

TOWN OF CORNWALL, CONNECTICUT
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017
with
SUPPLEMENTAL STATEMENTS AND SCHEDULES
and
INDEPENDENT AUDITORS' REPORT

Sandra E. Welwood, LLC
Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

To the Board of Finance
Town of Cornwall, Connecticut

Report on the Financial Statements

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, Connecticut (the "Town"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that 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 auditors' 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 as of June 30, 2017, and the respective changes in financial position, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Town's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 30, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 9, and the required supplementary information on page 36, 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's basic financial statements. The combining and individual nonmajor fund financial statements, and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and other schedules 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 and individual nonmajor fund financial statements and other schedules 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 September 18, 2017, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



Danbury, Connecticut
September 18, 2017

TOWN OF CORNWALL, CONNECTICUT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

JUNE 30, 2017

As management of the Town of Cornwall (the "Town"), we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2017.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Town of Cornwall exceeded its liabilities at the close of the most recent fiscal year by \$9,333,845 (*net position*). Of this amount, \$4,425,742 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors. Restricted Net Position is \$56,075, which is comprised of \$34,895 for the Cornwall Endowment Fund, \$16,251 for Open Space, \$283 for the Milk Fund and \$4,646 for the Food and Fuel Fund. The remainder of its net position is invested in capital assets.
- As of the close of the current fiscal year, the Town of Cornwall's governmental funds reported combined ending fund balances of \$4,102,867, an increase of \$1,242,405 in comparison with the prior year. Of this amount, \$1,736,893 is available for spending at the government's discretion and called the Unassigned fund balance. The Assigned portion is \$533,366, the Committed portion is \$1,764,322, the Restricted portion is \$21,180 and the Nonspendable portion is \$47,106. See page 33 of the audit report for details.
- At the end of the current fiscal year, the fund balance for the General Fund was \$2,221,919, of which \$200,000 has been assigned for the subsequent year's budget and \$272,815 has been assigned for other purposes leaving an unassigned fund balance for the General Fund of \$1,736,893 or 25.9% percent of total general fund expenditures for 2017.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the Town's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

Town of Cornwall, Connecticut
Management's Discussion and Analysis (Unaudited) (continued)

The Statement of Activities presents information showing how the government's net position is changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in future cash inflows (revenues) and outflows (expenditures).

Both of the government-wide financial statements present functions of the Town that are principally supported by tax revenues, grants and intergovernmental revenues (*governmental activities*). The governmental activities of the Town include general government, public safety, highways, sanitation, health and welfare, recreation, and education. The Town does not report any funds that carry-on business-type activities.

The government-wide financial statements can be found on pages 10-11 of the audit report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains eight (8) individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund. The Town also reports the Capital Projects Fund as a major fund.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 12-15 of the audit report.

Town of Cornwall, Connecticut
Management's Discussion and Analysis (Unaudited) (continued)

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs.

The basic fiduciary fund financial statements can be found on pages 16-17 of the audit report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18-35 of the audit report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets and deferred outflows of resources exceeded liabilities by \$9,333,845 at the close of the most recent fiscal year.

	<u>Net Position</u>	
	<u>2017</u>	<u>2016</u>
<u>Assets</u>		
Current and other assets	\$ 5,006,734	\$ 3,451,745
Capital assets, net	<u>7,566,286</u>	<u>7,183,591</u>
Total assets	<u>12,573,020</u>	<u>10,635,336</u>
Deferred outflows of resources	<u>37,917</u>	<u>43,333</u>
<u>Liabilities</u>		
Long-term liabilities outstanding	2,752,175	1,418,385
Other liabilities	<u>524,917</u>	<u>182,416</u>
Total liabilities	<u>3,277,092</u>	<u>1,600,801</u>
<u>Net Position</u>		
Net investment in capital assets	4,852,028	5,808,539
Restricted	56,075	41,668
Unrestricted	<u>4,425,742</u>	<u>3,227,661</u>
Total net position	<u>\$ 9,333,845</u>	<u>\$ 9,077,868</u>

The restricted portion of the Town's Net Position represents net position restricted for capital projects and other purposes. The balance of Unrestricted Net Position (\$4,425,742) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town is able to report that all categories of net position increased by \$255,977 during this fiscal year. This increase is primarily attributable to principal pay down of bonded debt and an increase in cash offset by a decrease of taxes, interest and lien fees receivable and the excess of depreciation over additions to capital assets.

Town of Cornwall, Connecticut
Management's Discussion and Analysis (Unaudited) (continued)

Changes in Net Position		
	2017	2016
<u>Revenues:</u>		
General revenues:		
Property taxes	\$ 6,294,103	\$ 6,177,343
Unrestricted investment income	30,968	8,656
Grants and contributions	43,201	84,163
Other income	33,550	76,149
Program revenues:		
Charges for services	135,045	125,588
Operating grants and contributions	705,140	627,744
Capital grants and contributions	-	65,241
Total revenues	<u>7,242,007</u>	<u>7,164,884</u>
<u>Expenses:</u>		
Governmental activities:		
General government	895,771	878,525
Public safety	459,980	256,293
Highways	566,702	810,213
Sanitation	139,492	133,478
Health and welfare	58,357	61,940
Recreation	82,405	82,295
Education	4,629,581	4,546,864
Debt service	31,591	36,092
Other	122,151	126,901
Total expenses	<u>6,986,030</u>	<u>6,932,601</u>
Change in net position	255,977	232,283
Beginning net position	<u>9,077,868</u>	<u>8,845,585</u>
Ending net position	<u>\$ 9,333,845</u>	<u>\$ 9,077,868</u>

Governmental activities increased the Town of Cornwall's net position by \$255,977.

Key elements of the activities are as follows: 86.9% of the revenues of the Town were derived from property taxes, followed by 9.7% from operating grants and contributions, 1.9% from charges for services, and 1.5% from other income.

Town of Cornwall, Connecticut
Management's Discussion and Analysis (Unaudited) (continued)

Major revenue factors included:

- An increase in collection of delinquent taxes, interest and liens and an increase in fees for services and other revenues.
- A reduction of state grants, principally the LoCIP funds and Education Cost Sharing funds.

For Governmental Activities, 66.8% of the Town's expenses relate to education and repayment of long-term debt for school construction, 7.4% relates to public safety and health and welfare, 10.1% relates to highways and public works, and the remaining 15.7 % relates to government, community services, administration and other areas.

Major expense factors, for the most part, remain consistent as compared to the prior year. Major capital expenditures include the acquisition of a new 114SD Freightliner tanker for the Cornwall Volunteer Fire Department and the box culvert / bridge replacement on Valley Road.

FINANCIAL ANALYSIS OF THE FUND FINANCIAL STATEMENTS

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported combined ending fund balances of \$4,102,867, an increase of \$1,242,405. 42.3% of this total amount constitutes Unassigned fund balance, which is available for spending at the government's discretion.

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, total fund balance of the General Fund totaled \$2,221,919, an increase of \$76,248 over the previous year of which \$200,000 was assigned for the subsequent year's budget and \$272,815 was assigned for other purposes.

As a measure of the General Fund's liquidity, it may be useful to compare both Unassigned Fund Balance and total Fund Balance to total fund expenditures. Unassigned Fund Balance represents 25.9% of total General Fund expenditures for 2017.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Town ended the year with a \$121,248 budget surplus. The revenues exceeded budgeted amounts by \$63,244. Overall, the Town's expenditures were \$58,004 less than budgeted amounts principally attributable to reductions in Educational expenses. Although \$200,000 of fund balance was anticipated to be used to balance the budget, none was used. Of the \$121,248 budget surplus, \$45,000 was transferred to Capital Projects per authority of the electors and citizens to facilitate the West Cornwall Wastewater Management Study. This appropriation will ultimately be repaid by a RGTOD grant that was secured by NHCOC.

Town of Cornwall, Connecticut
Management's Discussion and Analysis (Unaudited) (continued)

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Town's investment in capital assets for its governmental activities as of June 30, 2017 amounts to \$7,566,286 (net of accumulated depreciation). This investment in capital assets includes land and buildings, vehicles, machinery and equipment.

Major capital asset events during the current fiscal include insulation upgrades at CCS, construction of a Swap Shop at the Transfer Station, box culvert / bridge replacement on Valley Road, installation of new guide rails on Music Mountain over Reed Brook Road, purchase of a 2017 Ford F250 4 x 4 and a 2017 CAT backhoe for the Highway Department and the purchase of a new 114SD Freightliner tanker for the Cornwall Volunteer Fire Department.

<u>Capital Assets at Year-End (Net of Accumulated Depreciation)</u>		
	<u>2017</u>	<u>2016</u>
Land and infrastructure	\$ 1,449,029	\$ 1,307,981
Buildings and improvements	4,865,415	4,999,872
Machinery and equipment	<u>1,251,842</u>	<u>875,738</u>
Total (net of accumulated depreciation)	<u>\$ 7,566,286</u>	<u>\$ 7,183,591</u>

Additional information on the Town's capital assets can be found in Note 4 on page 26 of the audit report.

Long-Term Obligations

The Town has the following obligations:

<u>Outstanding Obligations at Year-End</u>		
	<u>2017</u>	<u>2016</u>
General obligation bonds	\$ 2,689,128	\$ 1,348,290
Landfill closure	<u>63,047</u>	<u>70,095</u>
	<u>\$ 2,752,175</u>	<u>\$ 1,418,385</u>

On September 24, 2017, General Obligation Bonds in the amount of \$1,500,000 were issued to fund the town wide bridge program. Additional information on the Town's long-term debt can be found in Note 7 on pages 31-32 of the audit report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- Declining enrollment at Cornwall Consolidated School.
- Capital funding for the continuation of updating and replacing DPW equipment.
- Addition of a permanent part-time assistant in the Town Clerk's office.
- Increased debt service to include the town wide bridge program.
- Increases in grants to local organizations that provide services to Cornwall citizens.
- The potential impact of the State fiscal crisis and its effects on state grants and possible assessments.

These factors were considered in preparing the Town of Cornwall's budget for the 2017-2018 fiscal year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Office, Town of Cornwall, P.O. Box 97, Cornwall, CT 06753.

TOWN OF CORNWALL, CONNECTICUT

STATEMENT OF NET POSITION

JUNE 30, 2017

(With Comparative Totals for June 30, 2016)

	<u>2017</u>	<u>2016</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 4,294,882	\$ 2,676,950
Investments	304,798	289,755
Taxes, interest, and lien fees receivable, net	394,559	449,266
Prepaid expenses	12,211	7,984
Other receivables	284	27,790
	<u>5,006,734</u>	<u>3,451,745</u>
Noncurrent assets:		
Capital assets:		
Land and other nondepreciable assets	671,177	671,177
Depreciable assets, net of depreciation	6,895,109	6,512,414
Total assets	<u>12,573,020</u>	<u>10,635,336</u>
<u>Deferred Outflows of Resources</u>		
Unavailable amount on refunding	37,917	43,333
Total deferred outflows of resources	<u>37,917</u>	<u>43,333</u>
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	455,494	119,305
Due to other beneficiaries	27,752	26,985
Accrued expenses	38,770	33,308
Due to State of Connecticut	2,901	2,818
Current portion of long-term obligations	322,387	167,387
	<u>847,304</u>	<u>349,803</u>
Noncurrent liabilities:		
General obligation bonds	2,350,000	1,160,000
Other long-term obligations	79,788	90,998
Total liabilities	<u>3,277,092</u>	<u>1,600,801</u>
<u>Net Position</u>		
Net investment in capital assets	4,852,028	5,808,539
Restricted	56,075	41,668
Unrestricted	4,425,742	3,227,661
Total net position	<u>\$ 9,333,845</u>	<u>\$ 9,077,868</u>

The notes to the financial statements are an integral part of this statement.

TOWN OF CORNWALL, CONNECTICUT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	2017	2016
Governmental Activities:						
General government	\$ 895,771	\$ 117,206	\$ 7,073	\$ -	\$ (771,492)	\$ (723,121)
Public safety	459,980	-	-	-	(459,980)	(228,600)
Highways	566,702	-	224,166	-	(342,536)	(553,218)
Sanitation	139,492	13,767	-	-	(125,725)	(121,698)
Health and welfare	58,357	-	49,845	-	(8,512)	(12,739)
Recreation	82,405	3,431	-	-	(78,974)	(81,166)
Education	4,629,581	641	424,056	-	(4,204,884)	(4,230,493)
Debt service	31,591	-	-	-	(31,591)	(36,092)
Other	122,151	-	-	-	(122,151)	(126,901)
Total governmental activities	\$ 6,986,030	\$ 135,045	\$ 705,140	\$ -	(6,145,845)	(6,114,028)
General Revenues:						
Property taxes, interest, and lien fees					6,294,103	6,177,343
Unrestricted investment income					30,968	8,656
Grants and contributions not restricted to specific purpose					43,201	84,163
Other income					33,550	76,149
Total general revenues					6,401,822	6,346,311
Change in net position					255,977	232,283
Net position, beginning of year					9,077,868	8,845,585
Net position, end of year					\$ 9,333,845	\$ 9,077,868

The notes to the financial statements are an integral part of this statement.

TOWN OF CORNWALL, CONNECTICUT

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2017

(With Comparative Totals for June 30, 2016)

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Governmental Funds	
				2017	2016
<u>Assets</u>					
Cash and cash equivalents	\$ 2,163,344	\$ 1,991,858	\$ 139,680	\$ 4,294,882	\$ 2,676,950
Investments	266,287	-	38,511	304,798	289,755
Taxes, interest, and lien fees receivable, net of allowance	394,559	-	-	394,559	449,266
Other receivables	284	-	-	284	27,790
Prepaid expenses	12,211	-	-	12,211	7,984
Due from other funds	15,150	111	-	15,261	303,109
Total assets	\$ 2,851,835	\$ 1,991,969	\$ 178,191	\$ 5,021,995	\$ 3,754,854
<u>Liabilities</u>					
Accounts payable	\$ 183,178	\$ 272,316	\$ -	\$ 455,494	\$ 119,305
Due to other beneficiaries	27,752	-	-	27,752	26,985
Accrued expenses	38,770	-	-	38,770	33,308
Due to State of Connecticut	1,155	-	1,746	2,901	2,818
Due to other funds	111	11,000	4,150	15,261	303,109
Total liabilities	250,966	283,316	5,896	540,178	485,525
<u>Deferred Inflows of Resources</u>					
Unavailable revenue - taxes, interest, and lien fees	378,950	-	-	378,950	408,867
<u>Fund Balances</u>					
Nonspendable	12,211	-	34,895	47,106	32,831
Restricted	-	-	21,180	21,180	16,821
Committed	-	1,704,025	60,297	1,764,322	633,848
Assigned	472,815	4,628	55,923	533,366	515,930
Unassigned	1,736,893	-	-	1,736,893	1,661,032
Total fund balances	2,221,919	1,708,653	172,295	4,102,867	2,860,462
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,851,835	\$ 1,991,969	\$ 178,191		
Amounts reported in the Statement of Net Position are different because:					
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				7,566,286	7,183,591
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.				378,950	408,867
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.					
Deferred amount on refunding				37,917	43,333
Unamortized premiums				(29,128)	(33,290)
General obligation bonds				(2,660,000)	(1,315,000)
Post-closure landfill costs				(63,047)	(70,095)
Net position				\$ 9,333,845	\$ 9,077,868

The notes to the financial statements are an integral part of this statement.

TOWN OF CORNWALL, CONNECTICUT

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)**

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Governmental Funds	
				2017	2016
Revenues:					
Property taxes	\$ 6,324,020	\$ -	\$ -	\$ 6,324,020	\$ 6,236,640
Investment income	20,657	5,911	4,400	30,968	8,656
Fees and charges	136,304	-	3,073	139,377	150,234
Intergovernmental revenues	695,223	813	200	696,236	721,372
Contributions	-	9,368	54,936	64,304	51,701
Other revenues	17,019	-	-	17,019	55,578
Total revenues	7,193,223	16,092	62,609	7,271,924	7,224,181
Expenditures:					
Current:					
General government	843,363	19,117	14,282	876,762	840,274
Public safety	146,448	378,267	-	524,715	196,035
Highways	478,981	-	-	478,981	440,072
Sanitation	146,540	-	-	146,540	140,930
Health and welfare	43,072	-	15,285	58,357	61,940
Recreation	82,405	-	-	82,405	82,295
Education	4,425,840	43,677	-	4,469,517	4,381,260
Other	122,151	-	-	122,151	126,901
Debt Service:					
Principal and interest	181,175	-	-	181,175	175,675
Capital outlay	-	588,916	-	588,916	416,331
Total expenditures	6,469,975	1,029,977	29,567	7,529,519	6,861,713
Excess of revenues over (under) expenditures	723,248	(1,013,885)	33,042	(257,595)	362,468
Other Financing Sources (Uses):					
Proceeds from issuance of debt	-	1,500,000	-	1,500,000	-
Transfers in	-	647,000	-	647,000	630,972
Transfers out	(647,000)	-	-	(647,000)	(630,972)
	(647,000)	2,147,000	-	1,500,000	-
Net change in fund balances	76,248	1,133,115	33,042	1,242,405	362,468
Fund balances, beginning of year	2,145,671	575,538	139,253	2,860,462	2,497,994
Fund balances, end of year	\$ 2,221,919	\$ 1,708,653	\$ 172,295	\$ 4,102,867	\$ 2,860,462

The notes to the financial statements are an integral part of this statement.

TOWN OF CORNWALL, CONNECTICUT

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017**

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - total governmental funds	<u>\$ 1,242,405</u>
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (net of disposals) exceeded depreciation in the current period:

Capital outlay (net of disposals)	714,084
Depreciation expense	<u>(331,389)</u>
	<u>382,695</u>

Revenues in the Statement of Activities that do not provide current financial resources are reported as deferred revenues in the funds. Accordingly, an adjustment is necessary to reconcile amounts reported as interest receivable in the government-wide Statement of Net Position and as unavailable revenue in the fund Balance Sheet.

(29,917)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Debt issued:	
Issuance of debt	(1,500,000)
Amortization of the premium on the refunding debt	4,162
Repayments:	
Amortization of the deferred amount on refunding	(5,416)
To bond holders	<u>155,000</u>
	<u>(1,346,254)</u>

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Post-closure landfill costs	<u>7,048</u>
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Change in net position	<u><u>\$ 255,977</u></u>
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The notes to the financial statements are an integral part of this statement.

TOWN OF CORNWALL, CONNECTICUT

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY BASIS - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts				Variance With Final Budget Positive (Negative)
	Original	Transfers	Final	Actual	
Revenues:					
Fees for services	\$ 59,901	\$ -	\$ 59,901	\$ 136,304	\$ 76,403
Other revenues	3,500	-	3,500	17,019	13,519
Property taxes	6,086,824	-	6,086,824	6,324,020	237,196
State education grants	42,811	-	42,811	6,950	(35,861)
State general grants	309,037	-	309,037	271,367	(37,670)
Transfer/non-revenue receipts	211,000	-	211,000	20,657	(190,343)
Total revenues	6,713,073	-	6,713,073	6,776,317	63,244
Expenditures:					
Assessor	40,971	-	40,971	39,228	1,743
Board of Assessment Appeals	500	-	500	-	500
Board of Selectmen	98,771	306	99,077	99,043	34
Finance Department	60,232	-	60,232	60,213	19
Hammond Beach	38,784	-	38,784	36,289	2,495
Highway administration/supplies	425,918	10,600	436,518	435,454	1,064
Highway vehicle maintenance	40,000	3,600	43,600	43,527	73
Insurance and benefits	347,789	-	347,789	341,971	5,818
Land use	35,216	-	35,216	89,721	(54,505)
Organizational support	127,000	-	127,000	122,151	4,849
Park & recreation	46,948	-	46,948	46,116	832
Payroll expenses	51,038	-	51,038	49,381	1,657
Probate Court	3,113	-	3,113	3,112	1
Public health & welfare	50,589	-	50,589	43,072	7,517
Public safety	164,897	-	164,897	146,448	18,449
Registrars of Voters	12,257	-	12,257	9,315	2,942
Sanitation & recycling	143,242	3,300	146,542	146,540	2
Tax Collector	37,000	-	37,000	35,158	1,842
Town Clerk	61,119	-	61,119	58,960	2,159
Town office administration	45,652	11,630	57,282	57,261	21
Contingency	30,000	(29,436)	564	-	564
Transfers to other funds	-	45,000	45,000	45,000	-
Board of Education	4,068,862	-	4,068,862	4,008,934	59,928
Capital expenditures	602,000	-	602,000	602,000	-
Debt service	181,175	-	181,175	181,175	-
Total expenditures	6,713,073	45,000	6,758,073	6,700,069	58,004
Net change in fund balance	\$ -	\$ (45,000)	\$ (45,000)	76,248	\$ 121,248
Fund balance, beginning of year				2,145,671	
Fund balance, end of year				\$ 2,221,919	

The notes to the financial statements are an integral part of this statement.

TOWN OF CORNWALL, CONNECTICUT
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2017
(With Comparative Totals for June 30, 2016)

	Private- Purpose Trust Funds	Pension Trust Fund	Agency Fund	Totals	
				2017	2016
<u>Assets</u>					
Cash and cash equivalents	\$ 29,762	\$ 3,590	\$ 27,768	\$ 61,120	\$ 50,479
Contributions receivable	-	13,563	-	13,563	30,194
Investments	511,748	646,337	15,662	1,173,747	1,089,519
Total assets	\$ 541,510	\$ 663,490	\$ 43,430	\$ 1,248,430	\$ 1,170,192
<u>Liabilities</u>					
Due to beneficiaries	\$ -	\$ -	\$ 43,430	\$ 43,430	\$ 37,190
Total liabilities	-	-	43,430	43,430	35,377
<u>Net Position</u>					
Held in trust for pension benefits	-	663,490	-	663,490	631,180
Held in trust for other purposes	541,510	-	-	541,510	501,822
Total net position	\$ 541,510	\$ 663,490	\$ -	\$ 1,205,000	\$ 1,133,002

The notes to the financial statements are an integral part of this statement.

TOWN OF CORNWALL, CONNECTICUT

**FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2017
(With Comparative Totals for June 30, 2016)**

	Private- Purpose Trust Funds	Pension Trust Fund	Totals	
			2017	2016
Additions:				
Investment income	\$ 49,845	\$ 2,702	\$ 52,547	\$ 18,275
Unrealized gain on investments	-	54,085	54,085	-
Contributions	4,350	13,563	17,913	36,952
	<u>54,195</u>	<u>70,350</u>	<u>124,545</u>	<u>55,227</u>
Deductions:				
General government	-	-	-	500
Education	10,683	-	10,683	11,273
Retirement	-	38,040	38,040	29,253
Other	3,824	-	3,824	53,822
	<u>14,507</u>	<u>38,040</u>	<u>52,547</u>	<u>94,848</u>
Change in net position	39,688	32,310	71,998	(39,621)
Net position, beginning of year	<u>501,822</u>	<u>631,180</u>	<u>1,133,002</u>	<u>1,172,623</u>
Net position, end of year	<u><u>\$ 541,510</u></u>	<u><u>\$ 663,490</u></u>	<u><u>\$ 1,205,000</u></u>	<u><u>\$ 1,133,002</u></u>

The notes to the financial statements are an integral part of this statement.

TOWN OF CORNWALL, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

The Town of Cornwall, Connecticut (the “Town”) is a municipal corporation organized under State Statutes. The form of government includes an elected Board of Selectmen and an elected Board of Finance. The Town provides the following services: general government services, public safety, public works, public health and welfare, culture, and recreation. Primary education services are provided by the Cornwall Consolidated School, whose operations are presented in the Town’s financial statements. Secondary education services are provided by Regional School District #1, of which the towns of Cornwall, Canaan, Kent, North Canaan, Salisbury, and Sharon are members. Town appropriations to the district are determined by a separate taxpayer approved budget and the percentage of Cornwall residents attending the district’s schools.

The legislative authority of the Town is vested in the Town Meeting. The First Selectman is the chief executive, chief administrative officer, and budget-making authority of the Town. The Board of Finance is responsible for revising the proposed budget and submitting the final budget to the Town Meeting. The Board of Finance is also responsible for establishing the annual tax rate. The Town has the power to incur indebtedness by issuing bonds or notes as provided by Connecticut General Statutes.

The accounting and reporting policies of the Town relating to the funds included in the accompanying financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. The more significant accounting policies of the Town are described below.

The Town’s financial statements include the accounts of all Town controlled operations. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Town (the primary government) and its component units. The basic criteria for inclusion of a component unit in a governmental unit’s reporting entity for basic financial reporting is the exercise of oversight responsibility. Oversight responsibility is determined on the basis of financial interdependence, selection of governing authority, designation of management, ability to significantly influence operations, accountability for fiscal matters, and scope of public service. Currently, there are no entities considered component units of the Town. The Town includes all funds, agencies, boards, commissions, and authorities that are controlled by or dependent on the Town’s executive and legislative branches.

The financial statements presented herein do not include agencies which have been formed under applicable State laws or separate and distinct units of government apart from the Town. Based upon the foregoing criteria, the following organization is not considered part of the Town and is excluded from the accompanying financial statements:

Cornwall Library Association – The Cornwall Library Association is a legally incorporated, separate and distinct entity from the Town. The Town provides a portion of the operating budget to the Library; however, the Town is not required to fund deficits nor does the Town participate in program budgets or managing operations. The Library Board of Trustees determines how its funding is spent.

Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effects of interfund activity have been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues and are reported separately from business-type activities, which rely on fees and charges for support. The Town has no business-type activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not identified as program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred. Exceptions to this general rule include: compensated absences, debt service, and claims and judgments that are recorded only when payment is due.

Property taxes when levied, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government or specifically identified.

The Town reports the following major governmental funds:

General Fund – the primary operating fund of the Town. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund.

Capital Projects Fund – used to account for capital acquisition and improvements. This is a perpetual fund financed through annual budget appropriations.

Town of Cornwall, Connecticut
Notes to Financial Statements
June 30, 2017 (continued)

Additionally, the Town reports the following fiduciary fund types:

Private-Purpose Trust Funds – used to account for resources legally held in trust for the benefit of individuals, private organizations, or other governments.

Pension Trust Fund – used to account for the accumulation of resources to be used for retirement benefits.

Agency Funds – account for monies held as a custodian for outside groups and agencies.

When both restricted and unrestricted resources are available for certain expenses, the Town expends restricted resources first and uses unrestricted resources when the restricted funds are depleted.

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 amounts of assets and liabilities, deferred inflows/outflows, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the fiscal year. Actual results could differ from those estimates.

Cash and Cash Equivalents

The deposit of public funds is controlled by the Connecticut General Statutes. The Town maintains separate accounts with depositories where necessary. Cash applicable to a particular fund is readily identifiable. Cash in excess of current requirements is invested in various interest-bearing accounts, certificates of deposit, and pooled investment funds that may be deemed to be cash equivalents based on maturity date or availability of conversion to cash. Cash and cash equivalents are stated at cost, which approximates market value and have original maturities of three months or less.

Receivables and Payables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The Town has established an allowance for estimated uncollectible property taxes in the amount of \$71,000. The Town also established an allowance for estimated uncollectible interest on taxes in the amount of \$115,000 for a total of \$186,000 in allowances for uncollectible accounts. The Town's property taxes are levied each July 1 on the assessed value listed on the prior October 1 Grand List for all taxable property located in the Town. Taxes are due and payable in two installments on July 1 and January 1 for real property and personal property, and on July 1 for motor vehicles. Additional property taxes are assessed for motor vehicles registered subsequent to the Grand List date through September 30 and are payable in one installment due January 1. The Town files liens against property if taxes, which are due July 1, remain unpaid on the following February 1.

Town of Cornwall, Connecticut
Notes to Financial Statements
June 30, 2017 (continued)

Investments

In general, State of Connecticut Statutes allow the Town to invest in obligations of the United States of America or United States government sponsored corporations, in shares or other interest in any custodial arrangement, pool, or no-load, open-end management type investment company or investment trust, in obligations of any state or political subdivision rated within the top two rating categories of any nationally recognized rating service, or in obligations of the State of Connecticut or political subdivision rated within the top three rating categories of any nationally recognized rating service. Other trust funds may also invest in stocks, bonds, or other securities selected by the Trustee.

Prepaid Expenses/Expenditures

Payments to vendors that reflect costs applicable to future fiscal periods are reported as prepaid in both the government-wide Statement of Net Position and the governmental fund Balance Sheet. In the governmental fund Balance Sheet, the amount reported as a prepaid expenditure is offset by nonspendable fund balance to indicate that it is not available for expenditure.

Advances To and From Other Funds

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either interfund receivables or payables and are recorded for all funds affected in the period in which transactions are executed.

Capital Assets

Capital assets, which include equipment, fixtures, and other long-lived assets, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Under the rules of Governmental Accounting Standards Board ("GASB") No. 34, the Town has not retroactively recorded infrastructure assets in the government-wide financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20-50
Vehicles	5-10
Equipment	5-10
Infrastructure	20

Compensated Absences

The Town provides compensated time off to its employees and elected officials as follows:

Teachers and highway department employees earn sick pay, personal days, and vacation time as prescribed by their employment or union contracts. Vested and earned vacation pay is recognized as a liability of the Town and is accounted for using the accrual basis of accounting.

Deferred Outflows/Inflows of Resources

Deferred outflows of resources represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town reports a deferred charge on refunding in this manner in the government-wide Statement of Net Position. A deferred charge on debt refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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 only has one type of item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds Balance Sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Long-Term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the governmental funds financial statements, bond premiums and discounts, as well as bond issuance costs, are recognized during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Position and Fund Balance

In the government-wide financial statements, Net Position is classified in the following categories:

Net Investment in Capital Assets – This category groups all capital assets, including infrastructure, into one component of Net Position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce this category.

Restricted Net Position – This category represents external restrictions imposed by creditors, grantors, contributors, laws or regulations of other governments, and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position – This category represents the net position of the Town, which are not restricted for any project or other purpose.

Town of Cornwall, Connecticut
Notes to Financial Statements
June 30, 2017 (continued)

In the fund financial statements, fund balances of governmental funds are classified in the following five separate categories:

Nonspendable – amounts that cannot be spent because they are either not in spendable form (inventories, prepaids, and long-term receivables), or they are legally or contractually required to be maintained intact (the corpus of a permanent fund).

Restricted – amounts to be reported when constraints placed on the use of the resources are imposed by grantors, contributors, laws or regulations of other governments, or imposed by law through enabling legislation. Enabling legislation includes a legally enforceable requirement that these resources be used only for the specific purposes as provided in the legislation.

Committed – amounts that can be used only for specific purposes determined by a formal action of the Town's highest level of decision-making authority, which is a motion at a Town Meeting. These funds may only be used for the purpose specified unless the Town removes or changes the purpose by taking the same action that was used to establish the commitment. This classification includes certain amounts established and approved by the Town's governing boards.

Assigned – amounts constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by formal action of the Board of Selectmen or Board of Finance.

Unassigned – remaining fund balance after amounts are set aside for all other classifications.

The Town has not established a formal policy for its use of restricted and unrestricted (committed, assigned, unassigned) fund balance; however, the Town generally uses restricted fund balance first if the expenditure meets the restricted purpose, followed by committed, assigned, and unassigned amounts.

Comparative Information

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

Note 2 – Budgeting and Budgetary Accounting

Budgetary Basis

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

- A proposed operating budget is submitted for the fiscal year.
- Public hearings are conducted in the Town to obtain taxpayer comments.
- The budget is legally enacted through passage of an ordinance. The operating budget includes proposed expenditures and the means of financing them.

Town of Cornwall, Connecticut
Notes to Financial Statements
June 30, 2017 (continued)

- The Board of Finance is authorized to transfer budgeted amounts between departments within any fund; however, any additional appropriations exceeding \$20,000 over the total budget must be approved at a Town meeting.
- Formal budgetary integration is employed as a management control device during the year for the General Fund.
- All noncontinuing appropriations lapse at year-end. Capital appropriations do not lapse until completion of the applicable projects.

Budgetary/GAAP Reconciliation

The Town prepares its annual General Fund budget on a basis (budgetary basis), which differs in some respects from generally accepted accounting principles (GAAP basis). The budget and all transactions are presented in accordance with the Town's method (budget basis) in the General Fund – Statement of Revenues, Expenditures, and Changes in Fund Balance – Budgetary Basis – Budget and Actual to provide a meaningful comparison of actual results with the budget. The major differences between budgetary and GAAP basis are that education expenditures for the Teachers' Retirement System are only recorded on GAAP basis and certain interfund transfers are recorded as expenditures (budgetary) rather than operating transfers (GAAP).

Adjustments necessary to reconcile the budgetary basis to GAAP basis are presented below:

	Fund balance beginning	Revenues	Expenditures	Other financing sources (uses)	Fund balance ending
GAAP basis	\$ 2,145,671	\$ 7,193,223	\$ (6,469,975)	\$ (647,000)	\$ 2,221,919
Reclassifications	-	-	(647,000)	647,000	-
Teachers' retirement system on behalf payments not recognized in budgetary basis	-	(416,906)	416,906	-	-
Budgetary basis	<u>\$ 2,145,671</u>	<u>\$ 6,776,317</u>	<u>\$ (6,700,069)</u>	<u>\$ -</u>	<u>\$ 2,221,919</u>

Note 3 – Cash, Cash Equivalents, and Investments

Cash and Cash Equivalents

Cash and cash equivalents of the Town consist of the following at June 30, 2017:

	Governmental Funds	Fiduciary Funds	Total 2017	Total 2016
Demand accounts	\$ 768,540	\$ 61,120	\$ 829,660	\$ 656,247
Short Term Investment Fund	<u>3,526,342</u>	<u>-</u>	<u>3,526,342</u>	<u>2,071,182</u>
Total cash and cash equivalents	<u>\$ 4,294,882</u>	<u>\$ 61,120</u>	<u>\$ 4,356,002</u>	<u>\$ 2,727,429</u>

Town of Cornwall, Connecticut
Notes to Financial Statements
June 30, 2017 (continued)

Custodial Credit Risk on Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2017, \$509,453 of the Town's bank balance of \$817,122 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 417,825
Uninsured and collateral held by pledging bank's trust department not in the Town's name	<u>91,628</u>
	<u>\$ 509,453</u>

Investments

Interest Rate Risk – Interest rate risk is the risk that the Town will incur losses in fair value caused by changing interest rates. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – Credit risk is the risk that an issuer or other counterparty will not fulfill its specific obligation even without the entity's complete failure. The Town does not have a formal credit risk policy other than restrictions to obligations allowable under the Connecticut General Statutes. As of June 30, 2017, the Town held \$1,195,197 (consisting of \$38,511 in Governmental Funds and \$1,156,686 in Fiduciary Funds) in money market and mutual funds for which ratings were not available at the end of the current fiscal year. The Short Term Investment Fund is rated AAAm by Standard & Poor's.

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a failure of the counterparty, the Town's deposits will not be able to recover the value of its investments that are in possession of an outside party. The Town's investments held in mutual funds and certificates of deposit are not subject to custodial credit risk as the Town's investment is not directly exposed to custodial credit risk.

	2017				2016
	Fair Market Value	Maturity Not Applicable	Investment Maturities (in years)		Fair Market Value
			Less Than 1	1-5	
Governmental Funds					
Certificates of deposit	\$ 266,287	\$ -	\$ -	\$ 266,287	\$ 263,623
Externally managed pool	<u>38,511</u>	<u>38,511</u>	<u>-</u>	<u>-</u>	<u>26,132</u>
	<u>\$ 304,798</u>	<u>\$ 38,511</u>	<u>\$ -</u>	<u>\$ 266,287</u>	<u>\$ 289,755</u>
Fiduciary Funds					
Certificates of deposit	\$ 17,062	\$ -	\$ 1,400	\$ 15,662	\$ 19,723
Mutual funds	<u>1,156,686</u>	<u>1,156,686</u>	<u>-</u>	<u>-</u>	<u>1,069,796</u>
	<u>\$ 1,173,748</u>	<u>\$ 1,156,686</u>	<u>\$ 1,400</u>	<u>\$ 15,662</u>	<u>\$ 1,089,519</u>

Fair Value Measurements

The Town utilizes the market approach as the valuation technique to measure fair value of its financial assets. GAAP establishes a three-level hierarchy for fair value measurements that distinguishes between market participant assumptions developed based on market data obtained from sources independent of the reporting entity ("observable inputs") and the reporting entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances ("unobservable inputs") and requires that the most observable inputs be used when available. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

Town of Cornwall, Connecticut
Notes to Financial Statements
June 30, 2017 (continued)

- Level 1 - Valuation based on unadjusted quoted prices in active markets for identical assets the Town has the ability to access. Since valuations are based on quoted prices readily and regularly available in an active market, valuation of these assets does not entail significant judgment.
- Level 2 - Valuation based on quoted prices for similar assets in active markets; quoted prices for similar assets in inactive markets; or valuations based on models where the significant inputs are observable (e.g. interest rates, yield curves, etc.) or can be corroborated by observable market data.
- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement. The unobservable inputs reflect the Town's own assumptions about assumptions that market participants might use.

The Town's investments are measured on a recurring basis using Level 1 information (market quotations for investments that have quoted prices in active markets). The Town has no financial assets measured using Level 2 or Level 3 at June 30, 2017.

Note 4 - Capital Assets

Depreciation expense was charged to functions/programs of the primary government as follows:

	<u>2017</u>	<u>2016</u>
Governmental Activities:		
General government	\$ 19,009	\$ 19,056
Highway	87,721	80,893
Public safety	60,433	60,258
Education	<u>164,226</u>	<u>169,766</u>
	<u>\$ 331,389</u>	<u>\$ 329,973</u>

Changes in the Town's capital assets used in governmental activities are as follows:

	<u>Balance at July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at June 30, 2017</u>
Capital assets not being depreciated:				
Land	\$ 671,177	\$ -	\$ -	\$ 671,177
Total capital assets not being depreciated	<u>671,177</u>	<u>-</u>	<u>-</u>	<u>671,177</u>
Capital assets being depreciated:				
Buildings and improvements	8,065,871	53,892	-	8,119,763
Infrastructure	853,573	161,109	-	1,014,682
Machinery and equipment	<u>3,025,733</u>	<u>523,010</u>	<u>95,191</u>	<u>3,453,552</u>
Total capital assets being depreciated	<u>11,945,177</u>	<u>738,011</u>	<u>95,191</u>	<u>12,587,997</u>
Less accumulated depreciation for:				
Buildings and improvements	3,065,999	188,349	-	3,254,348
Infrastructure	216,769	20,061	-	236,830
Machinery and equipment	<u>2,149,995</u>	<u>122,979</u>	<u>71,264</u>	<u>2,201,710</u>
Total accumulated depreciation	<u>5,432,763</u>	<u>331,389</u>	<u>71,264</u>	<u>5,692,888</u>
Total depreciable capital assets, net	<u>6,512,414</u>	<u>406,622</u>	<u>23,927</u>	<u>6,895,109</u>
Capital assets, net	<u>\$ 7,183,591</u>	<u>\$ 406,622</u>	<u>\$ 23,927</u>	<u>\$ 7,566,286</u>

Town of Cornwall, Connecticut
Notes to Financial Statements
June 30, 2017 (continued)

Note 5 – Taxes Receivable and Deferred Inflows of Resources

Taxes receivable at June 30, 2017, for the General Fund, including the applicable allowance for collection losses, are as follows:

	<u>General Fund</u>
Property tax	\$ 355,523
Interest and lien fees on taxes	<u>225,036</u>
Total gross receivables	<u>580,559</u>
Allowance for collection losses	<u>(186,000)</u>
Total net receivables	<u>\$ 394,559</u>

To reflect that a portion of property taxes, interest, and lien fees receivable at June 30, 2017, are not considered available to liquidate general fund liabilities of the current period, the General Fund column of the governmental funds Balance Sheet reports property tax revenue, unavailable for expenditure in the current fiscal year of \$378,950, as a deferred inflow of resources.

Note 6 – Pension Plans

Connecticut State Teachers' Retirement System

Description of System

Teachers within the Town's school system participate in a retirement system administered by the Connecticut State Teachers' Retirement Board. This Connecticut State Teachers' Retirement System (the "System") is a cost sharing, multiple employer defined benefit pension system with a special funding situation.

The System is considered a part of the State of Connecticut financial reporting entity and is included in the State's financial reports as a pension trust fund. Those reports may be obtained by writing to the State of Connecticut, Office of the State Comptroller, 55 Elm Street, Hartford, Connecticut 06106 or by calling (860) 702-3480.

The System is administered under the provisions of Chapter 167a of the Connecticut General Statutes (CGS). Participation in the System is restricted to certified staff employed in the public schools of Connecticut and members of the professional staff of the State Department of Education or the board of Governors of Higher Education and their constituent units. Participation in the System is mandatory for certified personnel of local boards of education who are employed for an average of at least one-half of a school day. Members of the professional staff of the State Department of Education or the Board of Governors of Higher Education and their constituent units may elect to participate in this system, the State Employees' Retirement System, or the Alternate Retirement System (TIAA-CREF).

Summary of Significant Accounting Policies

For purposes of measuring the liability, deferred outflows of resources and deferred inflows of resources, and expense associated with the State's requirement to contribute to the System, information about the System's fiduciary net position and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Town of Cornwall, Connecticut
Notes to Financial Statements
June 30, 2017 (continued)

Benefits Provided

The benefits provided to participants by the System are as follows:

Normal Benefit: A member at age 60 with 20 years of credited service in Connecticut, or 35 years of credited service including at least 25 years of service in Connecticut is eligible for vested benefits of 2% of average annual salary times years of credited service (maximum benefit is 75% of average annual salary.)

Prorated Benefit: A member who completes 10 years of Connecticut public school service is eligible for a vested benefit commencing at age 60. The benefit is 2% less 0.1% for each year less than 20 years of average annual salary times years of credited service.

Minimum Benefit: Effective January 1, 1999, Public Act 98-251 provides a minimum monthly retirement benefit of \$1,200 to teachers who retire under the Normal Benefit provisions and who have completed at least 25 years of full time Connecticut service at retirement.

Contribution Requirements

The pension contributions made by the State to the System are determined on an actuarial reserve basis as described in CGS Sections 10-1831 and 10-183z.

Participants are required to contribute 7.25% of their annual salary rate to the System as required by CGS Section 10-183b (7). For the 2016/2017 school year, \$76,456 mandatory contributions were deducted from the salaries of teachers who were participants of the System during that school year. The estimated covered payroll for the Town is \$1,054,570. The Town had 15 active participants in the System at June 30, 2017.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2016, using the following key actuarial assumptions:

Inflation	2.75 Percent
Salary increases, including inflation	3.25-6.50 Percent
Long-term investment rate of return, net of pension investment expense, including inflation	8.00 Percent

Mortality rates were based on the RPH-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale.

Future cost-of-living increases for teachers who retired prior to September 1, 1992, are made in accordance with increases in the Consumer Price Index, with a minimum of 3% and a maximum of 5% per annum. For teachers who were members of the Teachers' Retirement System before July 1, 2007, and retire on or after September 1, 1992, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 6% per annum. If the return on assets in the previous year was less than 8.5%, the maximum increase is 1.5%. For teachers who were members of the Teachers' Retirement System after July 1, 2007, pension benefit adjustments are made that are consistent with those provided for Social Security benefits on January 1 of the year granted, with a maximum of 5% per annum. If the return on assets in the previous year was less than 11.5%, the maximum increase is 3%, and if the return on the assets in the previous year was less than 8.5%, the maximum increase is 1.0%.

Town of Cornwall, Connecticut
Notes to Financial Statements
June 30, 2017 (continued)

The long-term expected rate of return on pension investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Large cap U.S. equities	21.0%	5.8%
Developed non-U.S. equities	18.0%	6.6%
Emerging markets (non-U.S.)	9.0%	8.3%
Real estate	7.0%	5.1%
Private equity	11.0%	7.6%
Alternative investments	8.0%	4.1%
Core fixed income	7.0%	1.3%
High yield bonds	5.0%	3.9%
Emerging market bond	5.0%	3.7%
Inflation linked bond fund	3.0%	1.0%
Cash	6.0%	0.4%

Discount Rate

The discount rate used to measure the total pension liability was 8.0%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that State contributions will be made at the actuarially determined rates in future years. Based on those assumptions, the pension's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Town's proportionate share of the net pension liability of the System, calculated using the discount rate of 8.0%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.0%) or 1-percentage-point higher (9.0%) than the current rate.

	<u>1% Decrease (7.0%)</u>	<u>Current Discount Rate (8.0%)</u>	<u>1% Increase (9.0%)</u>
Sensitivity of the system's proportionate share of the net pension liability related to the Town	<u>\$ 5,215,807</u>	<u>\$ 3,822,885</u>	<u>\$ 3,218,120</u>

Pension Liabilities, Pension Expense, and Deferred Inflows/Outflows of Resources

The State makes all contributions to the System on behalf of employees of the participating districts. Therefore, participating employers are considered to be in a special funding situation as defined by Governmental Accounting Standards Board No. 68 and the State is treated as a non-employer contributing entity in the System. Since the districts do not contribute directly to the System, there is no net pension liability or deferred inflows or outflows to report in the financial statements of the Town. The portion of the net pension liability that was associated with the Town was \$3,822,885 and 100% of the collective net pension liability is allocated to the State.

Town of Cornwall, Connecticut
Notes to Financial Statements
June 30, 2017 (continued)

The Town recognized the total pension expense associated with the Town as well as revenue in an amount equal to the non-employer contributing entities' total proportionate share of the collective pension expense associated with the Town. For the fiscal year ended June 30, 2017, the Town recognized \$416,906 as the amount expended by the State on behalf of the Town to meet the State's funding requirements.

Defined Contribution Plan

The Town maintains a defined contribution money purchase plan that covers all full-time employees of the Town, excluding certified teachers. The plan is a single-employer contribution pension plan administered and amended by the trustees of the "Town of Cornwall Employee Pension Plan." Current participants total 24 employees.

Plan Description

The plan covers employees who have completed one year of service in which 1,000 hours is worked and have attained age 21. The plan is integrated with life insurance at the option of the participant and is an approved prototype plan.

The participants become 100% vested after 7 years of service. Normal retirement age is at 65. All active eligible participants and any terminated participants who complete 500 hours during the plan year prior to their termination date will receive a contribution equal to 7% compensation. There were no voluntary participant contributions during the year. Those terminating for reasons of death, disability, or retirement will share in the allocation, regardless of hours. Employer contributions, net of forfeitures, for the fiscal year ended June 30, 2017, totaled \$35,719. The contribution is calculated on gross compensation paid for the calendar year. The plan allows for amendment by the Town as employer.

Assets of the fund are invested as directed by plan participants in mutual funds provided by the trustee. The employer pays the costs of plan administration.

Service Incentive Program (CVFD)

The Town established the Cornwall VFD Service Incentive Program on behalf of volunteers of the Cornwall Volunteer Fire Department (CVFD). Under this program, the Town annually contributes \$1,000 per eligible volunteer. The total contribution for the year ended June 30, 2017 was \$13,563, net of forfeitures and was paid in the subsequent period. 31 individuals qualified for the benefit. Such volunteers become fully vested after five years of service. The normal retirement age for receiving benefits is age 62, although participants may apply for hardship distributions under certain circumstances as prescribed by the United States Department of Labor.

The plan is administered by a board consisting of three members appointed by the President of the Cornwall Volunteer Fire Department. Since the trust fund established to hold plan assets is subject to claims of the Town's general creditors, the plan is reported as an expendable trust fund.

Significant Accounting Policies

Basis of Accounting: Financial statements are prepared using the accrual basis of accounting. Employer contributions are recognized in the period that the contributions are due.

Town of Cornwall, Connecticut
Notes to Financial Statements
June 30, 2017 (continued)

Method Used in Value Investments: Plan investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national exchanges are valued at the last reported sales price. Investments that do not have an established market are reported at estimated fair values.

Note 7 - Long-Term Obligations

Landfill Closure

During 1994-1995, the Town ceased all operations at its landfill site. State and federal laws and regulations require the Town to perform certain maintenance and monitoring functions at the landfill site for 30 years after the closure date of February 1996. The Town has recognized the remaining estimated postclosure care costs of \$63,047 in the Government-wide financial statements. Current year expenditures were recognized in the General Fund in the amount of \$4,162. Changes in the estimated total current cost of postclosure care may occur and are reported in the periods in which the change is probable and can be reasonably estimated. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

Long-Term Obligation Activity

General Obligation Bonds of \$1,500,000 were issued on April 24, 2017, with an interest rate of 2.325%. The bonds mature serially through April 1, 2027.

General Obligation Bonds of \$1,900,000 were issued on June 1, 2012, to refund an earlier bond issue, with interest rates varying from 1.0% to 3.0%, which results in an average weighted interest rate of 2.0%. The bonds mature serially through August 15, 2023.

The following table summarizes changes in the Town's long-term indebtedness for the year ending June 30, 2017:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation bonds (2017)	\$ -	\$ 1,500,000	\$ -	\$ 1,500,000	\$ 150,000
General obligation bonds (2012)	1,315,000	-	(155,000)	1,160,000	160,000
Unamortized premiums	33,290	-	(4,162)	29,128	4,162
Landfill post-closure costs	<u>70,095</u>	<u>-</u>	<u>(7,048)</u>	<u>63,047</u>	<u>8,225</u>
Total long-term obligations	<u>\$ 1,418,385</u>	<u>\$ 1,500,000</u>	<u>\$ (166,210)</u>	<u>\$ 2,752,175</u>	<u>\$ 322,387</u>

Debt Service Requirements

Debt service requirements on long-term debt at June 30, 2017, are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 310,000	\$ 55,381
2019	310,000	50,873
2020	310,000	44,215
2021	315,000	37,352
2022	320,000	30,466
2023-2027	<u>1,095,000</u>	<u>60,790</u>
	<u>\$ 2,660,000</u>	<u>\$ 279,077</u>

Town of Cornwall, Connecticut
Notes to Financial Statements
June 30, 2017 (continued)

Prior Years Advance Refunding

In a prior year, the Town defeased a bond issue by creating a separate irrevocable trust fund. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust fund. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and, therefore, removed as a liability from the Town's financial statements.

Statutory Debt Limitation

Connecticut General Statutes Section 7-374(b) provides that authorized debt of the Town shall not exceed seven times base receipts, as defined in the Statute. Further, the Statute limits the amount of debt that may be authorized by the Town for general purposes, schools, sewers, urban renewal, and pension deficit. The Town did not exceed any of the statutory debt limitations at June 30, 2017.

Note 8 – Commitments and Contingencies

The Town is contingently liable on Regional School District No. 1 serial bonds payable, which has an outstanding balance of \$3,325,000. The amount (8.85%) attributed to the Town is \$294,319.

The Town has received State grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for any expenditures disallowed under terms of the grant. Based on prior experience, Town management believes such disallowances, if any, will not be material.

Note 9 – Interfund Balances/Transfers

At June 30, 2017, interfund balances were as follows:

	<u>Due From</u>				<u>Total</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Town Activity Fund</u>	<u>Dog Fund</u>	<u>Governmental</u>
Due to:					
General Fund	\$ -	\$ 11,000	\$ 30	\$ 4,120	\$ 15,150
Capital Projects Fund	<u>111</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>111</u>
Total	<u>\$ 111</u>	<u>\$ 11,000</u>	<u>\$ 30</u>	<u>\$ 4,120</u>	<u>\$ 15,261</u>

Interfund transfers for the year are summarized below:

	<u>Transfers in:</u>	<u>Total</u>
	<u>Capital Projects Fund</u>	<u>Governmental</u>
Transfers out:		
General Fund	<u>\$ 647,000</u>	<u>\$ 647,000</u>
	<u>\$ 647,000</u>	<u>\$ 647,000</u>

Town of Cornwall, Connecticut
Notes to Financial Statements
June 30, 2017 (continued)

Note 10 – Governmental Fund Balances

As of June 30, 2017, governmental fund balances are composed of the following:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
<u>Nonspendable:</u>				
Prepaid expenses	\$ 12,211	\$ -	\$ -	\$ 12,211
Permanent endowments	-	-	34,895	34,895
	<u>12,211</u>	<u>-</u>	<u>34,895</u>	<u>47,106</u>
<u>Restricted:</u>				
Milk Fund	-	-	283	283
Food and fuel	-	-	4,646	4,646
Open space	-	-	16,251	16,251
	<u>-</u>	<u>-</u>	<u>21,180</u>	<u>21,180</u>
<u>Committed:</u>				
Capital projects	-	1,704,025	-	1,704,025
Food and fuel	-	-	3,200	3,200
Town activities	-	-	57,097	57,097
	<u>-</u>	<u>1,704,025</u>	<u>60,297</u>	<u>1,764,322</u>
<u>Assigned:</u>				
Subsequent year's budget	200,000	-	-	200,000
Gates Bequest	262,774	-	-	262,774
Building inspection	10,041	-	-	10,041
Dog Fund	-	-	1,750	1,750
Food and fuel	-	-	48,162	48,162
Endowment	-	-	6,011	6,011
Capital projects	-	4,628	-	4,628
	<u>472,815</u>	<u>4,628</u>	<u>55,923</u>	<u>533,366</u>
<u>Unassigned</u>	<u>1,736,893</u>	<u>-</u>	<u>-</u>	<u>1,736,893</u>
	<u>\$ 2,221,919</u>	<u>\$ 1,708,653</u>	<u>\$ 172,295</u>	<u>\$ 4,102,867</u>

Note 11 – Risk Management

The Town is exposed to various risks of loss relating to liability, theft, or impairment of assets, errors or omissions, injuries to employees, and natural disasters. Commercial liability and property insurance coverage is purchased to protect against losses from these risks. Additionally, employee health coverage is purchased from a commercial carrier. The Town does not maintain a self-insurance fund. There was no significant reduction coverage from the prior year, and no claims have exceeded insurance coverage in the past three years.

The Town currently is a member of the Connecticut Interlocal Risk Management Agency (CIRMA), a public entity risk pool currently operating as a common risk management and insurance program for a comprehensive workers' compensation insurance program through its workers' compensation pool, as well as liability insurance. The Town pays an annual premium to the pool for its coverage. The agreement for the formation of CIRMA provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$1,000,000 for each insured event to an unlimited excess limit. The pooling agreement allows CIRMA to make additional assessments to make the pool self-sustaining. The Town cannot estimate the amount of such additional assessments and has not been notified that any assessments are forthcoming. CIRMA publishes its own financial report, which can be obtained from: CIRMA, 900 Chapel Street, 9th Floor, New Haven, CT 06510.

Note 12 – Recently Issued Accounting Standards

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have effective dates that may impact future financial presentations. Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements:

GASB Statement No. 81, Irrevocable Split-Interest Agreements. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively.

GASB issued Statement No. 82, Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73. This statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this statement are effective for periods beginning after June 15, 2017.

GASB Statement No. 83, Certain Asset Retirement Obligations. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

GASB Statement No. 84, Fiduciary Activities. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

Town of Cornwall, Connecticut
Notes to Financial Statements
June 30, 2017 (continued)

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

GASB Statement No. 86, Certain Debt Extinguishment Issues. This Statement improves the consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

GASB Statement No. 87, Leases. This Statement improves the accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

**REQUIRED SUPPLEMENTARY
INFORMATION
(UNAUDITED)**

TOWN OF CORNWALL, CONNECTICUT

**CONNECTICUT STATE TEACHERS' RETIREMENT SYSTEM
SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability	0.00%	0.00%	0.00%
Town's proportionate share of the net pension liability	\$ -	\$ -	\$ -
State's proportionate share of the net pension liability associated with the Town	<u>3,822,885</u>	<u>3,001,850</u>	<u>2,774,609</u>
Total	<u>\$ 3,822,885</u>	<u>\$ 3,001,850</u>	<u>\$ 2,774,609</u>
Town's covered-employee payroll	<u>\$ 1,054,570</u>	<u>\$ 1,098,440</u>	<u>\$ 1,083,159</u>
Town's proportionate share of the net pension liability as a percentage of its covered payroll	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
System fiduciary net position as a percentage of the total pension liability	<u>52.26%</u>	<u>59.50%</u>	<u>61.56%</u>

Notes to Connecticut State Teachers' Retirement System

Method and Assumptions used in Calculations of Actuarially Determined Contributions

The actuarially determined contributions in the schedule of employer contributions are calculated as of June 30 each biennium for the fiscal years ending two and three years after the valuation date. The following actuarial methods and assumptions were used to determine the most recent contributions reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percent of pay, closed
Single equivalent amortization period	20.4 years
Asset valuation method	4-year smoothed market
Inflation	2.75 percent
Salary increase	3.25-6.50 percent, including inflation
Investment rate of return	8.00 percent, net of investment related expense

See accompanying Independent Auditors' Report.

**SUPPLEMENTAL
STATEMENTS AND SCHEDULES**

TOWN OF CORNWALL, CONNECTICUT

**GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts				Variance With Final Budget Positive (Negative)
	Original	Transfers	Final	Actual	
Fees for Services					
Town Clerk's fees	\$ 38,000	\$ -	\$ 38,000	\$ 50,426	\$ 12,426
Hammond Beach passes	2,000	-	2,000	1,900	(100)
Brush dump fees	1	-	1	-	(1)
Landfill receipts	12,000	-	12,000	13,767	1,767
Building permits	-	-	-	59,454	59,454
Planning and Zoning fees	600	-	600	643	43
Park and Recreation	2,000	-	2,000	3,431	1,431
Other fees, charges	4,800	-	4,800	6,010	1,210
Tax Map charges	500	-	500	673	173
	<u>59,901</u>	<u>-</u>	<u>59,901</u>	<u>136,304</u>	<u>76,403</u>
Other Revenues					
Commercial recycling	3,000	-	3,000	3,662	662
Miscellaneous	500	-	500	13,357	12,857
	<u>3,500</u>	<u>-</u>	<u>3,500</u>	<u>17,019</u>	<u>13,519</u>
Property Taxes					
Current levy	6,046,824	-	6,046,824	6,059,251	12,427
Delinquent taxes	20,000	-	20,000	172,860	152,860
Interest and fees	20,000	-	20,000	91,909	71,909
	<u>6,086,824</u>	<u>-</u>	<u>6,086,824</u>	<u>6,324,020</u>	<u>237,196</u>
State Education Grants					
Education grants	42,565	-	42,565	6,950	(35,615)
School transportation	246	-	246	-	(246)
	<u>42,811</u>	<u>-</u>	<u>42,811</u>	<u>6,950</u>	<u>(35,861)</u>
State General Grants					
Town aid roads	224,174	-	224,174	224,166	(8)
Indian Casino funds	8,199	-	8,199	8,178	(21)
In lieu tax grant	3,174	-	3,174	-	(3,174)
Telephone access	7,000	-	7,000	9,100	2,100
Elderly tax relief	12,000	-	12,000	13,135	1,135
Vet's disabled tax relief	700	-	700	1,175	475
Town Clerk's grant	5,000	-	5,000	4,000	(1,000)
LOCIP bonded funds	32,569	-	32,569	-	(32,569)
Miscellaneous state grants	16,221	-	16,221	11,613	(4,608)
	<u>309,037</u>	<u>-</u>	<u>309,037</u>	<u>271,367</u>	<u>(37,670)</u>

See accompanying Independent Auditors' Report.

TOWN OF CORNWALL, CONNECTICUT

**GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts			Actual	Variance With Final Budget Positive (Negative)
	Original	Transfers	Final		
Transfer/Non-Revenue Receipts					
Undesignated fund balance	\$ 200,000	\$ -	\$ 200,000	\$ -	\$ (200,000)
Grants	5,000	-	5,000	-	(5,000)
Non-revenue credits - refunds	-	-	-	8,744	8,744
NIB checking interest	6,000	-	6,000	7,527	1,527
Miscellaneous interest	-	-	-	4,386	4,386
	<u>211,000</u>	<u>-</u>	<u>211,000</u>	<u>20,657</u>	<u>(190,343)</u>
Total revenues and other financing sources	<u>\$ 6,713,073</u>	<u>\$ -</u>	<u>\$ 6,713,073</u>	<u>\$ 6,776,317</u>	<u>\$ 63,244</u>

See accompanying Independent Auditors' Report.

TOWN OF CORNWALL, CONNECTICUT

**GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts			Actual	Variance With Final Budget Positive (Negative)
	Original	Transfers	Final		
Board of Selectmen Budget					
Assessor					
Assessor's salary	\$ 8,549	\$ -	\$ 8,549	\$ 8,549	\$ -
Assessor's clerk salary	21,407	-	21,407	21,407	-
Office supplies	1,500	-	1,500	3,243	(1,743)
Mileage, travel	1,000	-	1,000	-	1,000
Meetings/memberships	15	-	15	-	15
Computer	3,500	-	3,500	1,250	2,250
Contracted services	5,000	-	5,000	4,779	221
	<u>40,971</u>	<u>-</u>	<u>40,971</u>	<u>39,228</u>	<u>1,743</u>
Board of Assessment Appeals					
BAA salaries	498	-	498	-	498
BAA clerk wage	1	-	1	-	1
Expenditures	1	-	1	-	1
	<u>500</u>	<u>-</u>	<u>500</u>	<u>-</u>	<u>500</u>
Board of Selectmen					
Selectmens' salaries	59,888	-	59,888	59,887	1
Selectmens' clerk	35,853	-	35,853	35,853	-
BOS temporary clerk	1,165	-	1,165	949	216
BOS office supplies	850	306	1,156	925	231
BOS bids, legal, etc.	500	-	500	729	(229)
BOS meetings, mileage	15	-	15	153	(138)
BOS meetings, memberships	300	-	300	160	140
BOS postage	200	-	200	387	(187)
	<u>98,771</u>	<u>306</u>	<u>99,077</u>	<u>99,043</u>	<u>34</u>
Finance Department					
Treasurer's salary	3,175	-	3,175	3,175	-
Finance Director salary	36,306	-	36,306	36,306	-
Treasurer's clerk expense	1	-	1	-	1
Office supplies	1,000	-	1,000	1,251	(251)
Printing	2,500	-	2,500	2,500	-
Computer	1,500	-	1,500	1,422	78
Postage	1,000	-	1,000	809	191
Town audit	14,750	-	14,750	14,750	-
	<u>60,232</u>	<u>-</u>	<u>60,232</u>	<u>60,213</u>	<u>19</u>

See accompanying Independent Auditors' Report.

TOWN OF CORNWALL, CONNECTICUT

**GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts				Variance With Final Budget Positive (Negative)
	Original	Transfers	Final	Actual	
Hammond Beach					
Salaries	\$ 33,784	\$ -	\$ 33,784	\$ 30,849	\$ 2,935
Programs	1,000	-	1,000	713	287
Utilities	800	-	800	979	(179)
Supplies	700	-	700	1,653	(953)
Equipment	500	-	500	132	368
Contracted services	2,000	-	2,000	1,963	37
	<u>38,784</u>	<u>-</u>	<u>38,784</u>	<u>36,289</u>	<u>2,495</u>
Highway Administration/Supplies					
Garage heat	6,500	-	6,500	8,708	(2,208)
Utilities	5,000	-	5,000	4,662	338
Supplies	5,000	-	5,000	8,561	(3,561)
Small equipment	2,500	-	2,500	2,437	63
Contracted services	19,000	10,600	29,600	32,897	(3,297)
Small equipment repairs	500	-	500	159	341
Garage repairs (building)	1,000	-	1,000	86	914
Drug testing	200	-	200	-	200
Labor expense:					
OT labor expense	14,726	-	14,726	11,337	3,389
Regular labor expense	220,992	-	220,992	218,947	2,045
	<u>235,718</u>	<u>-</u>	<u>235,718</u>	<u>230,284</u>	<u>5,434</u>
Highway temporary labor	6,000	-	6,000	5,882	118
Fuel/gas/oil/grease	35,000	-	35,000	25,913	9,087
Highway signs	1,500	-	1,500	1,528	(28)
Road materials	20,000	-	20,000	27,182	(7,182)
Snow removal	70,000	-	70,000	74,805	(4,805)
Tree maintenance	18,000	-	18,000	12,350	5,650
	<u>425,918</u>	<u>10,600</u>	<u>436,518</u>	<u>435,454</u>	<u>1,064</u>
Highway Vehicle Maintenance					
Vehicle equipment maintenance	40,000	3,600	43,600	43,527	73
	<u>40,000</u>	<u>3,600</u>	<u>43,600</u>	<u>43,527</u>	<u>73</u>
Insurance and Benefits					
General insurance	4,120	-	4,120	5,385	(1,265)
Workers' compensation	34,479	-	34,479	45,375	(10,896)
Public liability	74,263	-	74,263	54,666	19,597
Employees' health insurance	195,876	-	195,876	201,573	(5,697)
Employees' pension plan	39,051	-	39,051	34,972	4,079
	<u>347,789</u>	<u>-</u>	<u>347,789</u>	<u>341,971</u>	<u>5,818</u>

See accompanying Independent Auditors' Report.

TOWN OF CORNWALL, CONNECTICUT

**GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts			Actual	Variance With Final Budget Positive (Negative)
	Original	Transfers	Final		
Land Use					
Zoning Enforcement wage	\$ 6,525	\$ -	\$ 6,525	\$ 5,821	\$ 704
Land Use Administrator	10,141	-	10,141	7,872	2,269
Land Use Clerk	5,850	-	5,850	6,896	(1,046)
Office supplies	500	-	500	437	63
Printing	200	-	200	230	(30)
Legal notices	1,800	-	1,800	1,088	712
Meetings/mileage	500	-	500	543	(43)
Computer	400	-	400	-	400
Building inspection expense	-	-	-	64,893	(64,893)
Consulting services	6,800	-	6,800	1,941	4,859
Legal fees	2,500	-	2,500	-	2,500
	<u>35,216</u>	<u>-</u>	<u>35,216</u>	<u>89,721</u>	<u>(54,505)</u>
Organizational Support					
Cornwall Child Center	38,000	-	38,000	38,000	-
Cornwall Library	42,000	-	42,000	42,000	-
Cornwall Historical Society	4,000	-	4,000	4,000	-
Cornwall Housing Corp	4,000	-	4,000	4,000	-
Cornwall Conservation Trust	2,000	-	2,000	2,000	-
NW Council of Governments	1,120	-	1,120	1,118	2
Council of Small Towns	725	-	725	725	-
Tax refunds	1,500	-	1,500	447	1,053
Cemetery maintenance	2,600	-	2,600	2,600	-
Regional Housing	100	-	100	100	-
NW Conservation District	600	-	600	600	-
Housatonic River Commission	350	-	350	350	-
Geer Adult Day Center	8,000	-	8,000	8,000	-
Susan B. Anthony Project	1,500	-	1,500	1,500	-
Town celebrations	600	-	600	209	391
NW Corner Chore Service	5,000	-	5,000	5,000	-
Women's Support Service	1,500	-	1,500	1,500	-
Regional Mental Health	155	-	155	155	-
Housatonic Youth Service	4,608	-	4,608	4,608	-
Argicultural Advisory	700	-	700	767	(67)
Elderly Nutrition Project	442	-	442	441	1
Greenwoods Counseling referrals	1,500	-	1,500	1,500	-
HVA-Housatonic Vally Association	250	-	250	250	-
FISH	250	-	250	-	250
Conservation Commission	1,500	-	1,500	201	1,299
Economic Study	4,000	-	4,000	2,080	1,920
	<u>127,000</u>	<u>-</u>	<u>127,000</u>	<u>122,151</u>	<u>4,849</u>

See accompanying Independent Auditors' Report.

TOWN OF CORNWALL, CONNECTICUT

**GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts			Actual	Variance With Final Budget Positive (Negative)
	Original	Transfers	Final		
Park & Recreation					
Salaries	\$ 21,548	\$ -	\$ 21,548	\$ 21,548	\$ -
Supplies	800	-	800	1,549	(749)
Park & Rec program	8,000	-	8,000	7,787	213
Basketball	1,000	-	1,000	619	381
Soccer	2,100	-	2,100	544	1,556
Skiing	3,000	-	3,000	2,502	498
Baseball	2,000	-	2,000	371	1,629
Fields/services	8,500	-	8,500	11,196	(2,696)
	<u>46,948</u>	<u>-</u>	<u>46,948</u>	<u>46,116</u>	<u>832</u>
Payroll Expenses					
Social Security/Medicare	51,038	-	51,038	49,381	1,657
	<u>51,038</u>	<u>-</u>	<u>51,038</u>	<u>49,381</u>	<u>1,657</u>
Probate Court					
Contracted services	3,113	-	3,113	3,112	1
	<u>3,113</u>	<u>-</u>	<u>3,113</u>	<u>3,112</u>	<u>1</u>
Public Health & Welfare					
Commission on Aging:					
Municipal Agent salary	1,000	-	1,000	1,000	-
Supplies	200	-	200	200	-
Printing	200	-	200	128	72
	<u>1,400</u>	<u>-</u>	<u>1,400</u>	<u>1,328</u>	<u>72</u>
Social Service:					
Social Service Administrator	27,119	-	27,119	27,119	-
Office supplies	1,200	-	1,200	991	209
Mileage/travel	500	-	500	536	(36)
Meetings/memberships	100	-	100	150	(50)
General assistance	500	-	500	500	-
GA Medical	200	-	200	200	-
GA Burial	1	-	1	-	1
	<u>29,620</u>	<u>-</u>	<u>29,620</u>	<u>29,496</u>	<u>124</u>
Torrington Area Health	8,679	-	8,679	8,679	-
NW CT Transit	615	-	615	615	-
Senior van	5,000	-	5,000	415	4,585
Visiting Nurse homecare	4,475	-	4,475	2,386	2,089
Hepatitis B vaccine	300	-	300	153	147
NW Center Family Service	500	-	500	-	500
	<u>50,589</u>	<u>-</u>	<u>50,589</u>	<u>43,072</u>	<u>7,517</u>

See accompanying Independent Auditors' Report.

TOWN OF CORNWALL, CONNECTICUT

**GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts				Variance With Final Budget Positive (Negative)
	Original	Transfers	Final	Actual	
Public Safety					
CVFD physical exams	\$ 6,000	\$ -	\$ 6,000	\$ 5,077	\$ 923
Firehouse maintenance	28,650	-	28,650	23,172	5,478
Service incentive	34,000	-	34,000	15,503	18,497
Operations	50,690	-	50,690	57,070	(6,380)
Rescue	25,200	-	25,200	25,348	(148)
Police services	1	-	1	-	1
Fire Marshall salary	3,000	-	3,000	3,771	(771)
Fire Marshall expenses	1,700	-	1,700	1,501	199
911 contract	14,656	-	14,656	14,847	(191)
Civil preparedness	1,000	-	1,000	159	841
	<u>164,897</u>	<u>-</u>	<u>164,897</u>	<u>146,448</u>	<u>18,449</u>
Registrars of Voters					
Registrars' salary expenses	4,370	-	4,370	4,285	85
Election workers' wages	1,865	-	1,865	1,179	686
Office supplies	150	-	150	261	(111)
Printing	1	-	1	-	1
Legal notices	1	-	1	-	1
Mileage/travel	50	-	50	64	(14)
Meetings/memberships	2,300	-	2,300	2,130	170
Contracted services	3,450	-	3,450	1,300	2,150
Postage	70	-	70	96	(26)
	<u>12,257</u>	<u>-</u>	<u>12,257</u>	<u>9,315</u>	<u>2,942</u>
Sanitation & Recycling					
Salaries/wages	63,116	3,300	66,416	66,952	(536)
Landfill supplies/repairs	3,000	-	3,000	2,696	304
MSW hauling	17,000	-	17,000	19,786	(2,786)
Site testing	8,225	-	8,225	7,048	1,177
Building repairs	500	-	500	-	500
CRRA contract	20,000	-	20,000	18,628	1,372
Bulky waste	19,000	-	19,000	21,440	(2,440)
Hazardous waste	2,500	-	2,500	2,356	144
Stump grinding	1	-	1	-	1
Recycling expense	800	-	800	222	578
Recycling box rent	1,100	-	1,100	756	344
Recycling hauling	8,000	-	8,000	6,656	1,344
	<u>143,242</u>	<u>3,300</u>	<u>146,542</u>	<u>146,540</u>	<u>2</u>

See accompanying Independent Auditors' Report.

TOWN OF CORNWALL, CONNECTICUT

**GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts			Actual	Variance With Final Budget Positive (Negative)
	Original	Transfers	Final		
Tax Collector					
Salary	\$ 23,709	\$ -	\$ 23,709	\$ 23,709	\$ -
Tax Collector's clerk wage	2,575	-	2,575	2,173	402
Office supplies	1,084	-	1,084	285	799
Printing	1,234	-	1,234	67	1,167
Legal notices	420	-	420	449	(29)
Meetings/memberships	500	-	500	287	213
Computer	400	-	400	-	400
Contracted services	5,600	-	5,600	6,819	(1,219)
Postage	1,478	-	1,478	1,369	109
	<u>37,000</u>	<u>-</u>	<u>37,000</u>	<u>35,158</u>	<u>1,842</u>
Town Clerk					
Town Clerk salary	40,910	-	40,910	40,910	-
Assistant Town Clerk wage	2,884	-	2,884	2,640	244
Office supplies	550	-	550	1,163	(613)
Legal notices	950	-	950	172	778
Meetings/memberships	650	-	650	655	(5)
Computer	425	-	425	1,405	(980)
Contracted services	13,500	-	13,500	11,079	2,421
Elections	900	-	900	510	390
Postage	350	-	350	426	(76)
	<u>61,119</u>	<u>-</u>	<u>61,119</u>	<u>58,960</u>	<u>2,159</u>
Town Office Administration					
Town office custodian	2,752	-	2,752	3,200	(448)
Town office supplies	2,400	11,630	14,030	2,965	11,065
Town office heating	7,500	-	7,500	7,272	228
Town office utilities	11,000	-	11,000	17,608	(6,608)
Town office contracted	9,500	-	9,500	11,025	(1,525)
Town counsel	12,000	-	12,000	15,092	(3,092)
Town building repairs	500	-	500	99	401
	<u>45,652</u>	<u>11,630</u>	<u>57,282</u>	<u>57,261</u>	<u>21</u>
Contingency	<u>30,000</u>	<u>(29,436)</u>	<u>564</u>	<u>-</u>	<u>564</u>
Transfers					
To Capital Projects Fund	-	45,000	45,000	45,000	-
	<u>-</u>	<u>45,000</u>	<u>45,000</u>	<u>45,000</u>	<u>-</u>
Total Board of Selectmen Budget	<u>1,861,036</u>	<u>45,000</u>	<u>1,906,036</u>	<u>1,907,960</u>	<u>(1,924)</u>

See accompanying Independent Auditors' Report.

TOWN OF CORNWALL, CONNECTICUT

**GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2017**

	Budgeted Amounts				Variance With Final Budget Positive (Negative)
	Original	Transfers	Final	Actual	
Board of Education					
Board of Education expenses	\$ 4,068,862	\$ -	\$ 4,068,862	\$ 4,008,934	\$ 59,928
	<u>4,068,862</u>	<u>-</u>	<u>4,068,862</u>	<u>4,008,934</u>	<u>59,928</u>
Capital Expenditures					
Capital expenditures - CCS	40,000	-	40,000	40,000	-
Capital expenditures - BOS	562,000	-	562,000	562,000	-
	<u>602,000</u>	<u>-</u>	<u>602,000</u>	<u>602,000</u>	<u>-</u>
Debt Service					
Debt bond principal	155,000	-	155,000	155,000	-
Debt bond interest	26,175	-	26,175	26,175	-
	<u>181,175</u>	<u>-</u>	<u>181,175</u>	<u>181,175</u>	<u>-</u>
Total expenditures and other financing uses	<u>\$ 6,713,073</u>	<u>\$ 45,000</u>	<u>\$ 6,758,073</u>	<u>\$ 6,700,069</u>	<u>\$ 58,004</u>

See accompanying Independent Auditors' Report.

TOWN OF CORNWALL, CONNECTICUT

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2017**

	Special Revenue Funds	Capital Projects Fund Open Space	Permanent Fund Cornwall Endowment Fund	Total
<u>Assets</u>				
Cash and cash equivalents	\$ 121,034	\$ 16,251	\$ 2,395	\$ 139,680
Investments	-	-	38,511	38,511
Due from other funds	-	-	-	-
Total assets	\$ 121,034	\$ 16,251	\$ 40,906	\$ 178,191
<u>Liabilities</u>				
Due to State of CT	\$ 1,746	\$ -	\$ -	\$ 1,746
Due to other funds	4,150	-	-	4,150
Total liabilities	5,896	-	-	5,896
<u>Fund Balances</u>				
Nonspendable	-	-	34,895	34,895
Restricted	4,929	16,251	-	21,180
Committed	60,297	-	-	60,297
Assigned	49,912	-	6,011	55,923
Unassigned	-	-	-	-
Total fund balances	115,138	16,251	40,906	172,295
Total liabilities and fund balances	\$ 121,034	\$ 16,251	\$ 40,906	\$ 178,191

See accompanying Independent Auditors' Report.

TOWN OF CORNWALL, CONNECTICUT

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Special Revenue Funds</u>	<u>Capital Projects Fund Open Space</u>	<u>Permanent Fund Cornwall Endowment Fund</u>	<u>Total</u>
Revenues				
Investment income	\$ 143	\$ -	\$ 4,257	\$ 4,400
Fees and charges	3,073	-	-	3,073
Intergovernmental revenues	200	-	-	200
Contributions	44,888	-	10,048	54,936
Total revenues	<u>48,304</u>	<u>-</u>	<u>14,305</u>	<u>62,609</u>
Expenditures				
General government	13,506	-	776	14,282
Health and welfare	15,285	-	-	15,285
Education	-	-	-	-
Total expenditures	<u>28,791</u>	<u>-</u>	<u>776</u>	<u>29,567</u>
Excess of revenues over (under) expenditures	19,513	-	13,529	33,042
Other Financing Sources (Uses):				
Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	19,513	-	13,529	33,042
Fund balances, beginning of year	<u>95,625</u>	<u>16,251</u>	<u>27,377</u>	<u>139,253</u>
Fund balances, end of year	<u><u>\$ 115,138</u></u>	<u><u>\$ 16,251</u></u>	<u><u>\$ 40,906</u></u>	<u><u>\$ 172,295</u></u>

See accompanying Independent Auditors' Report.

TOWN OF CORNWALL, CONNECTICUT

**NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2017**

	Dog Fund	Milk Fund	Food & Fuel Fund	Town Activity Fund	Total
<u>Assets</u>					
Cash and cash equivalents	\$ 7,616	\$ 283	\$ 56,008	\$ 57,127	\$ 121,034
Investments	-	-	-	-	-
Due from other funds	-	-	-	-	-
Total assets	\$ 7,616	\$ 283	\$ 56,008	\$ 57,127	\$ 121,034
<u>Liabilities</u>					
Due to State of CT	\$ 1,746	\$ -	\$ -	\$ -	\$ 1,746
Due to other funds	4,120	-	-	30	4,150
Total liabilities	5,866	-	-	30	5,896
<u>Fund Balances</u>					
Nonspendable	-	-	-	-	-
Restricted	-	283	4,646	-	4,929
Committed	-	-	3,200	57,097	60,297
Assigned	1,750	-	48,162	-	49,912
Unassigned	-	-	-	-	-
Total fund balances	1,750	283	56,008	57,097	115,138
Total liabilities and fund balances	\$ 7,616	\$ 283	\$ 56,008	\$ 57,127	\$ 121,034

See accompanying Independent Auditors' Report.

TOWN OF CORNWALL, CONNECTICUT

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017**

	Dog Fund	Milk Fund	Food & Fuel Fund	Town Activity Fund	Total
Revenues					
Investment income	\$ -	\$ -	\$ -	\$ 143	\$ 143
Fees and charges	3,073	-	-	-	3,073
Intergovernmental revenues	-	200	-	-	200
Contributions	-	641	35,930	8,317	44,888
Total revenues	3,073	841	35,930	8,460	48,304
Expenditures					
General government	5,107	863	-	7,536	13,506
Health and welfare	-	-	15,285	-	15,285
Education	-	-	-	-	-
Total expenditures	5,107	863	15,285	7,536	28,791
Excess of revenues over (under) expenditures	(2,034)	(22)	20,645	924	19,513
Other Financing Sources (Uses):					
Transfers in (out)	-	-	-	-	-
Net change in fund balances	(2,034)	(22)	20,645	924	19,513
Fund balances, beginning of year	3,784	305	35,363	56,173	95,625
Fund balances, end of year	\$ 1,750	\$ 283	\$ 56,008	\$ 57,097	\$ 115,138

See accompanying Independent Auditors' Report.

TOWN OF CORNWALL, CONNECTICUT

**FIDUCIARY FUNDS
PRIVATE-PURPOSE TRUST FUNDS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2017**

	Educational Trust Fund	Dorothy Hermann Memorial	Marie K. Baum Scholarship Fund	Hepprich Scholarship Fund	Total
<u>Assets</u>					
Cash and cash equivalents	\$ 15,797	\$ 180	\$ 934	\$ 12,851	\$ 29,762
Contributions receivable		-	-	-	-
Investments		1,400	10,901	499,447	511,748
Total assets	\$ 15,797	\$ 1,580	\$ 11,835	\$ 512,298	\$ 541,510
<u>Liabilities</u>					
Due to beneficiaries	\$ -	\$ -	\$ -	\$ -	\$ -
Other payables	-	-	-	-	-
Total liabilities	-	-	-	-	-
<u>Net Position</u>					
Held in trust for other purposes	15,797	1,580	11,835	512,298	541,510
Total net position	15,797	1,580	11,835	512,298	541,510
Total liabilities and fund balances	\$ 15,797	\$ 1,580	\$ 11,835	\$ 512,298	\$ 541,510

See accompanying Independent Auditors' Report.

TOWN OF CORNWALL, CONNECTICUT

FIDUCIARY FUNDS

PRIVATE-PURPOSE TRUST FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES,

AND CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2017

	Educational Trust Fund	Dorothy Hermann Memorial	Marie K. Baum Scholarship Fund	Hepprich Scholarship Fund	Total
Additions:					
Investment income	\$ -	\$ 3	\$ 286	\$ 49,556	\$ 49,845
Contributions	150	-	-	4,200	4,350
	<u>150</u>	<u>3</u>	<u>286</u>	<u>53,756</u>	<u>54,195</u>
Deductions:					
General government	-	-	-	-	-
Education	683	-	-	10,000	10,683
Recreation	-	-	-	-	-
Other	-	-	430	3,394	3,824
	<u>683</u>	<u>-</u>	<u>430</u>	<u>13,394</u>	<u>14,507</u>
Change in net position	(533)	3	(144)	40,362	39,688
Net position, beginning of year	<u>16,330</u>	<u>1,577</u>	<u>11,979</u>	<u>471,936</u>	<u>501,822</u>
Net position, end of year	<u>\$ 15,797</u>	<u>\$ 1,580</u>	<u>\$ 11,835</u>	<u>\$ 512,298</u>	<u>\$ 541,510</u>

See accompanying Independent Auditors' Report.

TOWN OF CORNWALL, CONNECTICUT
FIDUCIARY FUNDS
PENSION TRUST FUND
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2017

	<u>CVFD Incentive Program</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 3,590
Contributions receivable	13,563
Investments	<u>646,337</u>
Total assets	<u>\$ 663,490</u>
<u>Liabilities</u>	
Due to beneficiaries	\$ -
Other payables	<u>-</u>
Total liabilities	<u>-</u>
<u>Net Position</u>	
Held in trust for pension benefits	663,490
Held in trust for other purposes	<u>-</u>
Total net position	<u>663,490</u>
Total liabilities and fund balances	<u>\$ 663,490</u>

See accompanying Independent Auditors' Report.

TOWN OF CORNWALL, CONNECTICUT

FIDUCIARY FUNDS

PENSION TRUST FUND

STATEMENT OF REVENUES, EXPENSES,

AND CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2017

	CVFD Incentive Program
Additions:	
Investment income	\$ 2,702
Unrealized gains on investments	54,085
Contributions	<u>13,563</u>
	<u>70,350</u>
Deductions:	
Retirement	38,040
Other	<u>-</u>
	<u>38,040</u>
Change in net position	32,310
Net position, beginning of year	<u>631,180</u>
Net position, end of year	<u><u>\$ 663,490</u></u>

See accompanying Independent Auditors' Report.

TOWN OF CORNWALL, CONNECTICUT

FIDUCIARY FUNDS

AGENCY FUND

STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES

FOR THE YEAR ENDED JUNE 30, 2017

	Student Activities Fund
	<u><u>Fund</u></u>
<u>Assets</u>	
Beginning balance - cash	\$ 19,044
Additions	24,052
Deductions	<u>(15,328)</u>
Ending balance - cash	<u>27,768</u>
 Beginning balance - investments	 18,146
Additions	-
Deductions	<u>(2,484)</u>
Ending balance - investments	<u>15,662</u>
 Total assets	 \$ 43,430
	<u><u> </u></u>
<u>Liabilities</u>	
Beginning balance - other payables	\$ -
Additions	-
Deductions	<u>-</u>
Ending balance - other payables	<u>-</u>
 Beginning balance - due to beneficiaries	 37,190
Additions	24,052
Deductions	<u>(17,812)</u>
Ending balance - due to beneficiaries	<u>43,430</u>
 Total liabilities	 \$ 43,430
	<u><u> </u></u>

See accompanying Independent Auditors' Report.

TOWN OF CORNWALL, CONNECTICUT

**STATEMENT OF DEBT LIMITATION
CONNECTICUT GENERAL STATUTES SECTION 7.374(B)
FOR THE YEAR ENDED JUNE 30, 2017**

Total tax collection including interest and lien fees - year ending June 30, 2016	\$ 6,208,992
Reimbursement for revenue loss on: Tax relief for elderly (CGS 12-129d)	<u>13,135</u>
Base	<u><u>\$ 6,222,127</u></u>

	<u>General</u>	<u>Schools</u>	<u>Sewers</u>	<u>Urban Renewal</u>	<u>Pension Deficit</u>
Debt Limitation:					
2 1/4 times base	\$ 13,999,786	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	27,999,572	-	-	-
3 3/4 times base	-	-	23,332,976	-	-
3 1/4 times base	-	-	-	20,221,913	-
3 times base	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,666,381</u>
Total debt limitation	<u>13,999,786</u>	<u>27,999,572</u>	<u>23,332,976</u>	<u>20,221,913</u>	<u>18,666,381</u>
Indebtedness:					
Bonds payable	1,500,000	1,160,000	-	-	-
Overlapping debt: Regional School District #1	<u>-</u>	<u>294,319</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total indebtedness	<u>1,500,000</u>	<u>1,454,319</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt limitation in excess of outstanding and authorized debt	<u><u>\$ 12,499,786</u></u>	<u><u>\$ 26,545,253</u></u>	<u><u>\$ 23,332,976</u></u>	<u><u>\$ 20,221,913</u></u>	<u><u>\$ 18,666,381</u></u>

Note: In no case shall total indebtedness exceed seven times annual receipts from taxation.

TOWN OF CORNWALL, CONNECTICUT

REPORT OF THE TAX COLLECTOR

JULY 1, 2016 TO JUNE 30, 2017

Grand List October 1,	Outstanding 6/30/2016	Current Levy	Lawful Corrections		Collectible Taxes	Receipt of Taxes	Interest and Liens	Total Receipts	Transfers to Suspense	Outstanding 6/30/2017
			Additions	Deductions						
2015	\$ -	\$ 6,193,803	\$ 5,132	\$ 4,623	\$ 6,194,312	\$ 6,084,326	\$ 24,105	\$ 6,108,431	\$ 2,409	\$ 107,577
2014	130,518	-	-	237	130,281	54,460	10,616	65,076	498	75,323
2013	90,873	-	-	-	90,873	33,089	14,387	47,476	-	57,784
2012	66,825	-	-	-	66,825	33,325	20,621	53,946	2,170	31,330
2011	22,115	-	-	-	22,115	15,213	10,158	25,371	-	6,902
2010	23,460	-	-	-	23,460	15,247	10,578	25,825	-	8,213
2009	20,324	-	-	-	20,324	11,168	7,795	18,963	-	9,156
2008	10,221	-	-	-	10,221	26	24	50	-	10,195
2007	8,637	-	-	-	8,637	-	-	-	-	8,637
2006	9,899	-	-	-	9,899	35	109	144	-	9,864
2005	6,495	-	-	-	6,495	-	-	-	-	6,495
2004	6,298	-	-	-	6,298	72	153	225	-	6,226
2003	5,536	-	-	4	5,532	82	189	271	-	5,450
2002	6,033	-	-	-	6,033	89	216	305	-	5,944
2001	6,427	-	-	-	6,427	-	-	-	-	6,427
Total	\$ 413,661	\$ 6,193,803	\$ 5,132	\$ 4,864	\$ 6,607,732	\$ 6,247,132	\$ 98,951	\$ 6,346,083	\$ 5,077	\$ 355,523

See accompanying Independent Auditors' Report.

TOWN OF CORNWALL, CONNECTICUT
TOP 10 TAXPAYERS
BASED ON 10/1/15 NET TAXABLE GRAND LIST
FOR THE YEAR ENDED JUNE 30, 2017

<u>Name</u>	<u>Valuation</u>
C&D Farms LLC	\$ 9,377,300
Lendl, Ivan & Samantha Trustee	7,700,000
Connecticut Light & Power	5,866,960
FCCP LLC	5,762,500
Walzer, Roy S.	3,022,200
Push 'Em Up Farm LLC	2,990,800
56 Whitcomb LLC	2,552,500
Trinity Episcopal Center	2,269,900
40 Cobble Hill Road LLC	1,994,000
Mohawk Mountain Ski Area, Inc.	1,843,330

Source: Assessor's Office, Town of Cornwall, Connecticut

See accompanying Independent Auditors' Report.