension expense of \$217,047 for ERS and the actuarial value \$266,070 for PFRS. At December 31, 2015 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	\$ 9,582	\$ 9,788	\$ 19,370
Changes of Assumptions	-	-	-
Net difference between projected and actual earnings on pension plan investments	51,993	27,249	79,242
Changes in proportion and difference between the Town's contributions and proportionate share of contributions	-	-	-
Town's contributions subsequent to the measurement date	-	-	-
Total	<u>\$ 61,575</u>	<u>\$ 37,037</u>	<u>\$ 98,612</u>

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 7. PENSION PLANS. (Continued)

	Deferred Inflows or Resources		
	<u>ERS</u>	<u>PFRS</u>	<u>Total</u>
Differences between expected and actual experience	\$ -	\$ -	\$ -
Changes of Assumptions	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	-	-
Changes in proportion and difference between the District's contributions and proportionate share of contributions	19,375	41,483	60,858
District's contributions subsequent to the measurement date	-	-	-
Total	\$ 19,375	\$ 41,483	\$ 60,858

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, 2015. 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>
2016	\$ 10,550	\$ 473
2017	10,550	473
2018	10,550	473
2019	10,550	473
Thereafter	-	(6,339)

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

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	2.7%	2.7%
Projected Salary Increases	4.90%	6.00%
Projected Cost of Living Adjustments	1.4%	1.4%
Investment Rate of Return	7.5% compounded annually, net of investment expenses	7.5% compounded annually, net of investment expenses
Decrements	Actuarial experience study for the period April 1, 2005 to March 31, 2010	Actuarial experience study for the period April 1, 2005 to March 31, 2010
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, 2005 – March 31, 2010 System's experience with adjustments for mortality improvements based on MP-2014.

For ERS and PFRS, the actuarial assumptions used in the April 1, 2011 valuation are based on the results of an actuarial experience study for the period April 1, 2005 – March 31, 2010.

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

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, 2015	
	Target Allocation	Long-term expected real rate of return
<u>Asset Class:</u>		
Domestic Equity	38%	7.30%
International Equity	13%	8.55%
Private Equity	10%	11.00%
Real Estate	8%	8.25%
Absolute Return Strategies	3%	6.75%
Opportunistic Portfolio	3%	8.60%
Real Assets	3%	8.65%
Bonds and Mortgages	18%	4.00%
Cash	2%	2.25%
Inflation-indexed bonds	2%	4.00%
Total	100%	

Discount Rate

The discount rate used to calculate the total pension liability was 7.5% 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, 2015

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 7.5% 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 (6.5% for ERS and PFRS) or 1-percentage-point higher (8.5% for ERS and PFRS) than the current rate:

ERS	1% Decrease 6.50%	Current Assumption 7.50%	1% Increase 8.50%
Employer's Proportionate Share of the Net Pension Asset/(Liability)	\$ (1,995,287)	\$ (299,348)	\$ 1,132,444
PFRS	1% Decrease 6.50%	Current Assumption 7.50%	1% Increase 8.50%
Employer's Proportionate Share of the Net Pension Asset/(Liability)	(1,080,626)	(81,162)	756,449

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, 2015	March 31, 2015
Employers' total pension asset/(liability)	\$ (164,591,504)	\$ (28,474,417)
Plan net position	161,213,259	28,199,157
Employer's net pension asset/(liability)	\$ (3,378,245)	\$ (275,260)
Ratio of plan net position to the employers' total pension asset/(liability)	97.95%	99.00%

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

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, 2015 represent the projected employer contributions for the period of April 1, 2015 through December 31, 2015 based on paid ERS wages multiplied by the employer's contribution rate, by tier.

NOTE 8. CHANGES IN ACCOUNTING PRINCIPLE.

For the fiscal year ended December 31, 2015, the Town implemented GASB Statement No. 68 Accounting and Financial Reporting for Pensions – Amendment to GASB Statement No. 27 and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement date. The implementation of the Statements requires the Town to report as an asset and/or liability its portion of the collective net pensions asset and liability in the New York State Police and Fire's and Employee's Retirement Systems. The implementation of the Statements also requires the Town to report a deferred outflow and/or inflow for the effect of the net change in the Town's proportion of the collective net pension asset and/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. Also, included as a deferred outflow is the Town contributions to the pension systems subsequent to the measurement date. See Note 7 for financial statement impact of implementation of the Statements.

NOTE 9. DEFICIT FUND BALANCES.

The Water Fund had a deficit fund balance of \$39,201 at December 31, 2015. This deficit will be eliminated by increasing water rates and controlling expenditures. The Capital fund also had a deficit fund balance of \$867,077 at December 31, 2015. This deficit will be eliminated through long term financing.

NOTE 10. CONTINGENCIES.

A. Compliance with Grant Programs

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

B. Litigation

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

TOWN OF CORNWALL
CORNWALL, NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 11. RISK MANAGEMENT.

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

NOTE 12. TOTAL NET POSITION

Included in total net position of (\$1,065,689) is \$278,000 that has been appropriated by the Town for 2016 expenditures.

NOTE 13. SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 29, 2016, the date these financial statements were available to be issued. No significant subsequent events have been identified that would require adjustment of or disclosure in the accompanying financial statements.

NOTE 14. RESTATEMENT OF NET POSITION

For the year ended December 31, 2015, the Town implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The implementation of Statement No. 68 resulted in the reporting of liability related to the Town's Participation in the New York State Police and Fire and Employees' retirement systems as of December 31, 2014. The District's net position has been restated as follows:

Net Position beginning of year, as previously stated	\$ (778,998)
GASB Statement No. 68 Implementation:	
Beginning System Liability – PFRS	(122,751)
Beginning System Liability – ERS	<u>(400,419)</u>
Net Position beginning of year, as restated	\$ <u>(1,302,168)</u>

TOWN OF CORNWALL
CORNWALL, NEW YORK
SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET -
GENERAL FUND A
FOR THE YEAR ENDED DECEMBER 31, 2015

	ORIGINAL BUDGET	ADJUSTED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES				
Real Property Taxes	\$ 1,972,911	\$ 1,972,911	\$ 1,972,911	\$ -
Real Property Tax Items	18,000	18,000	15,445	(2,555)
Non-Property Tax Items	90,000	90,000	102,657	12,657
Departmental Income	30,000	30,000	122,523	92,523
Use of Money and Property	53,818	53,818	57,816	3,998
Licenses and Permits	11,600	11,600	16,225	4,625
Fines and Forfeitures	200,000	200,000	252,518	52,518
Miscellaneous	-	1,714	28,837	27,123
State Aid	300,000	356,773	276,181	(80,592)
Federal Aid	74,400	74,400	38,110	(36,290)
TOTAL REVENUES	<u>2,750,729</u>	<u>2,809,216</u>	<u>\$ 2,888,107</u>	<u>\$ 78,891</u>
OTHER SOURCES				
Appropriated Fund Balance	<u>100,000</u>	<u>100,000</u>		
TOTAL REVENUES AND OTHER SOURCES	<u>\$ 2,850,729</u>	<u>\$ 2,909,216</u>		
EXPENDITURES				
General Government Support	\$ 1,674,275	\$ 1,710,063	\$ 1,818,883	\$ (108,820)
Public Safety	154,500	156,214	154,740	1,474
Health	6,900	6,900	6,900	-
Economic Assistance and Opportunity	43,000	43,430	43,112	318
Culture and Recreation	255,457	276,013	247,252	28,761
Employee Benefits	618,000	618,000	610,994	7,006
Debt Service	98,597	98,596	98,596	-
TOTAL EXPENDITURES	<u>\$ 2,850,729</u>	<u>\$ 2,909,216</u>	<u>\$ 2,980,477</u>	<u>\$ (71,261)</u>

See accompanying notes to financial statements.

TOWN OF CORNWALL
CORNWALL, NEW YORK
SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET-
GENERAL FUND B
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>ORIGINAL BUDGET</u>	<u>ADJUSTED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES				
Real Property Taxes	\$ 1,414,917	\$ 1,414,917	\$ 1,414,917	\$ -
Non-Property Tax Items	675,000	675,000	735,660	60,660
Departmental Income	107,800	107,800	144,451	36,651
Use of Money and Property	600	600	499	(101)
Sale of Property and Compensation for Loss	-	-	8,090	8,090
Miscellaneous	-	-	174	174
State Aid	79,000	79,000	82,128	3,128
TOTAL REVENUES	<u>\$ 2,277,317</u>	<u>\$ 2,277,317</u>	<u>\$ 2,385,919</u>	<u>\$ 108,602</u>
EXPENDITURES				
Public Safety	\$ 1,344,700	\$ 1,344,700	\$ 1,295,665	\$ 49,035
Culture and Recreation	65,000	65,000	54,010	10,990
Home and Community Services	87,917	87,917	65,463	22,454
Employee Benefits	779,700	779,700	723,829	55,871
TOTAL EXPENDITURES	<u>\$ 2,277,317</u>	<u>\$ 2,277,317</u>	<u>\$ 2,138,967</u>	<u>\$ 138,350</u>

See accompanying notes to financial statements.

TOWN OF CORNWALL
CORNWALL, NEW YORK
SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET-
HIGHWAY FUND-TOWN WIDE
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>ORIGINAL BUDGET</u>	<u>ADJUSTED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES				
Real Property Taxes	\$ 214,501	\$ 214,501	\$ 214,501	\$ -
Sale of Property and Compensation for Loss	-	25,294	25,294	-
TOTAL REVENUES	<u>\$ 214,501</u>	<u>\$ 239,795</u>	<u>\$ 239,795</u>	<u>\$ -</u>
EXPENDITURES				
Transportation	\$ 110,000	\$ 135,294	\$ 118,109	\$ 17,185
Debt Service	104,501	104,501	104,501	-
TOTAL EXPENDITURES	<u>\$ 214,501</u>	<u>\$ 239,795</u>	<u>\$ 222,610</u>	<u>\$ 17,185</u>

See accompanying notes to financial statements.

TOWN OF CORNWALL
CORNWALL, NEW YORK
SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET-
HIGHWAY FUND-PART TOWN
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>ORIGINAL BUDGET</u>	<u>ADJUSTED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES				
Real Property Taxes	\$ 1,235,029	\$ 1,235,029	\$ 1,235,029	\$ -
Non Property Tax Items	675,000	716,302	735,660	19,358
Intergovernmental	58,000	58,000	58,797	797
Use of Money and Property	500	500	303	(197)
Sale of Property and Compensation for Loss	-	-	633	633
Miscellaneous	-	-	33	33
State and Federal Aid	84,729	84,729	96,901	12,172
TOTAL REVENUES	<u>\$ 2,053,258</u>	<u>\$ 2,094,560</u>	<u>\$ 2,127,356</u>	<u>\$ 32,796</u>
OTHER SOURCES				
Appropriated Fund Balance	<u>100,000</u>	<u>100,000</u>		
TOTAL REVENUES AND OTHER SOURCES	<u>\$ 2,153,258</u>	<u>\$ 2,194,560</u>		
EXPENDITURES				
Transportation	\$ 1,376,730	\$ 1,376,730	\$ 1,327,716	\$ 49,014
Employee Benefits	548,900	590,202	577,975	12,227
Debt Service	227,628	227,628	227,628	-
TOTAL EXPENDITURES	<u>\$ 2,153,258</u>	<u>\$ 2,194,560</u>	<u>\$ 2,133,319</u>	<u>\$ 61,241</u>

See accompanying notes to financial statements.

TOWN OF CORNWALL
CORNWALL, NEW YORK
SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET -
WATER FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>ORIGINAL BUDGET</u>	<u>ADJUSTED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES				
Real Property Taxes	\$ 30,978	\$ 30,978	\$ 30,978	\$ -
Departmental Income	100,000	100,000	112,190	12,190
Use of Money and Property	-	-	17	17
Miscellaneous	-	-	2,000	2,000
TOTAL REVENUES	<u>\$ 130,978</u>	<u>\$ 130,978</u>	<u>\$ 145,185</u>	<u>\$ 14,207</u>
EXPENDITURES				
Home and Community Services	\$ 124,630	\$ 124,630	\$ 148,461	\$ (23,831)
Employee Benefits	460	460	474	(14)
Debt Service	5,888	5,888	5,888	-
TOTAL EXPENDITURES	<u>\$ 130,978</u>	<u>\$ 130,978</u>	<u>\$ 154,823</u>	<u>\$ (23,845)</u>

See accompanying notes to financial statements.

TOWN OF CORNWALL
CORNWALL, NEW YORK
SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET-
SEWER FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>ORIGINAL BUDGET</u>	<u>ADJUSTED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES				
Real Property Taxes	\$ 333,029	\$ 333,029	333,029	\$ -
Real Property Tax Items	347,200	347,200	347,200	-
Departmental Income	303,000	303,000	413,227	110,227
Use of Money and Property	-	-	202	202
Licenses and Permits	-	-	9,800	9,800
Miscellaneous	-	-	-	-
TOTAL REVENUES	<u><u>\$ 983,229</u></u>	<u><u>\$ 983,229</u></u>	<u><u>\$ 1,105,958</u></u>	<u><u>\$ 122,729</u></u>
EXPENDITURES				
Home and Community Services	\$ 875,000	\$ 875,000	\$ 808,581	\$ 66,419
Employee Benefits	7,200	7,200	7,278	(78)
Debt Service	101,029	101,029	88,455	12,574
TOTAL EXPENDITURES	<u><u>\$ 983,229</u></u>	<u><u>\$ 983,229</u></u>	<u><u>\$ 904,314</u></u>	<u><u>\$ 78,915</u></u>

See accompanying notes to financial statements.

TOWN OF CORNWALL
CORNWALL, NEW YORK
SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET-
SANITATION FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>ORIGINAL BUDGET</u>	<u>ADJUSTED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES				
Real Property Taxes	\$ 1,425,645	\$ 1,425,645	1,425,645	\$ -
Use of Money and Property	500	500	367	(133)
Sale of Property and Compensation for Loss	-	-	1,306	1,306
Miscellaneous	-	-	1,335	1,335
TOTAL REVENUES	<u>\$ 1,426,145</u>	<u>\$ 1,426,145</u>	<u>\$ 1,428,653</u>	<u>\$ 2,508</u>
EXPENDITURES				
Home and Community Services	\$ 1,073,500	\$ 1,073,500	\$ 1,006,031	67,469
Employee Benefits	283,200	283,200	268,494	14,706
Debt Service	69,445	69,445	69,445	-
TOTAL EXPENDITURES	<u>\$ 1,426,145</u>	<u>\$ 1,426,145</u>	<u>\$ 1,343,970</u>	<u>\$ 82,175</u>

See accompanying notes to financial statements

TOWN OF CORNWALL
CORNWALL, NEW YORK
SCHEDULE OF FUNDING PROGRESS FOR OTHER POSTEMPLOYMENT BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2015

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, 2015

NYSERS Pension Plan Last 10 Fiscal Years*		
	<u>3/31/2015</u>	<u>3/31/2014</u>
District's proportion of the net pension asset/(liability)	0.0088611%	0.0088611%
District's proportionate share of the net pension asset/(liability)	(299,348)	(400,419)
District's covered-employee payroll	2,345,882	2,261,428
District's proportionate share of the net pension asset/(liability) as a percentage of its covered-employee payroll	-12.76%	-17.71%
Plan fiduciary net position as a percentage of the total pension liability	97.90%	97.15%

NYSPFRS Pension Plan Last 10 Fiscal Years*		
	<u>3/31/2015</u>	<u>3/31/2014</u>
District's proportion of the net pension asset/(liability)	0.0294855%	0.0294855%
District's proportionate share of the net pension asset/(liability)	(81,162)	(122,751)
District's covered-employee payroll	1,172,131	1,208,558
District's proportionate share of the net pension asset/(liability) as a percentage of its covered-employee payroll	-6.92%	-10.16%
Plan fiduciary net position as a percentage of the total pension liability	99.00%	98.50%

* GASB 68 requires that the past 10 years of information be presented. Due to the fact that this was the year of implementation, prior year information is not available for 10 years. 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, 2015

NYSERS Pension Plan
 Last 10 Fiscal Years*

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

NYSPFRS Pension Plan
 Last 10 Fiscal Years*

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

* GASB 68 requires that the past 10 years of information be presented. Due to the fact that this was the year of implementation, prior year information is not available for 10 years. 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, 2015

	<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	\$ 13,596	\$ 12,761	\$ 14,530	\$ 150,819	\$ 1,891	\$ 193,597
Accounts Receivable, Net	-	-	-	51,650	-	51,650
TOTAL ASSETS	<u>\$ 13,596</u>	<u>\$ 12,761</u>	<u>\$ 14,530</u>	<u>\$ 202,469</u>	<u>\$ 1,891</u>	<u>\$ 245,247</u>
LIABILITIES						
Accounts Payable	\$ -	\$ 7,882	\$ -	\$ 95,235	\$ -	\$ 103,117
Due to Other Governments	-	8,000	-	-	-	8,000
TOTAL LIABILITIES	<u>-</u>	<u>15,882</u>	<u>-</u>	<u>95,235</u>	<u>-</u>	<u>111,117</u>
FUND BALANCES						
Assigned	13,596	-	14,530	107,234	1,891	137,251
Unassigned	-	(3,121)	-	-	-	(3,121)
TOTAL FUND BALANCES	<u>13,596</u>	<u>(3,121)</u>	<u>14,530</u>	<u>107,234</u>	<u>1,891</u>	<u>134,130</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 13,596</u>	<u>\$ 12,761</u>	<u>\$ 14,530</u>	<u>\$ 202,469</u>	<u>\$ 1,891</u>	<u>\$ 245,247</u>

See accompanying notes to financial statements.

TOWN OF CORNWALL
CORNWALL, NEW YORK
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>DRAINAGE</u>	<u>LIGHTING</u>	<u>HYDRANT</u>	<u>AMBULANCE</u>	<u>MAIN STREET PARKING</u>	<u>TOTAL NON-MAJOR GOVERNMENTAL FUNDS</u>
REVENUES						
Real Property Taxes	\$ -	\$ 101,000	\$ 79,000	\$ 11,724	\$ -	\$ 191,724
Use of Money and Property	6	29	41	65	1	142
Departmental Income	-	-	-	216,246	-	216,246
TOTAL REVENUES	<u>6</u>	<u>101,029</u>	<u>79,041</u>	<u>228,035</u>	<u>1</u>	<u>408,112</u>
EXPENDITURES						
Transportation	-	98,445	-	-	410	98,855
Home and Community Service	-	-	76,972	-	-	76,972
Health	-	-	-	216,313	-	216,313
Debt Service	-	-	-	11,723	-	11,723
TOTAL EXPENDITURES	<u>-</u>	<u>98,445</u>	<u>76,972</u>	<u>228,036</u>	<u>410</u>	<u>403,863</u>
Net Change in Fund Balances	6	2,584	2,069	(1)	(409)	4,249
Fund Balances-Beginning	<u>13,590</u>	<u>(5,705)</u>	<u>12,461</u>	<u>107,235</u>	<u>2,300</u>	<u>129,881</u>
Fund Balances-Ending	<u>\$ 13,596</u>	<u>\$ (3,121)</u>	<u>\$ 14,530</u>	<u>\$ 107,234</u>	<u>\$ 1,891</u>	<u>\$ 134,130</u>

See accompanying notes to financial statements.

TOWN OF CORNWALL
CORNWALL, NEW YORK
COMBINED GENERAL FUNDS
BALANCE SHEETS
DECEMBER 31, 2015

	<u>GENERAL FUND (A)</u>	<u>GENERAL FUND (B)</u>	<u>TOTAL OF GENERAL FUNDS</u>
ASSETS			
Cash and Cash Equivalents	\$ 425,195	\$ 461,685	\$ 886,880
Accounts Receivable	71,003	200,339	271,342
Due from Other Funds	76,847	-	76,847
TOTAL ASSETS	<u><u>\$ 573,045</u></u>	<u><u>\$ 662,024</u></u>	<u><u>\$ 1,235,069</u></u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts Payable	\$ 118,648	\$ 28,999	\$ 147,647
Accrued Liabilities	1,882	2,565	4,447
TOTAL LIABILITIES	<u><u>120,530</u></u>	<u><u>31,564</u></u>	<u><u>152,094</u></u>
FUND BALANCE			
Assigned	120,000	630,460	750,460
Unassigned	332,515	-	332,515
TOTAL FUND BALANCE	<u><u>452,515</u></u>	<u><u>630,460</u></u>	<u><u>1,082,975</u></u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 573,045</u></u>	<u><u>\$ 662,024</u></u>	<u><u>\$ 1,235,069</u></u>

TOWN OF CORNWALL
CORNWALL, NEW YORK
GENERAL FUND
STATEMENT OF CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2015

FUND BALANCE - January 1, 2015	\$ 544,885	\$ 383,508	\$ 928,393
ADD: Revenues and Other Sources	2,888,107	2,385,919	5,274,026
	<u>3,432,992</u>	<u>2,769,427</u>	<u>6,202,419</u>
LESS: Expenditures and Other Uses	2,980,477	2,138,967	5,119,444
FUND BALANCE - December 31, 2015	<u><u>\$ 452,515</u></u>	<u><u>\$ 630,460</u></u>	<u><u>\$ 1,082,975</u></u>

See accompanying notes to financial statements.

TOWN OF CORNWALL
CORNWALL, NEW YORK
SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET-
COMBINED GENERAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>ORIGINAL BUDGET</u>	<u>ADJUSTED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES				
Real Property Taxes	\$ 3,387,828	\$ 3,387,828	\$ 3,387,828	\$ -
Real Property Tax Items	18,000	18,000	15,445	(2,555)
Non Property Tax Items	765,000	765,000	838,317	73,317
Departmental Income	137,800	137,800	266,974	129,174
Use of Money and Property	54,418	54,418	58,315	3,897
Licences and Permits	11,600	11,600	16,225	4,625
Fines and Forfeitures	200,000	200,000	252,518	52,518
Sale of Property and Compensation for Loss	-	-	12,974	12,974
Miscellaneous	-	1,714	29,011	27,297
State and Federal Aid	453,400	510,173	396,419	(113,754)
TOTAL REVENUES	<u>5,028,046</u>	<u>5,086,533</u>	<u>\$ 5,274,026</u>	<u>\$ 187,493</u>
OTHER SOURCES				
Appropriated Fund Balance	<u>100,000</u>	<u>100,000</u>		
TOTAL	<u>\$ 5,128,046</u>	<u>\$ 5,186,533</u>		
EXPENDITURES				
General Government Support	\$ 1,674,275	\$ 1,710,063	\$ 1,818,883	\$ (108,820)
Public Safety	1,499,200	1,500,914	1,450,405	50,509
Health	6,900	6,900	6,900	-
Economic Assistance and Opportunity	43,000	43,430	43,112	318
Culture and Recreation	320,457	341,013	301,262	39,751
Home and Community Service	87,917	87,917	65,463	22,454
Employee Benefits	1,397,700	1,397,700	1,334,823	62,877
Debt Service	98,597	98,596	98,596	-
TOTAL EXPENDITURES	<u>\$ 5,128,046</u>	<u>\$ 5,186,533</u>	<u>\$ 5,119,444</u>	<u>\$ 67,089</u>

See accompanying notes to financial statements.

TOWN OF CORNWALL
CORNWALL, NEW YORK
NET INVESTMENT IN CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2015

Capital Assets, Net		\$	7,362,057
Deduct:			
Bond Anticipation Notes	\$		4,279,000
Short-Term Portion of Bonds Payable			1,380,000
Long-Term Portion of Bonds Payable			2,315,000
Less: Unspent Bond Proceeds			<u>(3,022,748)</u>
			<u>4,951,252</u>
Net Investment in Capital Assets		\$	<u><u>2,410,805</u></u>

See accompanying notes to financial statements

**TOWN OF CORNWALL
CORNWALL, NEW YORK
STATEMENT OF INDEBTEDNESS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>DATE OF ORIGINAL ISSUE</u>	<u>MATURITY</u>	<u>INTEREST RATE</u>	<u>OUTSTANDING BEGINNING OF YEAR</u>	<u>ISSUED DURING YEAR</u>	<u>TRANSFER TO SERIAL BOND</u>	<u>PAID DURING YEAR</u>	<u>OUTSTANDING END OF YEAR</u>	<u>AMOUNT OF INTEREST PAID DURING YEAR</u>	<u>AMOUNT OF INTEREST ACCRUED AT DECEMBER 31, 2015</u>
<u>BOND ANTICIPATION NOTES</u>										
Sewer District Improvements	12/1/2011	7/29/2016	1.75%	1,034,000	-	-	30,000	1,004,000	15,398	1,974
Various Purpose	7/30/2015	7/29/2016	2.00%	-	3,275,000	-	-	3,275,000	-	26,918
TOTAL BOND ANTICIPATION NOTES				1,034,000	3,275,000	-	30,000	4,279,000	15,398	28,892
<u>SERIAL BONDS & NOTES</u>										
2009 Serial Bond	10/1/2009	3/1/2024	3.00%	1,030,000	-	-	90,000	940,000	31,694	9,271
2003 Serial Bond	12/1/2003	12/1/2017	3.38%	475,000	-	-	150,000	325,000	17,625	3,771
2007 Serial Bond	8/15/2007	5/15/2022	4.38%	960,000	-	-	105,000	855,000	39,878	4,714
2012 EFC Loan	5/25/2012	12/1/2016	0.00%	960,000	-	-	20,000	940,000	-	-
2013 Public Improvements	10/29/2013	5/15/2023	2.50%	720,000	-	-	85,000	635,000	19,613	1,957
TOTAL SERIAL BONDS AND NOTES				4,145,000	-	-	450,000	3,695,000	108,810	17,756
TOTAL INDEBTEDNESS				\$ 5,179,000	\$ 3,275,000	\$ -	\$ 480,000	\$ 7,974,000	\$ 124,208	\$ 46,648

See accompanying notes to financial statements.



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

Peter J. Bullis, CPA, FACFEI, DABFA
Norman M. Sassi, CPA
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Richard P. Capicchioni, CPA
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To the Supervisor and Members
of the Town Board
Town of Cornwall
Cornwall, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Town of Cornwall, as of and for the year ended December 31, 2015 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 April 29, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies, identified as findings 2015-1 and 2015-2.

Compliance and Other Matters

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

Purpose of this Report

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

Jugent + Hausler, P.C.

Montgomery, New York
April 29, 2016

TOWN OF CORNWALL
CORNWALL, NEW YORK
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2015

SECTION II - FINANCIAL STATEMENT FINDINGS

SIGNIFICANT DEFICIENCIES:

Finding 2015-1 Limited Segregation of Duties

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

Finding 2015-2 Management Oversight and Monitoring

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

TOWN OF CORNWALL
CORNWALL, NEW YORK
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2015

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.