

TOWN OF CORNWALL, CONNECTICUT

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

with

SUPPLEMENTAL STATEMENTS AND SCHEDULES

and

INDEPENDENT AUDITORS' REPORT

Sandra E. Welwood, LLC

Certified Public Accountants

**TOWN OF CORNWALL, CONNECTICUT
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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, 2018, 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, 2018, 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 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 18, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, 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 October 2, 2018, 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 solely 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 the effectiveness of the Town's 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.

Sandra E. Welwood, LLC

Danbury, Connecticut
October 2, 2018

TOWN OF CORNWALL, CONNECTICUT

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

JUNE 30, 2018

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, 2018.

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 \$9,489,756 (*net position*). Of this amount, \$4,047,545 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors. Restricted Net Position is \$56,382, which is comprised of \$34,895 for the Cornwall Endowment Fund, \$16,251 for Open Space and \$5,236 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 \$3,713,079, a decrease of \$389,788 in comparison with the prior year. Of this amount, \$1,555,550 is available for spending at the government's discretion and called the Unassigned fund balance. The Assigned portion is \$655,636, the Committed portion is \$1,444,780, the Restricted portion is \$21,487 and the Nonspendable portion is \$35,626. 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 \$2,154,454, of which \$350,000 has been assigned for the subsequent year's budget and \$246,972 has been assigned for other purposes leaving an unassigned fund balance for the General Fund of \$1,556,751 or 23% percent of total General Fund expenditures for 2018.

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 \$9,489,756 at the close of the most recent fiscal year.

<u>Net Position</u>		
	<u>2018</u>	<u>2017</u>
<u>Assets</u>		
Current and other assets	\$ 4,335,298	\$ 5,006,734
Capital assets, net	<u>7,783,117</u>	<u>7,566,286</u>
Total assets	<u>12,118,415</u>	<u>12,573,020</u>
Deferred outflows of resources	<u>32,500</u>	<u>37,917</u>
<u>Liabilities</u>		
Long-term liabilities outstanding	2,429,788	2,752,175
Other liabilities	<u>231,371</u>	<u>524,917</u>
Total liabilities	<u>2,661,159</u>	<u>3,277,092</u>
<u>Net Position</u>		
Net investment in capital assets	5,385,829	4,852,028
Restricted	56,382	56,075
Unrestricted	<u>4,047,545</u>	<u>4,425,742</u>
Total net position	<u>\$ 9,489,756</u>	<u>\$ 9,333,845</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 (\$4,047,545) 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 \$155,911 during this fiscal year. This increase is primarily attributable to principal pay down of bonded debt and the excess of depreciation over additions to capital assets.

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

<u>Changes in Net Position</u>		
	<u>2018</u>	<u>2017</u>
<u>Revenues:</u>		
General revenues:		
Property taxes	\$ 6,310,759	\$ 6,294,103
Unrestricted investment income	70,274	30,968
Grants and contributions	20,772	43,201
Other income	36,103	33,550
Program revenues:		
Charges for services	154,627	135,045
Operating grants and contributions	<u>708,110</u>	<u>705,140</u>
Total revenues	<u>7,300,645</u>	<u>7,242,007</u>
<u>Expenses:</u>		
Governmental activities:		
General government	1,006,345	895,771
Public safety	479,672	459,980
Highways	573,988	566,702
Sanitation	146,618	139,492
Health and welfare	84,115	58,357
Recreation	88,633	82,405
Education	4,556,324	4,629,581
Debt service	76,475	31,591
Other	<u>132,564</u>	<u>122,151</u>
Total expenses	<u>7,144,734</u>	<u>6,986,030</u>
Change in net position	155,911	255,977
Beginning net position	<u>9,333,845</u>	<u>9,077,868</u>
Ending net position	<u>\$ 9,489,756</u>	<u>\$ 9,333,845</u>

Governmental activities increased the Town of Cornwall's net position by \$155,911.

Key elements of the activities are as follows: 86.5% of the revenues of the Town were derived from property taxes, followed by 9.7% from operating grants and contributions, 2.2% from charges for services, and 1.6% 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.

For Governmental Activities, 64.9% of the Town's expenses relate to education and repayment of long-term debt for school construction, 9.3% relates to public safety and health and welfare, 8.1% relates to highways and public works, and the remaining 17.7% relates to government, community services, administration and other areas.

Major expense factors for the General Fund remained consistent as compared to the prior year. Major capital expenditures include the replacement of the bridge on Flat Rocks Road, acquisition of a used Grader for the Public Works Department and replacement of the Hammond Beach Docks.

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 \$3,713,079 a decrease of 389,788. 42% 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 \$2,154,454, a decrease of \$67,465 over the previous year of which \$350,000 was assigned for the subsequent year's budget and \$246,972 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 23.3% of total General Fund expenditures for 2018.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Town ended the year with a \$7,535 budget surplus. The revenues exceeded budgeted amounts by \$8,620. Overall, the Town's expenditures were \$1,085 more than budgeted amounts principally attributable to Building Inspection costs offset by reductions in Board of Education expenses. Although \$200,000 of fund balance was anticipated to be used to balance the budget, none was used.

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, 2018 amounts to \$7,783,117 (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 upgraded security doors at CCS, bridge replacement on Flat Rocks Road, installation of a fire hydrant in Cornwall Bridge, purchase of a used Caterpillar Grader for the Highway Department and complete replacement of the Hammond Beach Docks principally funded by an appropriation from the Gates Bequest.

<u>Capital Assets at Year-End (Net of Accumulated Depreciation)</u>		
	<u>2018</u>	<u>2017</u>
Land and infrastructure	\$ 1,887,555	\$ 1,449,029
Buildings and improvements	4,696,022	4,865,415
Machinery and equipment	<u>1,199,540</u>	<u>1,251,842</u>
Total (net of accumulated depreciation)	<u>\$ 7,783,117</u>	<u>\$ 7,566,286</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>2018</u>	<u>2017</u>
General obligation bonds	\$ 2,374,966	\$ 2,689,128
Landfill closure	<u>54,822</u>	<u>63,047</u>
	<u>\$ 2,429,788</u>	<u>\$ 2,752,175</u>

Additional information on the Town's long-term debt can be found in Note 7 on pages 31-32 of the audit report.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

- Declining enrollment at Cornwall Consolidated School.
- Capital funding for maintenance and upgrades of all town buildings.
- 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 2018-2019 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, 2018

(With Comparative Totals for June 30, 2017)

	2018	2017
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 3,587,417	\$ 4,294,882
Investments	309,441	304,798
Taxes, interest, and lien fees receivable, net	430,207	394,559
Prepaid expenses	731	12,211
Other receivables	7,502	284
	4,335,298	5,006,734
Noncurrent assets:		
Capital assets:		
Land and other nondepreciable assets	671,177	671,177
Depreciable assets, net of depreciation	7,111,940	6,895,109
Total assets	12,118,415	12,573,020
<u>Deferred Outflows of Resources</u>		
Unavailable amount on refunding	32,500	37,917
Total deferred outflows of resources	32,500	37,917
<u>Liabilities</u>		
Current liabilities:		
Accounts payable	144,577	455,494
Due to other beneficiaries	30,315	27,752
Accrued expenses	53,550	38,770
Due to State of Connecticut	2,929	2,901
Current portion of long-term obligations	321,614	322,387
	552,985	847,304
Noncurrent liabilities:		
General obligation bonds	2,040,000	2,350,000
Other long-term obligations	68,174	79,788
Total liabilities	2,661,159	3,277,092
<u>Net Position</u>		
Net investment in capital assets	5,385,829	4,852,028
Restricted	56,382	56,075
Unrestricted	4,047,545	4,425,742
Total net position	\$ 9,489,756	\$ 9,333,845

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, 2018**

(With Comparative Totals for the Year Ended June 30, 2017)

	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental Activities:						
General government	\$ 1,006,345	\$ 133,478	\$ 6,291	\$ -	\$ (866,576)	\$ (771,492)
Public safety	479,672	-	-	-	(479,672)	(459,980)
Highways	573,988	-	224,603	-	(349,385)	(342,536)
Sanitation	146,618	16,517	-	-	(130,101)	(125,725)
Health and welfare	84,115	-	26,754	-	(57,361)	(8,512)
Recreation	88,633	4,632	-	-	(84,001)	(78,974)
Education	4,556,324	-	450,462	-	(4,105,862)	(4,204,884)
Debt service	76,475	-	-	-	(76,475)	(31,591)
Other	132,564	-	-	-	(132,564)	(122,151)
Total governmental activities	\$ 7,144,734	\$ 154,627	\$ 708,110	\$ -	(6,281,997)	(6,145,845)
General Revenues:						
Property taxes, interest, and lien fees					6,310,759	6,294,103
Unrestricted investment income					70,274	30,968
Grants and contributions not restricted to specific purpose					20,772	43,201
Other income					36,103	33,550
Total general revenues					6,437,908	6,401,822
Change in net position					155,911	255,977
Net position, beginning of year					9,333,845	9,077,868
Net position, end of year					\$ 9,489,756	\$ 9,333,845

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

TOWN OF CORNWALL, CONNECTICUT

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2018

(With Comparative Totals for June 30, 2017)

	General	Capital	Nonmajor	Governmental Funds	
	Fund	Projects Fund	Governmental Funds	2018	2017
Assets					
Cash and cash equivalents	\$ 2,017,916	\$ 1,431,648	\$ 137,853	\$ 3,587,417	\$ 4,294,882
Investments	269,452	-	39,989	309,441	304,798
Taxes, interest, and lien fees receivable, net of allowance	430,207	-	-	430,207	394,559
Other receivables	7,502	-	-	7,502	284
Prepaid expenses	731	-	-	731	12,211
Due from other funds	9,237	3,518	1,676	14,431	15,261
Total assets	\$ 2,735,045	\$ 1,435,166	\$ 179,518	\$ 4,349,729	\$ 5,021,995
Liabilities					
Accounts payable	\$ 99,065	\$ 45,512	\$ -	\$ 144,577	\$ 455,494
Due to other beneficiaries	30,315	-	-	30,315	27,752
Accrued expenses	37,873	-	-	37,873	38,770
Due to State of Connecticut	1,619	-	1,310	2,929	2,901
Due to other funds	5,194	996	8,241	14,431	15,261
Total liabilities	174,066	46,508	9,551	230,125	540,178
Deferred Inflows of Resources					
Unavailable revenue - taxes, interest, and lien fees	406,525	-	-	406,525	378,950
Fund Balances					
Nonspendable	731	-	34,895	35,626	47,106
Restricted	-	-	21,487	21,487	21,180
Committed	-	1,388,108	56,672	1,444,780	1,764,322
Assigned	596,972	550	58,114	655,636	533,366
Unassigned	1,556,751	-	(1,201)	1,555,550	1,736,893
Total fund balances	2,154,454	1,388,658	169,967	3,713,079	4,102,867
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,735,045	\$ 1,435,166	\$ 179,518		
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.				7,783,117	7,566,286
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.				406,525	378,950
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				32,500	37,917
Unamortized premiums and accrued interest				(40,643)	(29,128)
General obligation bonds				(2,350,000)	(2,660,000)
Post-closure landfill costs				(54,822)	(63,047)
Net position				\$ 9,489,756	\$ 9,333,845

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, 2018
(With Comparative Totals for the Year Ended June 30, 2017)**

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Governmental Funds	
				2018	2017
Revenues:					
Property taxes	\$ 6,283,184	\$ -	\$ -	\$ 6,283,184	\$ 6,324,020
Investment income	45,254	21,136	3,884	70,274	30,968
Fees and charges	155,676	-	2,291	157,967	139,377
Intergovernmental revenues	695,564	708	-	696,272	696,236
Contributions	-	50	29,220	29,270	64,304
Other revenues	36,103	-	-	36,103	17,019
Total revenues	7,215,781	21,894	35,395	7,273,070	7,271,924
Expenditures:					
Current:					
General government	878,473	96,393	9,329	984,195	876,762
Public safety	158,733	-	-	158,733	524,715
Highways	481,048	-	-	481,048	478,981
Sanitation	154,843	-	-	154,843	146,540
Health and welfare	56,004	-	28,111	84,115	58,357
Recreation	88,633	-	-	88,633	82,405
Education	4,377,567	24,084	283	4,401,934	4,469,517
Other	132,564	-	-	132,564	122,151
Debt Service:					
Principal and interest	365,381	-	-	365,381	181,175
Capital outlay	-	811,412	-	811,412	588,916
Total expenditures	6,693,246	931,889	37,723	7,662,858	7,529,519
Excess of revenues over (under) expenditures	522,535	(909,995)	(2,328)	(389,788)	(257,595)
Other Financing Sources (Uses):					
Proceeds from issuance of debt	-	-	-	-	1,500,000
Transfers in	-	590,000	-	590,000	647,000
Transfers out	(590,000)	-	-	(590,000)	(647,000)
	(590,000)	590,000	-	-	1,500,000
Net change in fund balances	(67,465)	(319,995)	(2,328)	(389,788)	1,242,405
Fund balances, beginning of year	2,221,919	1,708,653	172,295	4,102,867	2,860,462
Fund balances, end of year	\$ 2,154,454	\$ 1,388,658	\$ 169,967	\$ 3,713,079	\$ 4,102,867

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, 2018**

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

Net change in fund balances - total governmental funds \$ (389,788)

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)	565,315
Depreciation expense	<u>(348,484)</u>
	<u>216,831</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.

27,575

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:	
Amortization of the premium on the refunding debt	4,162
Accrued interest	(15,677)
Repayments:	
Amortization of the deferred amount on refunding	(5,417)
To bond holders	<u>310,000</u>
	<u>293,068</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>8,225</u>
-----------------------------	--------------

Change in net position \$ 155,911

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, 2018**

	Budgeted Amounts			Actual	Variance With Final Budget Positive (Negative)
	Original	Transfers	Final		
Revenues:					
Fees for services	\$ 62,101	\$ -	\$ 62,101	\$ 155,676	\$ 93,575
Other revenues	24,000	-	24,000	36,103	12,103
Property taxes	6,191,797	-	6,191,797	6,283,184	91,387
State education grants	-	-	-	2,399	2,399
State general grants	273,700	-	273,700	245,102	(28,598)
Transfer/non-revenue receipts	207,500	-	207,500	45,254	(162,246)
Total revenues	6,759,098	-	6,759,098	6,767,718	8,620
Expenditures:					
Assessor	39,870	-	39,870	38,037	1,833
Board of Assessment Appeals	500	-	500	-	500
Board of Selectmen	101,678	-	101,678	100,827	851
Finance Department	61,776	-	61,776	61,729	47
Hammond Beach	39,797	(3,500)	36,297	36,173	124
Highway administration/supplies	437,715	(4,803)	432,912	432,745	167
Highway vehicle maintenance	40,000	8,303	48,303	48,303	-
Insurance and benefits	352,511	(4,066)	348,445	344,413	4,032
Land use	35,893	-	35,893	100,212	(64,319)
Organizational support	135,216	-	135,216	132,564	2,652
Park & recreation	48,394	4,066	52,460	52,460	-
Payroll expenses	53,114	-	53,114	52,764	350
Probate Court	3,100	-	3,100	3,058	42
Public health & welfare	51,379	4,626	56,005	56,004	1
Public safety	167,662	(8,534)	159,128	158,733	395
Registrars of Voters	10,372	(755)	9,617	8,662	955
Sanitation & recycling	145,135	9,708	154,843	154,843	-
Tax Collector	37,789	(1,630)	36,159	35,680	479
Town Clerk	64,692	(2,100)	62,592	60,839	1,753
Town office administration	45,900	-	45,900	44,118	1,782
Contingency	30,000	(1,800)	28,200	28,134	66
Transfers to other funds	-	75,000	75,000	75,000	-
Board of Education	3,976,708	-	3,976,708	3,929,504	47,204
Capital expenditures	515,000	-	515,000	515,000	-
Debt service	364,897	485	365,382	365,381	1
Total expenditures	6,759,098	75,000	6,834,098	6,835,183	(1,085)
Net change in fund balance	\$ -	\$ (75,000)	\$ (75,000)	(67,465)	\$ 7,535
Fund balance, beginning of year				2,221,919	
Fund balance, end of year				\$ 2,154,454	

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, 2018
(With Comparative Totals for June 30, 2017)

	Private- Purpose Trust Funds	Pension Trust Fund	Agency Fund	Totals	
				2018	2017
<u>Assets</u>					
Cash and cash equivalents	\$ 33,416	\$ 17,171	\$ 32,353	\$ 82,940	\$ 61,120
Contributions receivable	-	23,358	-	23,358	13,563
Investments	531,957	696,059	15,696	1,243,712	1,173,747
Total assets	\$ 565,373	\$ 736,588	\$ 48,049	\$ 1,350,010	\$ 1,248,430
<u>Liabilities</u>					
Due to beneficiaries	\$ -	\$ -	\$ 48,049	\$ 48,049	\$ 43,430
Total liabilities	-	-	48,049	48,049	43,430
<u>Net Position</u>					
Held in trust for pension benefits	-	736,588	-	736,588	663,490
Held in trust for other purposes	565,373	-	-	565,373	541,510
Total net position	\$ 565,373	\$ 736,588	\$ -	\$ 1,301,961	\$ 1,205,000

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, 2018
(With Comparative Totals for June 30, 2017)**

	Private- Purpose Trust Funds	Pension Trust Fund	Totals	
			2018	2017
Additions:				
Investment income (loss)	\$ 35,914	\$ (8,189)	\$ 27,725	\$ 52,547
Unrealized gain on investments	-	57,929	57,929	54,085
Contributions	2,010	23,358	25,368	17,913
	<u>37,924</u>	<u>73,098</u>	<u>111,022</u>	<u>124,545</u>
Deductions:				
General government	-	-	-	-
Education	10,010	-	10,010	10,683
Retirement	-	-	-	38,040
Other	4,051	-	4,051	3,824
	<u>14,061</u>	<u>-</u>	<u>14,061</u>	<u>52,547</u>
Change in net position	23,863	73,098	96,961	71,998
Net position, beginning of year	<u>541,510</u>	<u>663,490</u>	<u>1,205,000</u>	<u>1,133,002</u>
Net position, end of year	<u>\$ 565,373</u>	<u>\$ 736,588</u>	<u>\$ 1,301,961</u>	<u>\$ 1,205,000</u>

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

TOWN OF CORNWALL, CONNECTICUT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

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, 2018 (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.

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

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 and related interest and lien fees. 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.

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.

Town of Cornwall, Connecticut
Notes to Financial Statements
June 30, 2018 (continued)

Unassigned – remaining fund balance after amounts are set aside for all other classifications. The General Fund is the only governmental fund that can report a positive unassigned fund balance. Other governmental funds might have a negative unassigned fund balance as a result of overspending for specific purposes for which amounts had been restricted, committed, or assigned. At June 30, 2018, the Dog Fund had a negative unassigned fund balance of \$1,201.

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, 2017, 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.
- 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 basis 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 basis) rather than operating transfers (GAAP basis).

Town of Cornwall, Connecticut
Notes to Financial Statements
June 30, 2018 (continued)

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

	Fund balance <u>beginning</u>	<u>Revenues</u>	<u>Expenditures</u>	Other financing <u>sources (uses)</u>	Fund balance <u>ending</u>
GAAP basis	\$ 2,221,919	\$ 7,215,781	\$ (6,693,246)	\$ (590,000)	\$ 2,154,454
Reclassifications	-	-	(590,000)	590,000	-
Teachers' retirement system on behalf payments not recognized in budgetary basis	-	(448,063)	448,063	-	-
Budgetary basis	<u>\$ 2,221,919</u>	<u>\$ 6,767,718</u>	<u>\$ (6,835,183)</u>	<u>\$ -</u>	<u>\$ 2,154,454</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, 2018:

	<u>Governmental Funds</u>	<u>Fiduciary Funds</u>	<u>Total 2018</u>	<u>Total 2017</u>
Demand accounts	\$ 883,259	\$ 82,940	\$ 966,199	\$ 829,660
Short Term Investment Fund	<u>2,704,158</u>	<u>-</u>	<u>2,704,158</u>	<u>3,526,342</u>
Total cash and cash equivalents	<u>\$ 3,587,417</u>	<u>\$ 82,940</u>	<u>\$ 3,670,357</u>	<u>\$ 4,356,002</u>

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, 2018, \$715,227 of the Town's bank balance of \$1,031,547 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 590,778
Uninsured and collateralized	<u>124,449</u>
	<u>\$ 715,227</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, 2018, the Town held \$1,266,605 (consisting of \$39,989 in Governmental Funds and \$1,226,616 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.

Town of Cornwall, Connecticut
Notes to Financial Statements
June 30, 2018 (continued)

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.

	2018				2017
	Fair Market Value	Maturity Not Applicable	Investment Maturities (in years)		Fair Market Value
			Less Than 1	1-5	
Governmental Funds					
Certificates of deposit	\$ 269,452	\$ -	\$ -	\$ 269,452	\$ 266,287
Externally managed pool	39,989	39,989	-	-	38,511
	<u>\$ 309,441</u>	<u>\$ 39,989</u>	<u>\$ -</u>	<u>\$ 269,452</u>	<u>\$ 304,798</u>
Fiduciary Funds					
Certificates of deposit	\$ 17,096	\$ -	\$ 1,400	\$ 15,696	\$ 17,062
Mutual funds	1,226,616	1,226,616	-	-	1,156,686
	<u>\$ 1,243,712</u>	<u>\$ 1,226,616</u>	<u>\$ 1,400</u>	<u>\$ 15,696</u>	<u>\$ 1,173,748</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:

- **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, 2018.

Town of Cornwall, Connecticut
Notes to Financial Statements
June 30, 2018 (continued)

Note 4 - Capital Assets

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

	<u>2018</u>	<u>2017</u>
Governmental Activities:		
General government	\$ 20,077	\$ 19,009
Highway	92,940	87,721
Public safety	74,842	60,433
Education	<u>160,625</u>	<u>164,226</u>
	<u>\$ 348,484</u>	<u>\$ 331,389</u>

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

	<u>Balance at</u> <u>July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at</u> <u>June 30, 2018</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	8,119,763	5,157	-	8,124,920
Infrastructure	1,014,682	459,848	-	1,474,530
Machinery and equipment	<u>3,453,552</u>	<u>100,310</u>	-	<u>3,553,862</u>
Total capital assets being depreciated	<u>12,587,997</u>	<u>565,315</u>	<u>-</u>	<u>13,153,312</u>
Less accumulated depreciation for:				
Buildings and improvements	3,254,348	174,550	-	3,428,898
Infrastructure	236,830	21,322	-	258,152
Machinery and equipment	<u>2,201,710</u>	<u>152,612</u>	-	<u>2,354,322</u>
Total accumulated depreciation	<u>5,692,888</u>	<u>348,484</u>	<u>-</u>	<u>6,041,372</u>
Total depreciable capital assets, net	<u>6,895,109</u>	<u>216,831</u>	<u>-</u>	<u>7,111,940</u>
Capital assets, net	<u>\$ 7,566,286</u>	<u>\$ 216,831</u>	<u>\$ -</u>	<u>\$ 7,783,117</u>

Note 5 – Taxes Receivable and Deferred Inflows of Resources

Taxes receivable at June 30, 2018, for the General Fund, including the applicable allowance for collection losses, are as follows:

	<u>General Fund</u>
Property tax	\$ 374,930
Interest and lien fees on taxes	<u>241,277</u>
Total gross receivables	616,207
Allowance for collection losses	<u>(186,000)</u>
Total net receivables	<u>\$ 430,207</u>

To reflect that a portion of property taxes, interest, and lien fees receivable at June 30, 2018, 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 \$406,525, 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. As such, the Town does not have a liability related to participants in the System.

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 at www.ct.gov.

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).

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.)

Early Retirement: A member with 25 years of Credited Service, including at least 20 years of Connecticut public school service, or age 55 with 20 years of Credited Service including 15 years of Connecticut service. The early retirement factors currently in effect are 6% per year for the first five years by which early retirement precedes the minimum normal retirement age and 4% per year for the next five years by which early retirement precedes the minimum normal retirement age. Effective July 1, 1999, the reduction for individuals with 30 or more years of service is 3% for each year by which early retirement precedes the minimum retirement age.

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.

Town of Cornwall, Connecticut
Notes to Financial Statements
June 30, 2018 (continued)

Participants are required to contribute 7.25% (8.25% effective January 1, 2018) of their annual salary rate to the System as required by CGS Section 10-183b (7). For the 2017/2018 school year, \$81,709 mandatory contributions were deducted from the salaries of teachers who were participants of the System during that school year. The covered payroll for the Town is \$1,112,657. The Town had 15 active participants in the System at June 30, 2018.

Employers are not required to make contributions to the System. The Town makes no contribution to the plan.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2016, using the following key actuarial assumptions, applied to all periods included in the measurement:

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, and further adjusted to grade in increases (5% for females and 8% for males) to rates over age 80 for the period after service retirement and for dependent beneficiaries as well as for active members. The RPH-2014 Disabled Mortality Table projected to 2017 with Scale BB is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 – June 30, 2015.

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	<u>6.0%</u>	0.4%
Total	<u>100.0%</u>	

Town of Cornwall, Connecticut
Notes to Financial Statements
June 30, 2018 (continued)

Discount Rate

The discount rate used to measure the total pension liability was 8.00 percent. 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 8.00 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00 percent) or 1-percentage-point higher (9.00 percent) than the current rate.

	<u>1% Decrease</u> <u>(7.00%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(8.00%)</u>	<u>1% Increase</u> <u>(9.00%)</u>
Sensitivity of the system's proportionate share of the net pension liability related to the Town	\$ 4,535,701	\$ 3,623,618	\$ 2,852,508

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 \$3,623,618 and 100% of the collective net pension liability is allocated to the State.

June 30, 2016, is the actuarial valuation date upon which the total pension liability is based. The total pension liability is determined as of June 30, 2017, using standard roll forward techniques. The roll forward calculation adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year and then applies the expected investment rate of return for the year. The procedure was used to determine the System's total pension liability as of June 30, 2017, which is the measurement date.

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, 2018, the Town recognized \$448,063 as the amount expended by the State on behalf of the Town to meet the State's funding requirements. The amount recognized has been estimated using the latest available information provided by the State.

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 1,000 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, 2018, totaled \$38,856. 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, 2018 was \$23,358, net of forfeitures and was paid in the subsequent period. 46 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.

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.

Town of Cornwall, Connecticut
Notes to Financial Statements
June 30, 2018 (continued)

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 \$54,822 in the Government-wide financial statements. Current year expenditures were recognized in the General Fund in the amount of \$8,225. 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, 2018:

	<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	\$ -	\$ (150,000)	\$ 1,350,000	\$ 150,000
General obligation bonds (2012)	1,160,000	-	(160,000)	1,000,000	160,000
Unamortized premiums	29,128	-	(4,162)	24,966	4,162
Landfill post-closure costs	<u>63,047</u>	<u>-</u>	<u>(8,225)</u>	<u>54,822</u>	<u>7,452</u>
Total long-term obligations	<u>\$ 2,752,175</u>	<u>\$ -</u>	<u>\$ (322,387)</u>	<u>\$ 2,429,788</u>	<u>\$ 321,614</u>

Debt Service Requirements

Debt service requirements on long-term debt at June 30, 2018, are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 310,000	\$ 50,873
2020	310,000	44,215
2021	315,000	37,352
2022	320,000	30,466
2023	320,000	23,424
2024	325,000	16,151
2025	150,000	10,607
2026	150,000	7,072
2027	<u>150,000</u>	<u>3,536</u>
	<u>\$ 2,350,000</u>	<u>\$ 223,696</u>

Town of Cornwall, Connecticut
Notes to Financial Statements
June 30, 2018 (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, 2018.

Bonds Authorized and Unissued

At June 30, 2018, there were no authorized and unissued bonds for general purposes.

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 \$6,694,000. The amount (10.50%) attributed to the Town is \$702,870.

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, 2018, interfund balances were as follows:

	<u>Due From</u>					
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Town Activity Fund</u>	<u>Dog Fund</u>	<u>Food & Fuel Fund</u>	<u>Total Governmental</u>
Due to:						
General Fund	\$ -	\$ 996	\$ 393	\$ 7,573	\$ 275	\$ 9,237
Capital Projects Fund	3,518	-	-	-	-	3,518
Dog Fund	<u>1,676</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,676</u>
Total	<u>\$ 5,194</u>	<u>\$ 996</u>	<u>\$ 393</u>	<u>\$ 7,573</u>	<u>\$ 275</u>	<u>\$ 14,431</u>

Interfund transfers for the year are summarized below:

	<u>Transfers in:</u>	
	<u>Capital</u>	<u>Total</u>
	<u>Projects Fund</u>	<u>Governmental</u>
Transfers out:		
General Fund	<u>\$ 590,000</u>	<u>\$ 590,000</u>
	<u>\$ 590,000</u>	<u>\$ 590,000</u>

Town of Cornwall, Connecticut
Notes to Financial Statements
June 30, 2018 (continued)

Note 10 – Governmental Fund Balances

As of June 30, 2018, 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	\$ 731	\$ -	\$ -	\$ 731
Permanent endowments	<u>-</u>	<u>-</u>	<u>34,895</u>	<u>34,895</u>
	<u>731</u>	<u>-</u>	<u>34,895</u>	<u>35,626</u>
<u>Restricted:</u>				
Food and fuel	-	-	5,236	5,236
Open space	<u>-</u>	<u>-</u>	<u>16,251</u>	<u>16,251</u>
	<u>-</u>	<u>-</u>	<u>21,487</u>	<u>21,487</u>
<u>Committed:</u>				
Capital projects	-	1,388,108	-	1,388,108
Town activities	<u>-</u>	<u>-</u>	<u>56,672</u>	<u>56,672</u>
	<u>-</u>	<u>1,388,108</u>	<u>56,672</u>	<u>1,444,780</u>
<u>Assigned:</u>				
Subsequent year's budget	350,000	-	-	350,000
Gates Bequest	231,772	-	-	231,772
Building inspection	15,200	-	-	15,200
Food and fuel	-	-	49,415	49,415
Endowment	-	-	8,699	8,699
Capital projects	<u>-</u>	<u>550</u>	<u>-</u>	<u>550</u>
	<u>596,972</u>	<u>550</u>	<u>58,114</u>	<u>655,636</u>
<u>Unassigned</u>	<u>1,556,751</u>	<u>-</u>	<u>(1,201)</u>	<u>1,555,550</u>
	<u>\$ 2,154,454</u>	<u>\$ 1,388,658</u>	<u>\$ 169,967</u>	<u>\$ 3,713,079</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

In November 2016, the Governmental Accounting Standards Board (GASB) issued 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 which (1) establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs, (2) requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred, and (3) requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2018. The Town does not expect this statement to have a material effect on its financial statements.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2018. The Town does not expect this statement to have a material effect on its financial statements.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. 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. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2019. The Town has not yet determined the impact that this statement might have on its financial statements.

Town of Cornwall, Connecticut
Notes to Financial Statements
June 30, 2018 (continued)

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving 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 the Town's reporting period beginning July 1, 2020. The Town has not yet determined the impact that this statement might have on its financial statements.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of the capital asset. The requirements of this statement are effective for the Town's reporting period beginning July 1, 2020. The Town does not expect the impact of this statement will be material to its financial statements.

**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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability	0.00%	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>3,623,618</u>	<u>3,822,885</u>	<u>3,001,850</u>	<u>2,774,609</u>
Total	<u>\$ 3,623,618</u>	<u>\$ 3,822,885</u>	<u>\$ 3,001,850</u>	<u>\$ 2,774,609</u>
Town's covered-employee payroll	<u>\$ 1,112,657</u>	<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>	<u>0.00%</u>
System fiduciary net position as a percentage of the total pension liability	<u>55.93%</u>	<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, 2018**

	Budgeted Amounts			Actual	Variance With Final Budget Positive (Negative)
	Original	Transfers	Final		
Fees for Services					
Town Clerk's fees	\$ 40,000	\$ -	\$ 40,000	\$ 51,356	\$ 11,356
Hammond Beach passes	2,000	-	2,000	1,165	(835)
Brush dump fees	1	-	1	-	(1)
Landfill receipts	12,000	-	12,000	16,517	4,517
Building permits	-	-	-	70,849	70,849
Planning and Zoning fees	600	-	600	991	391
Park and Recreation	2,000	-	2,000	4,516	2,516
Other fees, charges	5,000	-	5,000	9,574	4,574
Tax Map charges	500	-	500	708	208
	<u>62,101</u>	<u>-</u>	<u>62,101</u>	<u>155,676</u>	<u>93,575</u>
Other Revenues					
Commercial recycling	3,000	-	3,000	8,487	5,487
Payments in lieu of taxes	20,000	-	20,000	27,577	7,577
Miscellaneous	1,000	-	1,000	39	(961)
	<u>24,000</u>	<u>-</u>	<u>24,000</u>	<u>36,103</u>	<u>12,103</u>
Property Taxes					
Current levy	6,151,797	-	6,151,797	6,180,421	28,624
Delinquent taxes	20,000	-	20,000	63,311	43,311
Interest and fees	20,000	-	20,000	39,452	19,452
	<u>6,191,797</u>	<u>-</u>	<u>6,191,797</u>	<u>6,283,184</u>	<u>91,387</u>
State Education Grants					
Education grants	-	-	-	2,399	2,399
School transportation	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,399</u>	<u>2,399</u>
State General Grants					
Town aid roads	225,000	-	225,000	224,603	(397)
Indian Casino funds	8,000	-	8,000	8,114	114
In lieu tax grant	3,000	-	3,000	-	(3,000)
Telephone access	5,000	-	5,000	6,736	1,736
Elderly tax relief	12,000	-	12,000	-	(12,000)
Vet's disabled tax relief	700	-	700	1,244	544
Town Clerk's grant	5,000	-	5,000	4,000	(1,000)
Miscellaneous state grants	15,000	-	15,000	405	(14,595)
	<u>273,700</u>	<u>-</u>	<u>273,700</u>	<u>245,102</u>	<u>(28,598)</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, 2018**

	<u>Budgeted Amounts</u>			<u>Actual</u>	Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Transfers</u>	<u>Final</u>		
Transfer/Non-Revenue Receipts					
Undesignated fund balance	\$ 200,000	\$ -	\$ 200,000	\$ -	\$ (200,000)
After school tuition	-	-	-	110	110
Non-revenue credits - refunds	-	-	-	15,299	15,299
NIB checking interest	7,500	-	7,500	19,492	11,992
Miscellaneous interest	-	-	-	10,353	10,353
	<u>207,500</u>	<u>-</u>	<u>207,500</u>	<u>45,254</u>	<u>(162,246)</u>
 Total revenues and other financing sources	 <u>\$ 6,759,098</u>	 <u>\$ -</u>	 <u>\$ 6,759,098</u>	 <u>\$ 6,767,718</u>	 <u>\$ 8,620</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, 2018**

	Budgeted Amounts			Actual	Variance With Final Budget Positive (Negative)
	Original	Transfers	Final		
Board of Selectmen Budget					
Assessor					
Assessor's salary	\$ 8,805	\$ -	\$ 8,805	\$ 8,805	\$ -
Assessor's clerk salary	22,050	-	22,050	22,213	(163)
Office supplies	1,500	-	1,500	878	622
Mileage, travel	1,000	-	1,000	208	792
Meetings/memberships	15	-	15	15	-
Computer	1,500	-	1,500	1,139	361
Contracted services	5,000	-	5,000	4,779	221
	<u>39,870</u>	<u>-</u>	<u>39,870</u>	<u>38,037</u>	<u>1,833</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	61,684	-	61,684	61,684	-
Selectmens' clerk	36,929	-	36,929	36,929	-
BOS temporary clerk	1,200	-	1,200	1,142	58
BOS office supplies	850	-	850	341	509
BOS bids, legal, etc.	500	-	500	253	247
BOS meetings, mileage	15	-	15	110	(95)
BOS meetings, memberships	300	-	300	360	(60)
BOS postage	200	-	200	8	192
	<u>101,678</u>	<u>-</u>	<u>101,678</u>	<u>100,827</u>	<u>851</u>
Finance Department					
Treasurer's salary	3,270	-	3,270	3,270	-
Finance Director salary	37,395	-	37,395	37,395	-
Treasurer's clerk expense	1	-	1	-	1
Office supplies	1,000	-	1,000	1,398	(398)
Printing	2,860	-	2,860	2,722	138
Computer	1,500	-	1,500	1,239	261
Postage	1,000	-	1,000	855	145
Town audit	14,750	-	14,750	14,850	(100)
	<u>61,776</u>	<u>-</u>	<u>61,776</u>	<u>61,729</u>	<u>47</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, 2018**

	Budgeted Amounts			Actual	Variance With Final Budget Positive (Negative)
	Original	Transfers	Final		
Hammond Beach					
Salaries	\$ 34,797	\$ (2,400)	\$ 32,397	\$ 32,348	\$ 49
Programs	1,000	-	1,000	1,201	(201)
Utilities	800	-	800	997	(197)
Supplies	700	-	700	509	191
Equipment	500	-	500	242	258
Contracted services	2,000	(1,100)	900	876	24
	<u>39,797</u>	<u>(3,500)</u>	<u>36,297</u>	<u>36,173</u>	<u>124</u>
Highway Administration/Supplies					
Garage heat	6,500	-	6,500	8,200	(1,700)
Utilities	5,000	-	5,000	5,494	(494)
Supplies	5,000	-	5,000	7,531	(2,531)
Small equipment	2,500	-	2,500	1,354	1,146
Contracted services	19,000	-	19,000	26,425	(7,425)
Small equipment repairs	500	-	500	-	500
Garage repairs (building)	1,000	-	1,000	1,383	(383)
Drug testing	200	-	200	-	200
Labor expense:					
OT labor expense	15,579	(2,600)	12,979	12,889	90
Regular labor expense	231,936	-	231,936	231,660	276
	<u>247,515</u>	<u>(2,600)</u>	<u>244,915</u>	<u>244,549</u>	<u>366</u>
Highway temporary labor	6,000	(2,203)	3,797	3,276	521
Fuel/gas/oil/grease	35,000	-	35,000	34,176	824
Highway signs	1,500	-	1,500	3,548	(2,048)
Road materials	20,000	-	20,000	23,542	(3,542)
Snow removal	70,000	-	70,000	46,609	23,391
Tree maintenance	18,000	-	18,000	26,658	(8,658)
	<u>437,715</u>	<u>(4,803)</u>	<u>432,912</u>	<u>432,745</u>	<u>167</u>
Highway Vehicle Maintenance					
Vehicle equipment maintenance	40,000	8,303	48,303	48,303	-
	<u>40,000</u>	<u>8,303</u>	<u>48,303</u>	<u>48,303</u>	<u>-</u>
Insurance and Benefits					
General insurance	4,244	-	4,244	6,183	(1,939)
Workers' compensation	45,000	-	45,000	42,432	2,568
Public liability	65,970	(4,066)	61,904	57,565	4,339
Employees' health insurance	196,757	-	196,757	198,020	(1,263)
Employees' pension plan	40,540	-	40,540	40,213	327
	<u>352,511</u>	<u>(4,066)</u>	<u>348,445</u>	<u>344,413</u>	<u>4,032</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, 2018**

	Budgeted Amounts			Actual	Variance With Final Budget Positive (Negative)
	Original	Transfers	Final		
Land Use					
Zoning Enforcement wage	\$ 6,721	\$ -	\$ 6,721	\$ 6,443	\$ 278
Land Use Administrator	10,446	-	10,446	7,553	2,893
Land Use Clerk	6,026	-	6,026	7,555	(1,529)
Office supplies	500	-	500	424	76
Printing	200	-	200	40	160
Legal notices	1,800	-	1,800	1,438	362
Meetings/mileage	500	-	500	402	98
Computer	400	-	400	-	400
Building inspection expense	-	-	-	68,238	(68,238)
Consulting services	6,800	-	6,800	3,728	3,072
Legal fees	2,500	-	2,500	4,391	(1,891)
	<u>35,893</u>	<u>-</u>	<u>35,893</u>	<u>100,212</u>	<u>(64,319)</u>
Organizational Support					
Cornwall Child Center	40,000	-	40,000	40,000	-
Cornwall Library	45,000	-	45,000	45,000	-
Cornwall Historical Society	4,500	-	4,500	4,500	-
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	1,110	10
Council of Small Towns	1,225	-	1,225	521	704
Tax refunds	1,500	-	1,500	69	1,431
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	9,500	-	9,500	9,500	-
Susan B. Anthony Project	1,500	-	1,500	1,500	-
Town celebrations	300	-	300	1,060	(760)
NW Corner Chore Service	5,000	-	5,000	5,000	-
Women's Support Service	1,500	-	1,500	1,500	-
Regional Mental Health	153	-	153	153	-
Housatonic Youth Service	4,608	-	4,608	4,608	-
Agricultural Advisory	800	-	800	828	(28)
Elderly Nutrition Project	665	-	665	665	-
Greenwoods Counseling referrals	2,000	-	2,000	2,000	-
HVA-Housatonic Vally Association	250	-	250	250	-
FISH	250	-	250	-	250
Conservation Commission	1,500	-	1,500	-	1,500
Economic Study	4,195	-	4,195	4,650	(455)
	<u>135,216</u>	<u>-</u>	<u>135,216</u>	<u>132,564</u>	<u>2,652</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, 2018**

	Budgeted Amounts			Actual	Variance With Final Budget Positive (Negative)
	Original	Transfers	Final		
Park & Recreation					
Salaries	\$ 22,194	\$ -	\$ 22,194	\$ 22,194	\$ -
Supplies	1,300	-	1,300	1,587	(287)
Park & Rec program	8,000	4,066	12,066	13,941	(1,875)
Basketball	1,000	-	1,000	175	825
Soccer	2,100	-	2,100	640	1,460
Skiing	2,800	-	2,800	2,443	357
Baseball	2,000	-	2,000	1,799	201
Fields/services	9,000	-	9,000	9,681	(681)
	<u>48,394</u>	<u>4,066</u>	<u>52,460</u>	<u>52,460</u>	<u>-</u>
Payroll Expenses					
Social Security/Medicare/other	53,114	-	53,114	52,764	350
	<u>53,114</u>	<u>-</u>	<u>53,114</u>	<u>52,764</u>	<u>350</u>
Probate Court					
Contracted services	3,100	-	3,100	3,058	42
	<u>3,100</u>	<u>-</u>	<u>3,100</u>	<u>3,058</u>	<u>42</u>
Public Health & Welfare					
Commission on Aging:					
Municipal Agent salary	1,030	-	1,030	1,030	-
Supplies	200	-	200	178	22
Printing	200	-	200	200	-
	<u>1,430</u>	<u>-</u>	<u>1,430</u>	<u>1,408</u>	<u>22</u>
Social Service:					
Social Service Administrator	27,932	-	27,932	27,932	-
Office supplies	1,200	-	1,200	1,184	16
Mileage/travel	500	-	500	490	10
Meetings/memberships	100	-	100	-	100
General assistance	500	-	500	500	-
GA Medical	200	-	200	-	200
GA Burial	1	-	1	-	1
	<u>30,433</u>	<u>-</u>	<u>30,433</u>	<u>30,106</u>	<u>327</u>
Torrington Area Health	8,619	-	8,619	8,619	-
NW CT Transit	615	-	615	615	-
Senior van	5,000	4,626	9,626	12,803	(3,177)
Visiting Nurse homecare	4,482	-	4,482	2,453	2,029
Hepatitis B vaccine	300	-	300	-	300
NW Center Family Service	500	-	500	-	500
	<u>51,379</u>	<u>4,626</u>	<u>56,005</u>	<u>56,004</u>	<u>1</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, 2018**

	Budgeted Amounts			Actual	Variance With Final Budget Positive (Negative)
	Original	Transfers	Final		
Public Safety					
CVFD physical exams	\$ 6,000	\$ -	\$ 6,000	\$ 5,674	\$ 326
Firehouse maintenance	28,650	-	28,650	26,347	2,303
Service incentive	34,000	(8,534)	25,466	25,318	148
Operations	53,090	-	53,090	54,617	(1,527)
Rescue	25,200	-	25,200	26,302	(1,102)
Police services	1	-	1	-	1
Fire Marshall salary	3,000	-	3,000	2,912	88
Fire Marshall expenses	1,700	-	1,700	1,362	338
911 contract	15,021	-	15,021	15,021	-
Civil preparedness	1,000	-	1,000	1,180	(180)
	<u>167,662</u>	<u>(8,534)</u>	<u>159,128</u>	<u>158,733</u>	<u>395</u>
Registrars of Voters					
Registrars' salary expenses	4,501	-	4,501	4,523	(22)
Election workers' wages	1,920	-	1,920	962	958
Office supplies	300	-	300	300	-
Printing	1	-	1	-	1
Legal notices	1	-	1	-	1
Mileage/travel	200	-	200	106	94
Meetings/memberships	900	-	900	440	460
Contracted services	2,500	(755)	1,745	2,331	(586)
Postage	49	-	49	-	49
	<u>10,372</u>	<u>(755)</u>	<u>9,617</u>	<u>8,662</u>	<u>955</u>
Sanitation & Recycling					
Salaries/wages	65,009	4,506	69,515	69,948	(433)
Landfill supplies/repairs	3,000	-	3,000	5,360	(2,360)
MSW hauling	17,000	-	17,000	18,334	(1,334)
Site testing	8,225	-	8,225	6,075	2,150
Building repairs	500	-	500	-	500
CRRA contract	20,000	-	20,000	19,798	202
Bulky waste	19,000	5,202	24,202	24,201	1
Hazardous waste	2,500	-	2,500	1,771	729
Stump grinding	1	-	1	-	1
Recycling expense	800	-	800	-	800
Recycling box rent	1,100	-	1,100	756	344
Recycling hauling	8,000	-	8,000	8,600	(600)
	<u>145,135</u>	<u>9,708</u>	<u>154,843</u>	<u>154,843</u>	<u>-</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, 2018**

	Budgeted Amounts			Actual	Variance With Final Budget Positive (Negative)
	Original	Transfers	Final		
Tax Collector					
Salary	\$ 24,421	\$ -	\$ 24,421	\$ 24,421	\$ -
Tax Collector's clerk wage	2,752	(780)	1,972	1,966	6
Office supplies	984	(450)	534	182	352
Printing	1,234	-	1,234	955	279
Legal notices	420	-	420	447	(27)
Meetings/memberships	500	-	500	557	(57)
Computer	400	(400)	-	-	-
Contracted services	5,600	-	5,600	6,193	(593)
Postage	1,478	-	1,478	959	519
	<u>37,789</u>	<u>(1,630)</u>	<u>36,159</u>	<u>35,680</u>	<u>479</u>
Town Clerk					
Town Clerk salary	42,137	-	42,137	42,137	-
Assistant Town Clerk wage	5,280	-	5,280	4,425	855
Office supplies	700	-	700	448	252
Legal notices	600	-	600	802	(202)
Meetings/memberships	650	-	650	620	30
Computer	425	-	425	-	425
Contracted services	13,500	(2,100)	11,400	11,358	42
Elections	1,000	-	1,000	649	351
Postage	400	-	400	400	-
	<u>64,692</u>	<u>(2,100)</u>	<u>62,592</u>	<u>60,839</u>	<u>1,753</u>
Town Office Administration					
Town office custodian	3,000	-	3,000	4,134	(1,134)
Town office supplies	2,400	-	2,400	1,749	651
Town office heating	7,500	-	7,500	8,004	(504)
Town office utilities	11,000	-	11,000	17,889	(6,889)
Town office contracted	9,500	-	9,500	9,141	359
Town counsel	12,000	-	12,000	2,440	9,560
Town building repairs	500	-	500	761	(261)
	<u>45,900</u>	<u>-</u>	<u>45,900</u>	<u>44,118</u>	<u>1,782</u>
Contingency	<u>30,000</u>	<u>(1,800)</u>	<u>28,200</u>	<u>28,134</u>	<u>66</u>
Transfers					
To Capital Projects Fund	-	75,000	75,000	75,000	-
	<u>-</u>	<u>75,000</u>	<u>75,000</u>	<u>75,000</u>	<u>-</u>
Total Board of Selectmen Budget	<u>1,902,493</u>	<u>74,515</u>	<u>1,977,008</u>	<u>2,025,298</u>	<u>(48,290)</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, 2018**

	<u>Budgeted Amounts</u>			<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Transfers</u>	<u>Final</u>		
Board of Education					
Board of Education expenses	\$ 3,976,708	\$ -	\$ 3,976,708	\$ 3,929,504	\$ 47,204
	<u>3,976,708</u>	<u>-</u>	<u>3,976,708</u>	<u>3,929,504</u>	<u>47,204</u>
Capital Expenditures					
Capital expenditures - CCS	40,000	-	40,000	40,000	-
Capital expenditures - BOS	475,000	-	475,000	475,000	-
	<u>515,000</u>	<u>-</u>	<u>515,000</u>	<u>515,000</u>	<u>-</u>
Debt Service					
Debt bond principal	310,000	-	310,000	310,000	-
Debt bond interest	54,897	485	55,382	55,381	1
	<u>364,897</u>	<u>485</u>	<u>365,382</u>	<u>365,381</u>	<u>1</u>
Total expenditures and other financing uses	<u>\$ 6,759,098</u>	<u>\$ 75,000</u>	<u>\$ 6,834,098</u>	<u>\$ 6,835,183</u>	<u>\$ (1,085)</u>

See accompanying Independent Auditors' Report.

TOWN OF CORNWALL, CONNECTICUT

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2018**

	<u>Special Revenue Funds</u>	<u>Capital Projects Fund Open Space</u>	<u>Permanent Fund Cornwall Endowment Fund</u>	<u>Total</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 117,997	\$ 16,251	\$ 3,605	\$ 137,853
Investments	-	-	39,989	39,989
Due from other funds	1,676	-	-	1,676
Total assets	\$ 119,673	\$ 16,251	\$ 43,594	\$ 179,518
<u>Liabilities</u>				
Due to State of CT	\$ 1,310	\$ -	\$ -	\$ 1,310
Due to other funds	8,241	-	-	8,241
Total liabilities	9,551	-	-	9,551
<u>Fund Balances</u>				
Nonspendable	-	-	34,895	34,895
Restricted	5,236	16,251	-	21,487
Committed	56,672	-	-	56,672
Assigned	49,415	-	8,699	58,114
Unassigned	(1,201)	-	-	(1,201)
Total fund balances	110,122	16,251	43,594	169,967
Total liabilities and fund balances	\$ 119,673	\$ 16,251	\$ 43,594	\$ 179,518

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, 2018**

	<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	\$ 182	\$ -	\$ 3,702	\$ 3,884
Fees and charges	2,291	-	-	2,291
Contributions	29,220	-	-	29,220
Total revenues	<u>31,693</u>	<u>-</u>	<u>3,702</u>	<u>35,395</u>
Expenditures				
General government	8,315	-	1,014	9,329
Health and welfare	28,111	-	-	28,111
Education	283	-	-	283
Total expenditures	<u>36,709</u>	<u>-</u>	<u>1,014</u>	<u>37,723</u>
Excess of revenues over (under) expenditures	(5,016)	-	2,688	(2,328)
Other Financing Sources (Uses):				
Transfers in (out)	-	-	-	-
Net change in fund balances	(5,016)	-	2,688	(2,328)
Fund balances, beginning of year	<u>115,138</u>	<u>16,251</u>	<u>40,906</u>	<u>172,295</u>
Fund balances, end of year	<u>\$ 110,122</u>	<u>\$ 16,251</u>	<u>\$ 43,594</u>	<u>\$ 169,967</u>

See accompanying Independent Auditors' Report.

TOWN OF CORNWALL, CONNECTICUT

NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2018

	<u>Dog Fund</u>	<u>Milk Fund</u>	<u>Food & Fuel Fund</u>	<u>Town Activity Fund</u>	<u>Total</u>
<u>Assets</u>					
Cash and cash equivalents	\$ 6,006	\$ -	\$ 54,926	\$ 57,065	\$ 117,997
Investments	-	-	-	-	-
Due from other funds	1,676	-	-	-	1,676
Total assets	\$ 7,682	\$ -	\$ 54,926	\$ 57,065	\$ 119,673
<u>Liabilities</u>					
Due to State of CT	\$ 1,310	\$ -	\$ -	\$ -	\$ 1,310
Due to other funds	7,573	-	275	393	8,241
Total liabilities	8,883	-	275	393	9,551
<u>Fund Balances</u>					
Nonspendable	-	-	-	-	-
Restricted	-	-	5,236	-	5,236
Committed	-	-	-	56,672	56,672
Assigned	-	-	49,415	-	49,415
Unassigned	(1,201)	-	-	-	(1,201)
Total fund balances	(1,201)	-	54,651	56,672	110,122
Total liabilities and fund balances	\$ 7,682	\$ -	\$ 54,926	\$ 57,065	\$ 119,673

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, 2018**

	Dog Fund	Milk Fund	Food & Fuel Fund	Town Activity Fund	Total
Revenues					
Investment income	\$ -	\$ -	\$ -	\$ 182	\$ 182
Fees and charges	2,291	-	-	-	2,291
Contributions	-	-	26,754	2,466	29,220
Total revenues	2,291	-	26,754	2,648	31,693
Expenditures					
General government	5,242	-	-	3,073	8,315
Health and welfare	-	-	28,111	-	28,111
Education	-	283	-	-	283
Total expenditures	5,242	283	28,111	3,073	36,709
Excess of revenues over (under) expenditures	(2,951)	(283)	(1,357)	(425)	(5,016)
Other Financing Sources (Uses):					
Transfers in (out)	-	-	-	-	-
Net change in fund balances	(2,951)	(283)	(1,357)	(425)	(5,016)
Fund balances, beginning of year	1,750	283	56,008	57,097	115,138
Fund balances, end of year	\$ (1,201)	\$ -	\$ 54,651	\$ 56,672	\$ 110,122

See accompanying Independent Auditors' Report.

TOWN OF CORNWALL, CONNECTICUT
FIDUCIARY FUNDS
PRIVATE-PURPOSE TRUST FUNDS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2018

	<u>Educational Trust Fund</u>	<u>Dorothy Hermann Memorial</u>	<u>Marie K. Baum Scholarship Fund</u>	<u>Hepprich Scholarship Fund</u>	<u>Total</u>
<u>Assets</u>					
Cash and cash equivalents	\$ 17,797	\$ 183	\$ 739	\$ 14,697	\$ 33,416
Contributions receivable		-	-	-	-
Investments		1,400	9,961	520,596	531,957
Total assets	<u>\$ 17,797</u>	<u>\$ 1,583</u>	<u>\$ 10,700</u>	<u>\$ 535,293</u>	<u>\$ 565,373</u>
<u>Liabilities</u>					
Due to beneficiaries	\$ -	\$ -	\$ -	\$ -	\$ -
Other payables	-	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Net Position</u>					
Held in trust for other purposes	17,797	1,583	10,700	535,293	565,373
Total net position	<u>17,797</u>	<u>1,583</u>	<u>10,700</u>	<u>535,293</u>	<u>565,373</u>
Total liabilities and fund balances	<u>\$ 17,797</u>	<u>\$ 1,583</u>	<u>\$ 10,700</u>	<u>\$ 535,293</u>	<u>\$ 565,373</u>

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, 2018**

	<u>Educational Trust Fund</u>	<u>Dorothy Hermann Memorial</u>	<u>Marie K. Baum Scholarship Fund</u>	<u>Hepprich Scholarship Fund</u>	<u>Total</u>
Additions:					
Investment income	\$ -	\$ 3	\$ 220	\$ 35,691	\$ 35,914
Contributions	2,010	-	-	-	2,010
	<u>2,010</u>	<u>3</u>	<u>220</u>	<u>35,691</u>	<u>37,924</u>
Deductions:					
General government	-	-	-	-	-
Education	10	-	1,000	9,000	10,010
Recreation	-	-	-	-	-
Other	-	-	355	3,696	4,051
	<u>10</u>	<u>-</u>	<u>1,355</u>	<u>12,696</u>	<u>14,061</u>
Change in net position	2,000	3	(1,135)	22,995	23,863
Net position, beginning of year	<u>15,797</u>	<u>1,580</u>	<u>11,835</u>	<u>512,298</u>	<u>541,510</u>
Net position, end of year	<u>\$ 17,797</u>	<u>\$ 1,583</u>	<u>\$ 10,700</u>	<u>\$ 535,293</u>	<u>\$ 565,373</u>

See accompanying Independent Auditors' Report.

TOWN OF CORNWALL, CONNECTICUT
FIDUCIARY FUNDS
PENSION TRUST FUND
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2018

	<u>CVFD Incentive Program</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 17,171
Contributions receivable	23,358
Investments	<u>696,059</u>
Total assets	<u><u>\$ 736,588</u></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	736,588
Held in trust for other purposes	<u>-</u>
Total net position	<u><u>736,588</u></u>
Total liabilities and fund balances	<u><u>\$ 736,588</u></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, 2018

	<u>CVFD Incentive Program</u>
Additions:	
Investment income	\$ (8,189)
Unrealized gains on investments	57,929
Contributions	<u>23,358</u>
	<u>73,098</u>
Deductions:	
Retirement	-
Other	<u>-</u>
	<u>-</u>
Change in net position	73,098
Net position, beginning of year	<u>663,490</u>
Net position, end of year	<u><u>\$ 736,588</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, 2018**

	<u>Student Activities Fund</u>
<u>Assets</u>	
Beginning balance - cash	\$ 27,768
Additions	29,180
Deductions	(24,595)
Ending balance - cash	<u>32,353</u>
Beginning balance - investments	15,662
Additions	34
Deductions	-
Ending balance - investments	<u>15,696</u>
Total assets	<u><u>\$ 48,049</u></u>
 <u>Liabilities</u>	
Beginning balance - other payables	\$ -
Additions	-
Deductions	-
Ending balance - other payables	<u>-</u>
Beginning balance - due to beneficiaries	43,430
Additions	29,214
Deductions	(24,595)
Ending balance - due to beneficiaries	<u>48,049</u>
Total liabilities	<u><u>\$ 48,049</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, 2018

Total tax collection including interest and lien fees - year ending June 30, 2017	\$ 6,346,083				
Reimbursement for revenue loss on: Tax relief for elderly (CGS 12-129d)	<u>-</u>				
Base	<u>\$ 6,346,083</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	\$ 14,278,687	\$ -	\$ -	\$ -	\$ -
4 1/2 times base	-	28,557,374	-	-	-
3 3/4 times base	-	-	23,797,811	-	-
3 1/4 times base	-	-	-	20,624,770	-
3 times base	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,038,249</u>
Total debt limitation	<u>14,278,687</u>	<u>28,557,374</u>	<u>23,797,811</u>	<u>20,624,770</u>	<u>19,038,249</u>
Indebtedness:					
Bonds payable	1,350,000	1,000,000	-	-	-
Overlapping debt: Regional School District #1	<u>-</u>	<u>702,870</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total indebtedness	<u>1,350,000</u>	<u>1,702,870</u>	<u>-</u>	<u>-</u>	<u>-</u>
Debt limitation in excess of outstanding and authorized debt	<u>\$ 12,928,687</u>	<u>\$ 26,854,504</u>	<u>\$ 23,797,811</u>	<u>\$ 20,624,770</u>	<u>\$ 19,038,249</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, 2017 TO JUNE 30, 2018

Grand List October 1,	Outstanding 6/30/2017	Current Levy	Lawful Corrections		Collectible Taxes	Receipt of Taxes	Interest and Liens	Total Receipts	Transfers to Suspense	Outstanding 6/30/2018
			Additions	Deductions						
2016	\$ -	\$ 6,290,348	\$ 2,659	\$ 2,556	\$ 6,290,451	\$ 6,192,525	\$ 22,039	\$ 6,214,564	\$ 1,046	\$ 96,880
2015	107,577	-	144	19	107,702	34,565	6,920	41,485	366	72,771
2014	75,323	-	-	191	75,132	9,368	4,092	13,460	379	65,385
2013	57,784	-	-	-	57,784	11,246	3,696	14,942	3,388	43,150
2012	31,330	-	1,162	-	32,492	5,588	874	6,462	1,162	25,742
2011	6,902	-	-	-	6,902	-	-	-	-	6,902
2010	8,213	-	-	-	8,213	-	-	-	-	8,213
2009	9,156	-	-	-	9,156	-	-	-	87	9,069
2008	10,195	-	-	-	10,195	-	-	-	-	10,195
2007	8,637	-	-	-	8,637	-	-	-	-	8,637
2006	9,864	-	-	-	9,864	25	-	25	-	9,839
2005	6,495	-	-	-	6,495	-	-	-	-	6,495
2004	6,226	-	-	-	6,226	-	-	-	-	6,226
2003	5,450	-	-	-	5,450	-	-	-	24	5,426
2002	5,944	-	-	5,944	-	-	-	-	-	-
Total	\$ 349,096	\$ 6,290,348	\$ 3,965	\$ 8,710	\$ 6,634,699	\$ 6,253,317	\$ 37,621	\$ 6,290,938	\$ 6,452	\$ 374,930

See accompanying Independent Auditors' Report.

TOWN OF CORNWALL, CONNECTICUT
TOP 10 TAXPAYERS
BASED ON 10/1/16 NET TAXABLE GRAND LIST
FOR THE YEAR ENDED JUNE 30, 2018

<u>Name</u>	<u>Valuation</u>
C&D Farms LLC	\$ 8,290,700
Connecticut Light & Power	6,539,520
Walzer, Roy S.	6,353,600
Lendl, Ivan & Samantha Trustee	5,965,480
FCCP LLC	3,879,600
Push 'Em Up Farm LLC	3,649,000
MNKNY LLC	3,086,000
South Hamillton IV	2,555,600
40 Cobble Hill Road LLC	2,452,400
Mohawk Mountain Ski Area, Inc.	2,224,300

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

See accompanying Independent Auditors' Report.