

**Town of Bethlehem, New York**

Basic Financial Statements

December 31, 2017

# Town of Bethlehem, New York

## Basic Financial Statements

December 31, 2017

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## Independent Auditor's Report

Supervisor and Town Board  
Town of Bethlehem, New York  
Delmar, New York

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Bethlehem, New York (Town) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Town of Bethlehem Industrial Development Agency (Bethlehem IDA), which comprises the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Bethlehem IDA, is based solely on the report of the other auditors. 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

***Basis for Adverse Opinion on Governmental Activities***

As discussed in Note 1a of the financial statements, the Town has not maintained accounting records to support the completeness and accuracy of capital asset balances and has not calculated depreciation on capital assets. In addition, the Town has not estimated its other postemployment benefit costs and obligations. Accounting principles generally accepted in the United States of America require the capitalization and depreciation of capital assets, and the estimation of other postemployment benefit costs and obligations. The amounts by which these departures would affect the assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, and expenses of the governmental activities have not been determined.

***Adverse Opinion on Governmental Activities***

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on Governmental Activities" paragraph, the financial statements referred to above do not present fairly the financial position of the governmental activities of the Town as of December 31, 2017, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Unmodified Opinions***

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town as of December 31, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 1r, the financial statements have been reissued to correct a fund balance classification error within the highway fund. Our opinion is not modified with respect to this matter.

***Other Matters***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 15, and the information listed under Required Supplementary Information in the accompanying table of contents 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 evidence sufficient to express an opinion or provide any assurance.

**Other Matters - Continued**

Management has omitted the Schedule of Funding Progress - Other Postemployment Benefits that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinions on the basic financial statements are not affected by this missing information.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 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.

BST & CO. CPAs, LLP

Albany, New York  
May 10, 2018, except for Note 1r as to  
which the date is August 15, 2018



# Town of Bethlehem, New York

## Management's Discussion and Analysis December 31, 2017

Management's discussion and analysis (MD&A) provides a narrative overview and analysis of the financial activities of the Town of Bethlehem, New York (Town) for the fiscal year ended December 31, 2017. The MD&A is intended to serve as an introduction to the Town's basic financial statements, which have the following components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The MD&A is designed to (a) assist the reader in focusing on significant financial matters, (b) provide an overview of the Town's financial activities, (c) identify any material changes from the original budget, and (d) highlight individual fund matters. The following presentation is by necessity highly summarized. In order to gain a thorough understanding of the Town's financial condition, the following financial statements, notes and required supplementary information should be reviewed in their entirety.

### Financial Highlights

Over the past several years, the lack of precipitation, both rain and snow, typically had a positive impact on the fund balance in our four major funds. In 2017, however, heavy storms and generally overcast weather had the opposite effect.

- The General Fund fell short on solar power generation at the Town's clay mine parcel during the facility's first full year of production.
- Several heavy snowstorms required significant spending on de-icing materials for the Town's roads and increased overtime for plowing and salting, increasing expenses in the Highway Fund.
- Heavier than normal rainfall during the summer led to a substantial reduction in revenues from water sales and sewer charges (which are based on water consumption) in both the Water and Sewer Funds.

Despite these challenges, the Town was able to close the year with net-positive results in all four of these major funds by reevaluating needs, both the timing of purchase and of the true value to the organization, as well as making strategic spending decisions.

	December 31, 2017			
	General	Highway	Water	Sewer
Final Budgeted Operating Revenue	\$ 18,688,670	\$ 6,845,412	\$ 9,946,764	\$ 4,468,596
Final Budgeted Operating Expenses	(19,121,066)	(7,362,188)	(10,267,950)	(4,587,267)
<b>Budgeted Surplus (Shortfall)</b>	<b>\$ (432,396)</b>	<b>\$ (516,776)</b>	<b>\$ (321,186)</b>	<b>\$ (118,671)</b>
Actual Revenue	\$ 19,065,263	\$ 6,868,680	\$ 9,626,342	\$ 4,718,179
Operating Expenses	(18,535,564)	(5,853,777)	(9,254,889)	(3,814,581)
Operating Surplus	529,699	1,014,903	371,453	903,598
Capital Fund Transfer	(26,340)	(429,914)	-	-
Net Surplus	503,359	584,989	371,453	903,598
Total Fund Balance, December 31, 2016	6,135,294	3,462,132	5,291,792	3,720,824
<b>Total Fund Balance, December 31, 2017</b>	<b>\$ 6,638,653</b>	<b>\$ 4,047,121</b>	<b>\$ 5,663,245</b>	<b>\$ 4,624,422</b>
Nonspendable Fund Balance	\$ 1,570,061	\$ 764,492	\$ 81,836	\$ 47,387
Restricted for Retirement	672,197	307,780	126,088	-
Restricted for Capital	757,266	569,933	2,778,859	2,663,367
Assigned Appropriated for Contingency	-	2,274,212	2,539,700	1,746,159
Assigned Appropriated Fund Balance	289,814	130,704	136,762	167,509
Unassigned for Contingency	3,349,315	-	-	-
<b>Total Fund Balance</b>	<b>\$ 6,638,653</b>	<b>\$ 4,047,121</b>	<b>\$ 5,663,245</b>	<b>\$ 4,624,422</b>

# Town of Bethlehem, New York

## Management's Discussion and Analysis December 31, 2017

### Financial Highlights - Continued

Major program changes, enhancements, and other areas of note implemented in 2017 include the following:

- In August 2017, the Town sold at auction a \$9.992 million bond primarily for: (1) Adams Street building renovations to support the Town's ambulance services, provide space for the Department of Public Works, and create additional public meeting space; (2) the Delaware Avenue streetscape project which replaced an old water main and enhanced the main thoroughfare through Town; and (3) miscellaneous public improvement projects and equipment purchases.
- The Town continues to use the \$776 thousand Local Government Performance and Efficiency Program Award we received in thirds through 2015. Since 2014, the Town has used \$547 thousand of these funds for a variety of projects including: food scraps composting; street tree planting; open space protection; Emergency Medical Service consolidation funding; internal efficiency/productivity programs; Town Hall security; local sidewalk improvements; traffic calming initiatives; a park services master plan; and seed money for the annual "Bethlehem First Night." The remaining \$252 thousand has been allocated to continue and expand these and similar programs.
- The Town received the final reimbursement of \$364 thousand from the Federal Emergency Management Agency (FEMA) relating to damage from Hurricane Irene. The related expenditures were primarily booked in 2012 and 2013. Matching revenues in those years were not booked because, consistent with governmental accounting rules, the Town records revenues when they are both "available and measurable." While the revenue was generally "measurable," the Town did not receive the funds within 60 days of the 2013 year end and, therefore, could not consider them to be "available" in a prior year.
  - In 2014, the Town modified its revenue recognition policy to allow for grant revenues to be booked when all eligibility requirements for the funding had been satisfied, provided there was a reasonable expectation of receipt of that grant funding. As of year-end 2017, the cumulative remaining nonguaranteed reimbursements owed to the Sewer Fund by the State Emergency Management Office totaled just over \$121 thousand. Because the reimbursement amounts have been inconsistent, these funds have not been booked into revenue and remain on the balance sheet as both a receivable and deferred income.

### General Items of Note for All Funds

#### *Fringe Benefits*

The Town employed an average of 212 full-time employees in 2017, as well as a total of 247 part-time and seasonal employees throughout the year. The following schedule provides comparative detail on aggregated fringe benefit costs for current employees:

<u>Fringe Benefits</u>	<u>2017 Actual</u>	<u>2016 Actual</u>	<u>\$ Variance</u>	<u>% Variance</u>
Social Security Taxes	\$ 1,142,225	\$ 1,129,118	\$ 13,107	1.16%
Health and Dental Insurance	2,402,116	2,458,394	(56,278)	-2.29%
Retirement Systems	2,605,879	2,561,129	44,750	1.75%
Workers' Compensation Insurance	932,241	937,977	(5,736)	-0.61%
Life and Short-Term Disability Insurance	26,049	23,394	2,655	11.35%
Total	<u>\$ 7,108,510</u>	<u>\$ 7,110,012</u>	<u>\$ (1,502)</u>	<u>-0.02%</u>

# Town of Bethlehem, New York

## Management's Discussion and Analysis December 31, 2017

### Financial Highlights - Continued

Overall, the cost of fringe benefits for current employees decreased from 2016 by \$1.5 thousand, or 0.02%. The decrease in health insurance by \$56 thousand, or 2.3%, was due primarily to normal shifts in the use of the employee plans (individual, single plus one, and family). This decrease was offset with a \$45 thousand, or 1.8%, increase in state retirement system costs due primarily to an increase in the Police and Fire Retirement System (PFRS) tier 2 rate [where the majority of our police officers are eligible]. Lastly, Social Security increased by \$13 thousand, or 1.2%, due to general increases in annual salaries.

#### *Post-Retirement Health Benefits*

Retired employees that have met certain eligibility requirements are entitled to receive health care benefits for themselves and their spouses. Those benefits are provided through payments of premiums by participants and the Town to a health insurance company. The Town recognizes the cost of providing these benefits for 154 retirees (including spouses) by expensing the annual insurance premiums. The post-employment expense was \$762 thousand for 2017 and \$760 thousand for 2016, a 0.3% increase.

Governmental Accounting Standards Board Statement No.45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, requires the employer to recognize the future value of retiree benefits as a liability in the period in which the benefits are earned, which would significantly increase the reported obligations for the Town.

#### *Interest Income*

A summary of the budgeted bank-earned interest income compared to actual for 2017 is presented in the table below. Note that the Town only budgets for interest income in the operating funds and not in the Capital Reserve funds.

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
General	\$ 10,000	\$ 25,552	\$ 15,552
Highway	4,000	10,188	6,188
Water	10,200	10,237	37
Sewer	4,100	7,965	3,865
Capital	-	452	452
Total	<u>\$ 28,300</u>	<u>\$ 54,394</u>	<u>\$ 26,094</u>

The interest earnings for 2017 were \$54 thousand, a 200% increase from the 2016 earnings of \$18 thousand. This was due to the Town's use of T-Bills as an alternate investment strategy, in addition to the traditional money market funds and certificates of deposit, which had been exclusively used in the past. This new investment source provided for interest earnings of up to 20 times previous rates but does not accrue non-cash credits (also known as "compensating balances") which pay for vital banking services.



# Town of Bethlehem, New York

## Management's Discussion and Analysis December 31, 2017

### Financial Highlights - Continued

The Town receives a variety of services from its banks at no additional cost using non-cash credits. Key Bank provided the Town an average compensating balance rate of 0.75% in addition to interest paid in cash. The Town used these credits to pay for services such as:

- A "lockbox," which receives, deposits, processes, and provides an electronic upload to our billing system for water and sewer usage and tax payments;
- Free return envelopes for lockbox payments;
- "Positive pay," which matches checks written by the Town against an electronic file provided to the bank to prevent fraudulent checks being drawn against the Town's checking accounts;
- Reconciliation services, which verify current checks outstanding;
- Debit blocks, which prevent unauthorized Automated Clearing House activity unless expressly granted;
- Free checks and deposit slips; and
- Free credit card processing for Parks & Recreation activities.

While it is difficult to assign a monetary value to the majority of these services, the lockbox services have directly and indirectly saved the Town approximately \$110 thousand annually over the past six years through personnel and mailing supply related savings.

### Overview of the Financial Statements

#### Government-Wide Financial Statements

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

The statement of net position presents information on all of the Town's assets, liabilities, and deferred inflows/outflows of resources, with the difference 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.

The statement of activities presents information showing changes in the Town's net position during the most recent 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 only result in cash flows in future periods (for example, uncollected grants and earned but unused vacation leave).

The governmental activities of the Town include general government, public safety, transportation, culture and recreation, and home and community services. The government-wide financial statements can be found on the pages immediately following this MD&A.

#### 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.

# Town of Bethlehem, New York

## Management's Discussion and Analysis December 31, 2017

### Overview of the Financial Statements - Continued

#### Fund Financial Statements - Continued

##### *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 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 Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains seven individual governmental funds: the General Fund, the Highway Fund, the Water Fund, the Sewer Fund, the Capital Projects Fund, the Special Grants Fund, and the Miscellaneous Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund, Highway Fund, Water Fund, Sewer Fund, and the Capital Projects Fund, all of which are considered to be major funds. The Town has elected to present information from the other non-major governmental funds on the face of the balance sheet and statement of revenues, expenditures, and changes in fund balance. The Town adopts annual budgets for all governmental funds, except for the Miscellaneous Fund, Special Grant Fund, and Capital Projects Fund. Budgetary comparison statements have been provided for these funds to demonstrate compliance with their budgets. Multi-year budgets are adopted for the Capital Projects Fund, and a project-length schedule that provides information concerning these projects.

##### 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 Town programs. The Town maintains only one type of fiduciary fund that is known as an agency fund. The Town holds resources in this fund purely in a custodial capacity. The activity in this fund is limited to the receipt, temporary investment, and remittance of resources to the appropriate individual, organization, or government. The agency fund financial statements are presented in this report.

##### Notes to Financial Statements

The notes to financial statements are an integral part of those statements and provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

# Town of Bethlehem, New York

## Management's Discussion and Analysis December 31, 2017

### Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The following table was derived from the current and prior year government-wide statements of net position:

	Governmental Activities			
	2017	2016	\$ Change	% Change
<b>Assets</b>				
Cash	\$ 29,866,224	\$ 18,101,586	\$ 11,764,638	64.99%
Receivables	8,371,212	8,694,200	(322,988)	-3.71%
Other	1,805,598	1,549,206	256,392	16.55%
Capital assets	97,860,972	91,536,452	6,324,520	6.91%
Total assets	<u>137,904,006</u>	<u>119,881,444</u>	<u>18,022,562</u>	<u>15.03%</u>
Deferred outflows of resources	<u>6,664,892</u>	<u>11,245,161</u>	<u>(4,580,269)</u>	<u>-40.73%</u>
<b>Liabilities</b>				
Due within one year	12,190,477	7,304,183	4,886,294	66.90%
Due in more than one year	<u>33,894,054</u>	<u>29,276,169</u>	<u>4,617,885</u>	<u>15.77%</u>
Total liabilities	<u>46,084,531</u>	<u>36,580,352</u>	<u>9,504,179</u>	<u>25.98%</u>
Deferred inflows of resources	<u>1,193,969</u>	<u>1,452,383</u>	<u>(258,414)</u>	<u>-17.79%</u>
Net position	<u>\$ 97,290,398</u>	<u>\$ 93,653,340</u>	<u>\$ 3,637,058</u>	<u>3.88%</u>

The Town's 2017 net position increased by \$3.6 million when compared to 2016. As a result of the tax law changes signed at the Federal government level, a significant number of property tax payers opted to pay their 2018 property tax bills in December of 2017. These prepayments resulted in a \$6.1 million increase to cash, unearned revenue, and due to other governments. Increases in capital assets represent continued progress on the Delaware Avenue streetscape project and the normal replacement of older equipment. The Town also issued approximately \$10 million in public improvement (serial) bonds in August of 2017. Approximately \$1.6 million of bond proceeds and \$81 thousand of cash on hand were used to repay \$1.68 million in bond anticipation notes. The Town had \$5.3 million in cash remaining at year end. These funds will be used to finance various projects throughout the Town, including the Adams Street Garage, Delaware Avenue Streetscape, Highway equipment, and water and sewer system improvements.

# Town of Bethlehem, New York

## Management's Discussion and Analysis December 31, 2017

### Government-Wide Financial Analysis - Continued

The following table was derived from the current and prior year government-wide statement of activities:

	Governmental Activities			
	2017	2016	\$ Change	% Change
Revenues				
Program revenues				
Charges for services	\$ 12,461,067	\$ 13,310,771	\$ (849,704)	-6.38%
Operating grants and contributions	521,737	489,246	32,491	6.64%
Capital grants and contributions	1,475,040	1,612,907	(137,867)	-8.55%
General revenues				
Taxes	25,827,237	25,365,156	462,081	1.82%
Other	1,979,653	2,302,501	(322,848)	-14.02%
Total revenues	42,264,734	43,080,581	(815,847)	-1.89%
Expenses				
General government support	6,106,029	4,745,054	1,360,975	28.68%
Public safety	7,671,353	7,744,346	(72,993)	-0.94%
Health	1,183,337	1,174,064	9,273	0.79%
Transportation	5,459,379	6,723,340	(1,263,961)	-18.80%
Economic opportunity and development	1,161,156	1,167,626	(6,470)	-0.55%
Culture and recreation	1,899,852	1,891,422	8,430	0.45%
Home and community services	14,516,963	13,464,259	1,052,704	7.82%
Interest on long-term debt	629,607	692,371	(62,764)	-9.07%
Total expenses	38,627,676	37,602,482	1,025,194	2.73%
Increase in net position	\$ 3,637,058	\$ 5,478,099	\$ (1,841,041)	-33.61%

The Town's total expenses increased \$1 million, or 2.7%, when compared to the prior year. The majority of the Town's programs and governmental functions remained consistent when compared to the prior year. Home and community service expenses increased due to higher operating costs for water, sewer and general government activities. As noted above, total expenses do not reflect depreciation expense or accrual based OPEB costs.

### The Town's Funds

The Town uses fund accounting to ensure compliance with legal and financial related requirements. As the Town completed the year, its government funds (as presented in the balance sheet on page 18) reported a combined fund balance of \$29.5 million. All the Town's major funds showed excess revenues and other financing sources over expenditures and other financing uses.

#### Items of Note for the General Fund

Total revenues increased approximately \$380 thousand, or 2.0%, from \$18.7 million in 2016 to \$19.1 million in 2017. The primary changes in this fund included:

- An increase in real property tax revenues of \$304 thousand from \$2.1 million to \$2.4 million and a continued increase in year over year sales tax revenues of \$69 thousand, from \$11.4 million to \$11.5 million;
- An increase in safety inspections revenues of \$177 thousand, from \$204 thousand to \$381 thousand, owing to increased fees from commercial alteration/addition, new commercial building, and commercial solar panel installation permits in 2017;
- A decrease in composting sales of \$71 thousand, from \$129 thousand to \$59 thousand;

# Town of Bethlehem, New York

## Management's Discussion and Analysis December 31, 2017

### The Town's Funds - Continued

- An increase in transfer station tipping fee revenues of \$125 thousand, from \$189 thousand to \$313 thousand;
- A decrease in revenues from the Town's solar power generation at the Town's Clay Mine parcel by \$52 thousand, from net credits of \$126 thousand to \$75 thousand; and
- A continued decrease in mortgage taxes by \$97K thousand from \$1.2 million to \$1.1 million.

Total operating expenditures increased by \$423 thousand, or 2.3%, from \$18.1 million in 2016 to \$18.5 million in 2017. Some of the drivers included the following:

- An increase in police wages and fringe benefits of \$228 thousand, from \$5.9 million to \$6.1 million. This was primarily due to the hiring of two new officers, without attrition, at the beginning of August 2016, as well as new police contracts which included additional steps and a retroactive pay increase of 2% Cost of Living Adjustment (COLA) for 2015.
- Third-party appraisal costs increased by \$100 thousand, from \$19 thousand to \$119 thousand, due to two factors: (1) court mandated appraisals relating to increased commercial property assessment grievance cases; and (2) the hiring of an onside appraisal firm to begin a four-year inventory to develop accurate residential assessment data.
- An increase in equipment and capital in the Parks & Recreation Department of \$46 thousand, from \$56 thousand to \$103 thousand, was largely due to the purchase of turf equipment during 2017. Also, in the Parks Department, the Town sponsored a Community Garden (which required \$23 thousand in start-up costs) and undertook tennis court repairs costing \$35 thousand.
- Transfer station costs increased by \$81 thousand in 2017 due to increase use and volume.
- A decrease of \$107 thousand in police equipment and capital purchases, from \$238 thousand to \$130 thousand largely due to the large purchase of a Computer Aided Dispatch (CAD) system in 2016.

In 2016, the General Fund had a \$407 thousand assigned fund balance in the operating fund to help cover infrastructure and equipment costs identified through the Town's multi-year capital planning process. In 2017, the Town Board assigned an additional \$350 thousand of General Fund balance to help cover future capital needs, and as part of the Town's fund balance policy. The total assigned fund balance, \$757 thousand, will remain in the operating fund, separately identified, until additional projects are authorized by the Town Board.

The Town incurred new debt in the amount of \$6.5 million in August 2017 through a 25-year \$10 million Public Improvement Bond at an effective Net Interest Cost (NIC) of 2.86%. Related debt service costs of approximately \$364K per year will begin in 2018 and continue through 2042.

### Items of Note for the Highway Fund

The Highway Fund is funded almost entirely by property taxes. Given the desire to maintain stable property tax rates and to stay within the tax cap, the fund is at risk for imbalance due to the tendency of operating costs to rise at a faster rate than the tax cap. Further, the addition of roads and sidewalks by new development continues to place service and cost pressures on the department.

Total revenues increased by \$3 thousand, or 0.04%. Total expenditures decreased by \$517 thousand, or 8.1%, from \$6.4 million in 2016 to \$5.9 million in 2017. This was due primarily to the Krumkill Road repair in 2016 which cost the Town \$303 thousand. The Town also underspent its budgeted asphalt purchases in 2017 by \$218 thousand due primarily to the departure of the Highway Superintendent midway through the prime road repaving season.

# Town of Bethlehem, New York

## Management's Discussion and Analysis December 31, 2017

### **The Town's Funds - Continued**

In 2016, the Highway Fund had \$337 thousand of assigned fund balance in the operating fund to help cover infrastructure and equipment costs identified through the Town's multi-year capital planning process. In 2017, the Town Board assigned an additional \$662 thousand of Highway Fund operating fund balance to help cover future capital needs and as part of the Town's fund balance policy. Further, the Town transferred \$429 thousand of assigned fund balance to the Highway Fund Capital Reserve to pay for projects committed to by Town Board action.

While no new debt was obtained in 2017, the Town refunded its bond anticipation note through the issuance of a 25-year Public Improvement Bond at an effective NIC of 2.86%. The Town, through its operating fund, paid \$50 thousand toward the principal of the BAN. The related debt service costs of approximately \$39 thousand per year will begin in 2018 and continue through 2042.

### Items of Note for the Water Fund

The Water Fund is largely funded with user charges and is somewhat easier, in comparison to the General and Highway Funds, to bring to a self-sustaining financial position, even considering the longer-term and sizeable nature of the infrastructure construction and maintenance costs for this fund.

The Water Fund's operating revenues decreased by \$830 thousand, or 7.9%, from \$10.5 million in 2016 to \$9.6 million in 2017. This change was primarily due to a \$779 thousand decrease in metered water sales due to a very wet summer, driving significantly lower usage in 2017. Additionally, interest and penalties were down relative to 2016, which was unusually high due to a large customer who missed the payment due date and incurred a \$34 thousand fee.

The Water Fund's operating expenditures increased by \$311 thousand, or 3.5%, from \$8.9 million in 2016 to \$9.3 million in 2017. The primary drivers of this increase were engineering expenses related to the Clapper Road Water Treatment Plant Upgrade (amounting to \$240 thousand) and an increase in one-time equipment purchases for the New Salem Water Treatment Plant (totaling \$64 thousand).

In 2016, the Water Fund had \$1.3 million of assigned fund balance in the operating fund to help cover infrastructure and equipment costs identified through the multi-year capital planning process. In 2017, the Town Board assigned an additional \$1.5 million of Water Fund operating fund balance to help cover future capital needs, and as part of the Town's fund balance policy. This balance of \$2.8 million will remain in the operating fund, separately identified, until additional projects are authorized by the Town Board.

The Town issued a 25-year, \$9.92M Public Improvement Bond at an effective NIC of 2.86%. This issuance created \$1.9 million of new debt and was used to refinance a 2016 BAN which originally totaled \$795 thousand. The Town, through its operating fund, paid \$26.5 thousand toward the principal of the BAN. Related debt service costs of approximately \$150 thousand per year will begin in 2018 and continue through 2042. All debt relating to this fund is excluded from the constitutional debt limit per Article 8 §5B of the State Constitution.

### Items of Note for the Sewer Fund

Similar to the Water Fund, the Sewer Fund is largely funded with user charges and is also somewhat easier, in comparison to the General and Highway Funds, to bring to a self-sustaining financial position, even considering the longer-term and sizeable nature of the infrastructure construction and maintenance costs for this fund.

The Sewer Fund's operating revenue increased by \$139 thousand, or 3.0%, from \$4.6 million in 2016 to \$4.7 million in 2017, primarily due to the receipt of \$364 thousand in Hurricane Irene related reimbursements from FEMA for expenditures that occurred in prior years. However, the Town experienced offsets to this revenue relating to a reduction in sewer charges of \$240 thousand, which are generated based on metered water sales, due to significant precipitation during the year.

# Town of Bethlehem, New York

## Management's Discussion and Analysis December 31, 2017

### The Town's Funds - Continued

The Sewer Fund's operating expenditures increased by \$195 thousand, or 5.4%, from \$3.6 million in 2016 to \$3.8 million in 2017. This was primarily driven by salary and fringe net increases of \$113 thousand relating to a shift in Department of Public Works employee time spent in the Sewer Fund. The Water Fund had a year over year decrease of \$46 thousand in the comparable categories. The net salary difference of \$67 thousand is less than the 2% COLA provided to Town employees in 2017. Additionally, there was an increase in debt service costs of \$92 thousand driven entirely by the Environmental Facilities Corporation (EFC) debt obtained in 2016.

In 2016, the Sewer Fund had \$1.6 million of assigned fund balance in the operating fund to help cover infrastructure and equipment costs identified through the multi-year capital planning process. In 2017, the Town Board assigned an additional \$1.0 million of Sewer Fund operating fund balance to help cover future capital needs, and as part of the Town's fund balance policy. The total funds (\$2.6 million) will remain in the operating fund, separately identified, until additional projects are authorized by the Town Board.

No new debt was obtained in 2017, but the Town did obtain a 25-year Public Improvement Bond at an effective NIC of 2.86% to pay off a BAN obtained in 2016. Related debt service costs of approximately \$7.6K per year will begin in 2018 and continue through 2042. The Town, through its operating fund, paid \$5 thousand toward the principal of the BAN.

### Analysis of Fund Balance

In 2012, the Town passed a comprehensive fund balance policy that provided guidance for minimum (7%), maximum (20%), and optimal levels (15%) at which the operating fund reserves should be held. The following chart summarizes the projected fund balance activity through the end of 2018, along with a calculation showing where the fund balances are as compared to this policy.

The projected 2018 levels for the operating funds indicate sufficient net assets to fund current budgetary requirements. Consistent with Town policy, balances held above the ceiling of 20% are identified in the infrastructure reserve and will be moved to the appropriate capital reserve accounts in 2018.

These reserves provide a supplemental funding source for major capital expenditures.

	General	Highway	Water	Sewer
Fund Balance, December 31, 2017	\$ 6,638,653	\$ 4,047,121	\$ 5,663,245	\$ 4,624,422
Less:				
Prior Year Encumbrances	289,814	130,704	136,762	167,509
Retirement Contribution Reserve	672,197	307,780	126,088	-
Capital Reserve Appropriation	757,266	569,933	2,778,859	2,663,367
Nonspendable Fund Balance	1,570,061	764,492	81,836	47,387
Infrastructure Reserve	-	919,655	553,000	862,500
Projected Balance, December 31, 2018	3,349,315	1,354,557	1,986,700	883,659
2018 Budgeted Appropriations	\$ 19,408,084	\$ 6,772,787	\$ 9,934,564	\$ 4,417,626
Percent of Appropriations	17.26%	20.00%	20.00%	20.00%
Floor - 7.5% of Budgeted Appropriations	\$ 1,455,606	\$ 507,959	\$ 745,092	\$ 331,322
Optimal - 15% of Budgeted Appropriations	2,911,213	1,015,918	1,490,185	662,644
Ceiling - 20% of Budgeted Appropriations	3,881,617	1,354,557	1,986,913	883,525

# Town of Bethlehem, New York

## Management's Discussion and Analysis December 31, 2017

### Capital Asset and Debt Administration

#### Capital Assets

As of 2017, the Town has \$97.9 million invested in a broad range of capital assets including equipment, buildings, construction in progress, land preparation, and infrastructure, which primarily includes roads, water lines and sewer lines. This amount represents a \$6.3 million increase compared to the prior year.

	Balance at December 31, 2017	Balance at December 31, 2016
Land	\$ 1,970,816	\$ 1,970,316
Buildings	25,249,991	25,192,128
Improvements	12,245,715	11,392,108
Machinery and equipment	24,649,969	23,247,411
Infrastructure	33,744,481	29,734,489
Total capital assets	<u>\$ 97,860,972</u>	<u>\$ 91,536,452</u>

#### Summary of Long-Term Liabilities

The following table represents a comparative overview of long-term obligations, which are reported in government-wide statement of net position and are more fully described within the footnotes to the financial statements.

	2017	2016
Serial bonds	\$ 28,812,241	\$ 20,285,000
Net pension liability	6,219,251	10,270,142
Compensated absences	484,493	401,027
Landfill closure and post-closure	100,000	100,000
Judgments and claims	90,000	120,000
Total long-term debt	<u>\$ 35,705,985</u>	<u>\$ 31,176,169</u>

The Town's assigned credit rating is "AA+/Stable" Outlook from Standards and Poor's.

### Economic Factors Affecting the Town

According to the United States Bureau of Labor Statistics, the 2017 unemployment rate for Albany County was 3.9%, compared to 4.2% in 2016. This compares favorably to the 2017 United States unemployment rate of 4.5%. The State of New York represents a major employer in the Capital Region, which has provided some stability from significant financial downturns impacted in the United States in years past.

Like all local governments, the Town is subject to the New York State tax cap. The allowable levy growth factor for 2017 property taxes was 0.68% for the Town. The published allowable levy growth factor for the 2018 period is 1.84%. The Town's adherence to these modest tax increases remains a challenge, given State mandates, negotiated wage increases and healthcare cost increases.



# **Town of Bethlehem, New York**

## **Management's Discussion and Analysis December 31, 2017**

### **Economic Factors Affecting the Town - Continued**

The Town of Bethlehem remains a desirable place to live within the Capital Region because of its quality school systems, access to the City of Albany, small town feel and full-service amenities. While the overall financial condition of the Town is stable, the Town must actively manage spending given the constraints on revenue generation.

### **Contacting the Town's Financial Management**

This financial report is designed to provide a general overview of the Town's finances for all those having an interest and should be considered along with the annual audit report, including the related footnotes. Questions concerning any of the information provided in this report may be addressed to David VanLuven, Supervisor, or to Michael Cohen, CPA, Comptroller, at 445 Delaware Avenue, Delmar, NY 12054.

# Town of Bethlehem, New York

## Statement of Net Position

	December 31, 2017	
	Primary Government	
	Governmental Activities	Component Unit
<b>ASSETS</b>		
Cash	\$ 29,866,224	\$ 417,172
Receivables		
Accounts	3,103,280	9,880
Due from other governments	5,267,932	-
Inventory	789,474	-
Prepaid expenses	1,016,124	750
Capital assets	97,860,972	-
Total assets	137,904,006	427,802
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
	6,664,892	-
<b>LIABILITIES</b>		
Accounts payable	2,413,513	-
Accrued liabilities	462,815	-
Due to other governments	4,167,571	-
Unearned revenue	3,334,647	-
Long-term liabilities		
Due within one year	1,811,931	-
Due in more than one year	33,894,054	-
	46,084,531	-
<b>DEFERRED INFLOWS OF RESOURCES</b>		
	1,193,969	-
<b>NET POSITION</b>		
Net investment in capital assets	69,048,731	-
Restricted	16,381,576	
Unrestricted	11,860,091	427,802
	<b>\$ 97,290,398</b>	<b>\$ 427,802</b>

See accompanying Notes to Basic Financial Statements.

# Town of Bethlehem, New York

## Statement of Activities

Year Ended December 31, 2017

<u>Functions/Programs</u>	Program Revenues				Net (Expenses) Revenues and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Component Unit
<b>Governmental Activities</b>						
General government support	\$ 6,106,029	\$ 787,249	\$ 58,627	\$ 879,183	\$ (4,380,970)	\$ -
Public safety	7,671,353	509,141	-	-	(7,162,212)	-
Health	1,183,337	-	-	-	(1,183,337)	-
Transportation	5,459,379	11,181	-	388,463	(5,059,735)	-
Economic opportunity and development	1,161,156	98,354	463,110	-	(599,692)	-
Culture and recreation	1,899,852	544,714	-	-	(1,355,138)	-
Home and community services	14,516,963	10,510,428	-	207,394	(3,799,141)	-
Interest on long-term debt	629,607	-	-	-	(629,607)	-
	<b>\$ 38,627,676</b>	<b>\$ 12,461,067</b>	<b>\$ 521,737</b>	<b>\$ 1,475,040</b>	(24,169,832)	-
<b>Component Unit</b>	<b>\$ 126,581</b>	<b>88,484</b>	<b>\$ -</b>	<b>\$ -</b>	-	<b>\$ (38,097)</b>
			<b>GENERAL REVENUES</b>			
					13,668,135	-
					12,159,102	-
					1,320,281	-
					659,372	283
					<b>27,806,890</b>	<b>283</b>
					<b>3,637,058</b>	<b>(37,814)</b>
					93,653,340	465,616
					<b>\$ 97,290,398</b>	<b>\$ 427,802</b>

See accompanying Notes to Basic Financial Statements.

# Town of Bethlehem, New York

## Balance Sheets - Governmental Funds

		December 31, 2017							
		Major Funds				Non-Major Funds			
		General	Highway	Water	Sewer	Capital Projects	Special Grant	Miscellaneous	Total
<b>ASSETS</b>									
Cash	\$	8,124,412	\$ 4,727,708	\$ 4,800,465	\$ 4,393,435	\$ 7,808,447	\$ 11,757	\$ -	\$ 29,866,224
Accounts receivable		294,308	369	1,976,827	831,776	-	-	-	3,103,280
Due from other funds		-	-	-	-	-	-	759,414	759,414
Due from other governments		3,729,167	-	191,192	242,653	1,104,920	-	-	5,267,932
Inventory		113,910	661,102	14,462	-	-	-	-	789,474
Prepaid expenses		1,456,151	103,390	67,374	47,387	-	-	-	1,674,302
		<b>\$ 13,717,948</b>	<b>\$ 5,492,569</b>	<b>\$ 7,050,320</b>	<b>\$ 5,515,251</b>	<b>\$ 8,913,367</b>	<b>\$ 11,757</b>	<b>\$ 759,414</b>	<b>\$ 41,460,626</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>									
<b>LIABILITIES</b>									
Accounts payable	\$	313,384	\$ 152,095	\$ 713,249	\$ 61,041	\$ 1,166,695	\$ 7,049	\$ -	\$ 2,413,513
Accrued liabilities		293,917	85,373	52,113	31,412	-	-	-	462,815
Due to other governments		4,167,571	-	-	-	-	-	-	4,167,571
Due to other funds		759,414	-	-	-	-	-	-	759,414
Unearned revenue		1,261,227	1,207,980	363,348	502,092	-	-	-	3,334,647
Total liabilities		<u>6,795,513</u>	<u>1,445,448</u>	<u>1,128,710</u>	<u>594,545</u>	<u>1,166,695</u>	<u>7,049</u>	<u>-</u>	<u>11,137,960</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		<u>283,782</u>	<u>-</u>	<u>258,365</u>	<u>296,284</u>	<u>-</u>	<u>4,708</u>	<u>-</u>	<u>843,139</u>
<b>FUND BALANCE</b>									
Nonspendable		1,570,061	764,492	81,836	47,387	-	-	-	2,463,776
Restricted		1,429,463	877,713	2,904,947	2,663,367	7,746,672	-	759,414	16,381,576
Assigned		289,814	2,404,916	2,676,462	1,913,668	-	-	-	7,284,860
Unassigned		3,349,315	-	-	-	-	-	-	3,349,315
Total fund balance		<u>6,638,653</u>	<u>4,047,121</u>	<u>5,663,245</u>	<u>4,624,422</u>	<u>7,746,672</u>	<u>-</u>	<u>759,414</u>	<u>29,479,527</u>
		<b>\$ 13,717,948</b>	<b>\$ 5,492,569</b>	<b>\$ 7,050,320</b>	<b>\$ 5,515,251</b>	<b>\$ 8,913,367</b>	<b>\$ 11,757</b>	<b>\$ 759,414</b>	<b>\$ 41,460,626</b>

See accompanying Notes to Basic Financial Statements.

# Town of Bethlehem, New York

## Reconciliation of Balance Sheet - Governmental Funds to the Statement of Net Position

	<u>December 31, 2017</u>
Total fund balances - governmental funds	\$ 29,479,527
Amounts reported for government activities in the statement of net position are difference because:	
Capital assets used in government activities are not financial resources and, therefore, are not reported in the funds.	97,860,972
Deferred inflows of resources related to the Town's revenues that will be collected after year-end, but are not available soon enough to pay for the current period's expenditures are deferred in the funds.	843,139
Pension contributions subsequent to the measurement date are reported as deferred outflows of resources in the statement of net position:	
Total pension contribution subsequent to the measurement date	2,640,736
Total prepaid pension contribution	<u>(658,178)</u>
	1,982,558
Some liabilities (listed below) are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable	(28,812,241)
Net pension liability	(6,219,251)
Deferred outflows of pension resources	4,024,156
Deferred inflows of pension resources	(1,193,969)
Claims payable	(90,000)
Landfill postclosure costs	(100,000)
Compensated absences	<u>(484,493)</u>
	<u>(32,875,798)</u>
<b>Total net position - governmental activities</b>	<b><u>\$ 97,290,398</u></b>

# Town of Bethlehem, New York

## Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds

	Year Ended December 31, 2017								
	Major Funds					Non-Major Funds			Total
	General	Highway	Water	Sewer	Capital Projects	Special Grant	Miscellaneous	Ambulance	
<b>REVENUES</b>									
Real property taxes	\$ 2,405,610	\$ 6,161,219	\$ 2,146,179	\$ 1,427,654	\$ -	\$ -	\$ -	\$ 1,183,337	\$ 13,323,999
Real property tax items	105,015	239,121	-	-	-	-	-	-	344,136
Non-property tax items	12,159,102	-	-	-	-	-	-	-	12,159,102
Departmental Income	1,814,390	-	7,206,676	2,898,851	-	-	70,900	-	11,990,817
Intergovernmental charges	50,000	11,181	-	-	-	-	-	-	61,181
Use of money and property	111,268	10,189	222,139	7,965	452	-	-	-	352,013
Licenses and permits	54,779	-	-	-	-	-	-	-	54,779
Fines and forfeitures	396,704	-	-	-	-	-	-	-	396,704
Sales of property and compensation for loss	154,986	46,753	51,138	19,782	-	-	-	-	272,659
Miscellaneous local sources	22,736	11,754	210	-	-	-	-	-	34,700
State aid	1,320,281	388,463	-	-	217,485	-	-	-	1,926,229
Federal aid	54,897	-	-	363,927	879,183	463,110	-	-	1,761,117
Total revenues	<u>18,649,768</u>	<u>6,868,680</u>	<u>9,626,342</u>	<u>4,718,179</u>	<u>1,097,120</u>	<u>463,110</u>	<u>70,900</u>	<u>1,183,337</u>	<u>42,677,436</u>
<b>EXPENDITURES</b>									
General government support	\$ 3,670,347	\$ -	\$ -	\$ -	\$ 2,960,725	\$ -	\$ -	\$ -	6,631,072
Public safety	6,189,794	-	-	-	27,408	-	-	-	6,217,202
Health	-	-	-	-	-	-	1,183,337	-	1,183,337
Transportation	547,636	3,995,022	-	-	334,868	-	-	-	4,877,526
Economic opportunity and development	476,151	-	-	-	-	463,110	-	-	939,261
Culture and recreation	1,470,498	-	-	-	50,000	-	77,748	-	1,598,246
Home and community services	1,262,519	-	6,883,124	2,501,984	3,374,550	-	-	-	14,022,177
Employee benefits	4,624,853	1,617,636	1,032,006	595,972	-	-	-	-	7,870,467
Debt service									
Principal	252,700	170,400	815,800	307,267	-	-	-	-	1,546,167
Interest	41,066	70,719	283,527	234,295	-	-	-	-	629,607
Total expenditures	<u>18,535,564</u>	<u>5,853,777</u>	<u>9,014,457</u>	<u>3,639,518</u>	<u>6,747,551</u>	<u>463,110</u>	<u>77,748</u>	<u>1,183,337</u>	<u>45,515,062</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>114,204</u>	<u>1,014,903</u>	<u>611,885</u>	<u>1,078,661</u>	<u>(5,650,431)</u>	<u>-</u>	<u>(6,848)</u>	<u>-</u>	<u>(2,837,626)</u>
<b>OTHER FINANCING SOURCES (USES)</b>									
Operating transfers in	415,495	-	-	-	456,254	-	-	-	871,749
Operating transfers out	(26,340)	(429,914)	(240,432)	(175,063)	-	-	-	-	(871,749)
Proceeds from issuance of bonds	-	-	-	-	9,992,241	-	-	-	9,992,241
BANs redeemed from appropriations	-	-	-	-	81,167	-	-	-	81,167
Total other financing sources (uses)	<u>389,155</u>	<u>(429,914)</u>	<u>(240,432)</u>	<u>(175,063)</u>	<u>10,529,662</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,073,408</u>
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses</b>	<u>503,359</u>	<u>584,989</u>	<u>371,453</u>	<u>903,598</u>	<u>4,879,231</u>	<u>-</u>	<u>(6,848)</u>	<u>-</u>	<u>7,235,782</u>
<b>FUND BALANCE, beginning of year</b>	<u>6,135,294</u>	<u>3,462,132</u>	<u>5,291,792</u>	<u>3,720,824</u>	<u>2,867,441</u>	<u>-</u>	<u>766,262</u>	<u>-</u>	<u>22,243,745</u>
<b>FUND BALANCE, end of year</b>	<u>\$ 6,638,653</u>	<u>\$ 4,047,121</u>	<u>\$ 5,663,245</u>	<u>\$ 4,624,422</u>	<u>\$ 7,746,672</u>	<u>\$ -</u>	<u>\$ 759,414</u>	<u>\$ -</u>	<u>\$ 29,479,527</u>

See accompanying Notes to Basic Financial Statements.

# Town of Bethlehem, New York

## Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds to the Statement of Activities

		<b>Year Ended December 31, 2017</b>
Net change in fund balances - total governmental funds	\$	7,235,782
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in governmental funds, and the sale of capital assets is recorded as revenue in governmental funds. However, in the statement of activities, the cost of capital assets is reported as assets, while disposals, net of sale proceeds are reported as expenses. In the current period, these amounts are:		
Purchase of assets	6,864,176	
Disposal of capital assets	(539,656)	6,324,520
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This amount is the net effect of proceeds and repayments:		
Repayment of principal	1,546,167	
Long-term debt proceeds	(9,992,241)	
Repayment of BAN	(81,167)	(8,527,241)
Decrease in revenues in the statement of activities that does not reduce current financial resources are not reported in the funds.		(412,702)
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported in the funds:		
General government support	(165,980)	
Public safety	(183,748)	
Transportation	(144,154)	
Economic opportunity and development	(27,760)	
Culture and recreation	(47,236)	
Home and community services	(414,423)	(983,301)
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b>3,637,058</b>

# Town of Bethlehem, New York

## Statement of Fiduciary Net Position

	<b>December 31, 2017</b>
	<b><u>Trust and Agency</u></b>
Cash	\$ 112,300
Due from other governments	<u>18,939</u>
<b>Total assets</b>	<b><u>\$ 131,239</u></b>
<b>Other liabilities</b>	<b><u>\$ 131,239</u></b>



# Town of Bethlehem, New York

## Notes to Basic Financial Statements December 31, 2017

### Note 1 - Organization and Summary of Significant Accounting Policies

#### *a. Organization*

The Town of Bethlehem, New York (Town) was incorporated in 1793, and is governed by the Charter of the Town of Bethlehem, the Town law and other general laws of the State of New York and various local laws and ordinances. The Town Board is the legislative body responsible for the overall operation of the Town and consists of the Supervisor and four council members. The Supervisor serves as chief executive officer and chief fiscal officer of the Town.

The Town provides the following basic services: public safety, police protection, parks and recreation, sewer, water, lighting, and highway maintenance.

All governmental activities and functions performed for the Town are the direct responsibility of the Town Board.

#### *b. Financial Reporting Entity*

The financial reporting entity consists of the primary government, which is the Town.

In evaluating how to define the Town for financial reporting purposes, management has considered various separate legal entities as potential component units. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependence. A second criterion used in evaluating potential component units is the scope of public service. A third criterion used in evaluating potential component units is the existence of special financing relationships, regardless of whether the Town is able to exercise oversight responsibilities. Based upon the application of these criteria, the following component unit is included in the Town's reporting entity:

The Town of Bethlehem Industrial Development Agency (the Agency) is a public benefit corporation created in 1980 by the Town Board of the Town of Bethlehem, New York under the provisions of Chapter 1030 of the 1969 Laws of New York State, for the purpose of encouraging economic growth in the Town of Bethlehem. The Agency is exempt from Federal, State and Local income taxes. The members of the Agency's Board of Directors are appointed by and service at the pleasure of the Town Board. The Town is not liable for the Agency's bonds or notes.

Complete financial statements of Agency can be obtained from its administrative office at the address indicated below:

Town of Bethlehem Industrial Development Agency  
445 Delaware Ave  
Delmar, NY 12054

#### *c. Basis of Presentation*

Except for the departures described below, the accompanying basic financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) for governments. Such principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the standard-setting body for establishing accounting and financial reporting principles in the United States of America.

# Town of Bethlehem, New York

## Notes to Basic Financial Statements December 31, 2017

### Note 1 - Organization and Summary of Significant Accounting Policies - Continued

#### *c. Basis of Presentation - Continued*

The basic financial statements have been prepared primarily from accounts maintained by the Town Comptroller.

The following departures from U.S. GAAP impact the Town's governmental activity financial statements:

- Accounting records to support the completeness and accuracy of capital asset balances have not been maintained.
- Capital assets are not being depreciated.
- Other postemployment benefit costs and obligations have not been estimated and reported.

U.S. GAAP requires the capitalization and depreciation of capital assets, and the estimation of other postemployment benefit costs and obligations. The amounts by which these departures would affect the assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, and expenses of the governmental activities has not been determined.

#### *d. Government-Wide and Fund 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 non-fiduciary activities of the Town and its component unit. The effect of interfund activity within the governmental activities has been eliminated from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Town does not have any business-type activities.

The statement of net position presents the financial position of the Town at the end of its fiscal year. The statement of activities demonstrates the degree to which the direct expenses of a given function or program is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Certain indirect costs have been allocated and are reported as direct program expenses of individual functions and programs. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; grants and contributions that are restricted to meeting the operational requirements of a particular function or segment; and capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. Taxes and other items not included as program revenues are reported as general revenues, as required.

Separate statements are provided for governmental funds, and the fiduciary fund, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The Town has elected to present its two non-major funds separately on the face of the financial statements.

# Town of Bethlehem, New York

## Notes to Basic Financial Statements December 31, 2017

### Note 1 - Organization and Summary of Significant Accounting Policies - Continued

#### *e. Measurement Focus, Basis of Accounting and Financial Statement Presentation*

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting, as is the fiduciary fund statement of net position. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Taxes are recognized as revenues in the year in which they are earned. Grants, entitlements and donations are recognized as revenues as soon as all eligibility requirements have been met.

Governmental fund financial statements are prepared 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. "Measurable" means the amount of the transaction that can be determined, and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Town considers revenues available if they are collected within 60 days after year end, except grant revenues, for which a one-year availability period is used when all award criterion are met. Receivables not expected to be collected within the availability periods are recorded as deferred inflows of resources.

Expenditures and related liabilities are generally recorded in the accounting period the liability is incurred to the extent it is expected to be paid within the next 12 months, with the exception of items covered by GASB Interpretation 6 (GASBI 6), *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. GASBI 6 modified the recognition criteria for certain expenditures and liabilities. GASBI 6 requires that expenditures and liabilities such as debt service, compensated absences, and claims and judgments be recorded in the governmental fund financial statement only when they mature or become due for payment within the period. Expenditure driven grants are recognized as revenues when the qualifying expenditures have been incurred and all other grant requirements have been met and amounts are considered available.

A fund is a separate accounting entity with a self-balancing set of accounts. The Town reports the following major and other governmental funds:

#### *Major Funds*

General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Highway Fund is a special revenue fund used to account for revenues and expenditures for highway purposes in accordance with Section 141 of the Highway Law.

Water District Fund is a special revenue fund used to account for the revenues and expenditures associated with providing water treatment and transportation.

Sewer District Fund is a special revenue fund used to account for the revenues and expenditures associated with providing sewage treatment services in the Town's twelve operating districts.

Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities. Financing is generally provided from proceeds of bonds, notes, and/or federal and state grants.

# Town of Bethlehem, New York

## Notes to Basic Financial Statements December 31, 2017

### Note 1 - Organization and Summary of Significant Accounting Policies - Continued

#### *e. Measurement Focus, Basis of Accounting and Financial Statement Presentation - Continued*

##### *Non-Major Funds*

Ambulance District Fund is a special revenue fund that covers the entire Town. The District levies taxes on property owners within the District. Expenditures are made for providing ambulance service and advanced life support.

Special Grant Fund is a special revenue fund used to account for two federal programs: The first is resources received to operate a public housing program for eligible low-income families and the elderly through an authorized public housing agency and other grant funds. The second is for resources received and distributed to encourage development activities that create or retain jobs for low and moderate income persons.

Special Miscellaneous Revenue Fund is a special revenue fund used to account for the receipt of developer fees to finance improvements within specific areas of the Town.

*Fiduciary Funds* are used to account for assets held by the Town in a trustee or custodial capacity. The Town's fiduciary fund consists of a trust and agency fund that is used to account for assets held on behalf of outside parties, including other governments.

#### *f. Estimates*

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, deferred outflows and inflows of resources, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

#### *g. Property Taxes, Account and Other Receivables*

The Town's Receiver of Taxes is responsible for collection of Town, Albany County, and special district property taxes. The Town and special districts receive the full amount of their levies annually out of the first amounts collected on the combined bills. Albany County assumes enforcement responsibility for all taxes levied in the Town, and unpaid water and sewer charges.

Account and other receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a periodic basis. Management determines the allowance for doubtful accounts, if any, by identifying troubled accounts and by using historical experience applied to an aging of accounts. No allowance was deemed necessary at December 31, 2017.

# Town of Bethlehem, New York

## Notes to Basic Financial Statements December 31, 2017

### Note 1 - Organization and Summary of Significant Accounting Policies - Continued

#### *h. Interfund Transactions*

During the course of operations, the Town processes several transactions that affect more than one fund and other transactions between the various funds. Interfund services provided and used are accounted for as revenues in the provider funds and expenditures or expenses in the user funds. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. Advances or loans from one fund to another are recorded as receivables in the remitting fund and payables in the receiving fund. Other interfund transactions generally represent transfers of resources from one fund to be utilized in another fund and are reported as transfers. Interfund transactions that are unpaid between funds are recorded in the financial statements as due from other funds (receivables) and due to other funds (payables).

#### *i. Capital Assets*

Capital assets include land, buildings, improvements, machinery and equipment, and infrastructure. Capital assets purchased for general governmental purposes are recorded as expenditures in the governmental funds and are capitalized at cost in the government-wide statement of net position. Contributed fixed assets are recorded at fair value at the date received.

#### *j. Deferred Outflows/Inflows of Resources and Unearned Revenue*

When potential revenues do not meet the availability criterion for recognition in the current period, these amounts are recorded as deferred inflows of resources in the governmental funds. In subsequent periods, when the availability criterion is met, deferred inflows of resources are recognized as revenues (see Note 7).

The Town also reports deferred outflows and inflows of resources related to various pension transactions (see Note 9).

Unearned revenue arises when resources are received by the Town before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, or when the Town has legal claim to the resources, the liability is removed, and revenue is recognized.

#### *k. Compensated Absences*

Town employees are granted vacation and compensatory time in varying amounts. In the event of termination or upon retirement, certain employees are entitled to payment for accumulated vacation and compensatory time at various rates subject to certain maximum limitations.

Payment of vacation and compensatory time is dependent upon many factors; therefore, timing of future payments is not readily determinable. However, management believes that sufficient resources will be made available for the payment of vacation and compensatory time.

# Town of Bethlehem, New York

## Notes to Basic Financial Statements December 31, 2017

### Note 1 - Organization and Summary of Significant Accounting Policies - Continued

#### *k. Compensated Absences - Continued*

Estimated vacation and compensatory time accumulated by governmental fund type employees and additional salary related payments have been recorded in the government-wide statement of net position.

#### *l. Pensions*

The Town is a participating employer in the New York State and Local Retirement System (System). Employees in permanent positions are required to enroll in the System, and employees in part-time or seasonal positions have the option of enrolling in the System. The System is a cost sharing, multiple employer, public employee defined benefit retirement system. The impact on the Town's financial position and results of operations due to its participation in the System is more fully disclosed in Note 9.

#### *m. Other Postemployment Benefits (OPEB)*

In addition to providing pension benefits, the Town provides healthcare insurance coverage benefits for eligible retired employees and their spouses. Coverage includes healthcare insurance and prescription drug coverage for eligible retirees and their spouses based on the lifetime of the retiree. Town employees become eligible for these benefits if they are retirement eligible and have twenty (20) years of full-time employment with the Town. Retiree contribution amounts are tied to current employee health benefits. A reduced benefit is provided to employees who are retirement eligible and have 10 years of full-time service with the Town at a rate of 50% of the maximum benefit. Retirement eligible employees with 15 years of service receive 75% of the maximum benefit. Healthcare benefits are provided through an insurance company.

The Town recognizes the cost of providing benefits by recording its share of insurance premiums as an expenditure in the year paid. Postretirement benefits were provided to 154 individuals, at a cost of \$761,953 for the year ended December 31, 2017.

#### *n. Landfill Post-Closure Costs*

The Town landfill was permanently closed as mandated by New York State Department of Environmental Conservation on December 31, 1992. The Town landfill closure capital project is in the final phase. The Town has estimated post-closure costs for certain required maintenance and monitoring functions, as well as the cost of services to assure closure standards are upheld. The reserve monies, together with annual anticipated interest, are expected to fund the projected annual expenditures over the remainder of the 30-year post-closure period.

#### *o. Deferred Compensation Plan*

Employees of the Town may elect to participate in the Town's Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all employees, permits them to defer a portion of their salary until future years, usually after retirement. Under the terms of the amended Plan agreement, these monies are not subject to the claims of the Town's general creditors after they are paid to the Plan's Trustee. A separate independent audit is performed on these funds annually.

# Town of Bethlehem, New York

## Notes to Basic Financial Statements December 31, 2017

### Note 1 - Organization and Summary of Significant Accounting Policies - Continued

*p. Long-Term Debt Obligations*

Principal and interest payments are recognized as expenditures of a governmental fund when paid. Long-term debt is recognized as a liability of a governmental fund when due. The remaining portion of such obligations is reported in the government-wide statement of net position.

Governmental funds recognize bond premiums, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

*q. Net Position and Fund Balance*

The following terms are used in reporting net position:

*Net Investment in Capital Assets* consists of capital assets, including restricted capital assets, reduced by outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

*Restricted* net position is reported when constraints placed on the use of resources are either:

- a) Externally imposed by creditors (such as debt covenants), grantors, contributors, laws or regulations of other governments, or
- b) Imposed by law through constitutional provisions or enabling legislation

*Unrestricted* is the net amount of assets, deferred outflows of resources, liabilities and deferred inflows of resources that is not included in the determination of net investment in capital assets or restricted components of net position described above.

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The five fund balance classifications are as follows:

*Nonspendable* - Amounts that cannot be spent because they are either (a) not in spendable form, or (b) are legally or contractually required to be maintained intact.

*Restricted* - Amounts that have restraints that are either (a) externally imposed by creditors, grantors, contributors, or laws and regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

*Committed* - Amounts that can only be used for specific purposes pursuant to constraints imposed by a formal action, such as legislation, resolution, or ordinance by the government's highest level of decision-making authority.

# Town of Bethlehem, New York

## Notes to Basic Financial Statements December 31, 2017

### Note 1 - Organization and Summary of Significant Accounting Policies - Continued

#### q. *Net Position and Fund Balance - Continued*

*Assigned* - Amounts that are constrained only by the government's intent to be used for a specified purpose but are not restricted or committed in any manner.

*Unassigned* - The residual amount in the General Fund after all of the other classifications have been established. In a Special Revenue Fund, if expenditures and other financing uses exceed the amounts restricted, committed, or assigned for those purposes, then a negative unassigned fund balance will occur.

The Town's fund balance policy is set by the Town Board, the highest level of decision-making authority. The Town Board considers "formal action" for a committed fund balance to be the passing of a Board resolution. The Town considers fund balance spent in the order of restricted, committed, assigned, and unassigned.

#### r. *Financial Statement Reissuance*

The Town has reissued its financial statements on August 15, 2018 to reflect a correction of fund balance classifications within the highway fund. While there was no change to total fund balance, the highway fund's restricted fund balance was reduced by \$429,914, and the assigned fund balance was increased commensurately.

#### s. *Subsequent Events*

The Town has evaluated subsequent events for potential recognition or disclosure through May 10, 2018 and August 15, 2018, the dates the financial statements were available to be issued.

### Note 2 - Cash and Investments

The Town's investment policies are governed by State statutes. In addition, the Town has its own written investment policy. Town monies must be deposited in Federal Deposit Insurance Corporation (FDIC)-insured commercial banks or trust companies located within New York State. The Comptroller is authorized to use demand accounts and certificates of deposit. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, certificates of participation, and obligations of New York State, or its localities.

Collateral is required for demand deposits and certificates of deposit not covered by federal deposit insurance. Obligations that may be pledged as collateral include obligations of the United States and its agencies and obligations of the State of New York, its municipalities and school districts.

At year end, the book balance of the Town's deposits were \$29,995,011 (excluding \$2,350 in petty cash) and the bank balance was \$24,236,083. The insured and collateral status of the bank balance was at follows:

Federally insured	\$ 3,093,228
Collateralized with securities held by a third-party custodian for the benefit of the Town pursuant to third-party custody agreement	<u>21,142,855</u>
	<u>\$ 24,236,083</u>



# Town of Bethlehem, New York

## Notes to Basic Financial Statements December 31, 2017

### Note 3 - Due From/To Other Governments

Due from other governments is composed of the following:

	General	Water	Sewer	Capital	Total
Albany County					
Sales tax	\$ 2,991,548	\$ -	\$ -	\$ -	\$ 2,991,548
Mortgage tax	601,708	-	-	-	601,708
Water/Sewer relievies	-	185,629	121,344	-	306,973
New York State	2,000	-	121,309	-	123,309
Federal government	-	-	-	1,104,920	1,104,920
Bethlehem IDA	65,925	-	-	-	65,925
Other	67,986	5,563	-	-	73,549
	<u>\$ 3,729,167</u>	<u>\$ 191,192</u>	<u>\$ 242,653</u>	<u>\$ 1,104,920</u>	<u>\$ 5,267,932</u>

Due to other governments primarily represents property taxes collected in advance by the Town.

	General
Albany County	
EMS Services	\$ 460,661
Warrant	2,595,328
PILOTS	602
School Relevy	96,897
Fire Districts	1,014,083
	<u>\$ 4,167,571</u>

### Note 4 - Capital Assets

A summary of changes in capital assets is as follows:

	Balance at January 1, 2017	Additions	Disposals	Balance at December 31, 2017
Land	\$ 1,970,316	\$ 500	\$ -	\$ 1,970,816
Buildings	25,192,128	57,863	-	25,249,991
Improvements	11,392,108	853,607	-	12,245,715
Machinery and equipment	23,247,411	1,942,214	539,656	24,649,969
Infrastructure	29,734,489	4,009,992	-	33,744,481
Total capital assets	<u>\$ 91,536,452</u>	<u>\$ 6,864,176</u>	<u>\$ 539,656</u>	<u>\$ 97,860,972</u>

# Town of Bethlehem, New York

## Notes to Basic Financial Statements December 31, 2017

### Note 5 - Long-Term Liabilities

The following table summarizes changes in long-term liabilities for the governmental activities:

	Year Ended December 31, 2017					Total
	Landfill Post-Closure Costs	Bonds Payable	Judgments and Claims	Net Pension Liability	Compensated Absences	
Balance, <i>beginning of year</i>	\$ 100,000	\$ 20,285,000	\$ 120,000	\$ 10,270,142	\$ 401,027	\$ 31,176,169
Additions/issues	-	9,992,241	-	3,544,984	-	13,537,225
Redeemed	-	(1,465,000)	-	(2,640,736)	-	(4,105,736)
Other increase/(decrease)	-	-	(30,000)	(4,955,139)	83,466	(4,901,673)
<b>Balance, <i>end of year</i></b>	<b>\$ 100,000</b>	<b>\$ 28,812,241</b>	<b>\$ 90,000</b>	<b>\$ 6,219,251</b>	<b>\$ 484,493</b>	<b>\$ 35,705,985</b>
Current portion	\$ -	\$ 1,802,241	\$ -	\$ -	\$ 9,690	\$ 1,811,931
Non-current portion	100,000	27,010,000	90,000	6,219,251	474,803	33,894,054
	<b>\$ 100,000</b>	<b>\$ 28,812,241</b>	<b>\$ 90,000</b>	<b>\$ 6,219,251</b>	<b>\$ 484,493</b>	<b>\$ 35,705,985</b>

See Note 10 for discussion of the net pension liability and pension deferred inflows.

#### a. Bonds Payable

The Town borrows money in order to acquire land and equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the assets. These long-term liabilities, which are full faith and credit debt of the Town, are recorded in the government-wide statement of net position.

During 2017, the Town issued \$9,992,241 in public improvement bonds to fund various general, highway, water, and sewer fund capital projects. The proceeds, along with \$81,167 available funds of the Town redeemed \$1,685,000 in bond anticipation notes that matured on August 18, 2017. The bond issuance provided \$8,388,408 in new monies to finance the aforementioned projects.

A summary of the Town's indebtedness under bonds payable is as follows:

	Original Date Issued	Original Amount	Interest Rate	Date Final Maturity	December 31, 2017 Outstanding
General	2008	\$ 1,880,000	5.000%	2018	\$ 230,000
General, Water, and Sewer	2009	7,958,000	3.500%	2037	215,000
Water	2012	6,715,000	4.000%	2022	4,005,000
General, Highway, Water, and Sewer	2015	5,912,058	2.000%	2034	5,475,000
General, Water, and Sewer	2016	6,455,000	2.000%	2037	6,370,000
Sewer	2016	2,600,000	0.610%	2046	2,525,000
General, Highway, Water, and Sewer	2017	9,992,241	2.860%	2042	9,992,241
					<u>28,812,241</u>
Less portion due within one year					<u>1,802,241</u>
Due within more than one year					<u>\$ 27,010,000</u>

# Town of Bethlehem, New York

## Notes to Basic Financial Statements December 31, 2017

### Note 5 - Long-Term Liabilities

*a. Bonds Payable - Continued*

Aggregate minimum maturities of debt service are as follows:

	Principal	Interest	Total
For the year ending December 31,			
2018	\$ 1,802,241	\$ 834,703	\$ 2,636,944
2019	1,635,000	776,971	2,411,971
2020	1,690,000	716,123	2,406,123
2021	1,760,000	652,787	2,412,787
2022	1,825,000	586,629	2,411,629
2023 through 2027	5,145,000	2,445,536	7,590,536
2028 through 2032	5,915,000	1,741,220	7,656,220
2033 through 2037	5,530,000	903,906	6,433,906
2038 through 2042	3,090,000	295,706	3,385,706
2043 through 2046	420,000	14,326	434,326
	\$ 28,812,241	\$ 8,967,907	\$ 37,780,148

*b. Judgment and Claims*

The Town has been named a defendant in various actions. A review of these actions with the Town's Attorney indicates that the risk of loss to the Town is reasonably possible for certain cases. The estimated range of loss for those cases is up to \$90,000. Provisions for losses for those cases is recorded in the statement of net position.

*c. Landfill Post-Closure Costs*

The Town operated the Rupert Road landfill which accepted construction and demolition waste. The Town became subject to a consent order for this site on April 3, 2009. The anticipated total closure costs are between \$450,000 and \$500,000. To date, over \$400,000 has been expended in labor, equipment, and consulting costs. The current estimated liability is \$100,000. Money to fund this liability has been established within a capital reserve fund.

*d. Compensated Absences*

Compensated absences represent the estimated value of the earned and unused leave credits, based on current salary rates.

# Town of Bethlehem, New York

## Notes to Basic Financial Statements December 31, 2017

### Note 6 - Unearned Revenue

Unearned revenue consists of the following:

	Prepaid Taxes	Customer Deposits	Restricted Gifts	Other	Total
General	\$ 609,849	\$ 494,068	\$ 94,093	\$ 45,660	\$ 1,243,670
Highway	1,188,147	19,550	-	-	1,207,697
Water	361,503	1,200	-	-	362,703
Sewer	261,218	-	-	5,000	266,218
	<u>\$ 2,420,717</u>	<u>\$ 514,818</u>	<u>\$ 94,093</u>	<u>\$ 50,660</u>	<u>\$ 3,080,288</u>

### Note 7 - Deferred Inflows of Resources

The following transactions were reported as deferred inflows of resources in the governmental fund financial statements as they did not meet the availability criterion:

	Federal and State Grants	Departmental Income	Total
General	\$ 283,782	\$ -	\$ 283,782
Water	-	258,365	258,365
Sewer	121,309	174,975	296,284
Special Grant	4,708	-	4,708
	<u>\$ 409,799</u>	<u>\$ 433,340</u>	<u>\$ 843,139</u>

### Note 8 - Interfund Transactions

During the course of operations, the Town has numerous transactions between funds, including expenditures and transfers of revenue to provide services and construct assets. For the year ended December 31, 2017, interfund receivables, payables, revenues and expenses arising from these transactions were as follows:

	December 31, 2017			
	Interfund Receivables	Interfund Payables	Operating Transfers-In	Operating Transfers-Out
General	\$ -	\$ 759,414	\$ 415,495	\$ 26,340
Highway	-	-	-	429,914
Water	-	-	-	240,432
Sewer	-	-	-	175,063
Capital Projects	-	-	456,254	-
Miscellaneous	759,414	-	-	-
	<u>\$ 759,414</u>	<u>\$ 759,414</u>	<u>\$ 871,749</u>	<u>\$ 871,749</u>

# Town of Bethlehem, New York

## Notes to Basic Financial Statements December 31, 2017

### Note 9 - Retirement System

#### a. Plan Description and Benefits Provided

The Town participates in the New York State and Local Employees' Retirement System ("ERS") and New York State and Local Police and Fire Retirement System ("PFRS"), collectively referred to as the "System," which is a cost-sharing, multiple employer, public employee retirement system. The System provides retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the System.

The Comptroller adopts and may amend rules and regulations for the administration and transaction of the business of the System for the custody and control of its funds. The System issues publicly available financial reports that include financial statements and required supplementary information. These reports may be obtained by writing to the New York State and Local Retirement Systems, 110 State Street, Albany, New York 12244-0001 or at [www.osc.state.ny.us/pension/cafr.htm](http://www.osc.state.ny.us/pension/cafr.htm).

#### b. Contributions

The System is noncontributory except for employees who joined after July 26, 1976, who contribute 3% of their salary for the first ten years of membership, employees who joined between January 1, 2010 and April 1, 2012, who contribute 3% of their salary for the entire length of service, and employees who joined after April 1, 2012 who contribute between 3% and 6% of their earned wages for the entire length of their career.

The Comptroller annually certifies the rates, expressed as a proportion of payroll of members, which are used in computing the contributions required to be made by employers.

The Town's required contributions for the current year and the two preceding years were:

	<u>ERS</u>	<u>PFRS</u>	<u>Total</u>
2017	\$ 1,646,734	\$ 959,534	\$ 2,606,268
2016	1,691,321	889,122	2,580,443
2015	1,911,712	855,829	2,767,541

#### c. Pension Assets, Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions

At December 31, 2017, the Town reported a liability of \$6,219,251 for its proportionate share of the net pension liability of the System in the non-current governmental liabilities account group. The net pension liability was measured as of March 31, 2017, and the total pension liability was determined by an actuarial valuation as of April 1, 2016. The Town's proportion of the net pension liability was based on the ratio of its actuarially determined employer contribution to the System's total actuarially determined employer contribution for the fiscal year ended on the measurement date. At the March 31, 2017 measurement date, the Town's proportionate share of ERS and PFRS was .0435927% and .1024382%, respectively.

# Town of Bethlehem, New York

## Notes to Basic Financial Statements December 31, 2017

### Note 9 - Retirement System - Continued

*c. Pension Assets, Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions - Continued*

For the year ended December 31, 2017, the Town recognized pension expense of \$3,544,984 in the governmental wide financial statements. At December 31, 2017, the Town reported deferred outflows of resources and deferred inflows of resources as follows (in thousands):

	ERS		PFRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 102,643	\$ 622,010	\$ 278,526	\$ 366,840
Changes of assumptions	1,399,365	-	1,046,005	-
Net differences between projected and actual investment earnings on pension plan investments	818,150	-	317,095	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	10,462	181,276	51,910	23,843
Contributions subsequent to the measurement date	1,660,823	-	979,913	-
<b>Total</b>	<b><u>\$ 3,991,443</u></b>	<b><u>\$ 803,286</u></b>	<b><u>\$ 2,673,449</u></b>	<b><u>\$ 390,683</u></b>

Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2018. Other amounts recognized as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	ERS	PFRS
Year ending December 31,		
2018	\$ 717,559	\$ 428,538
2019	717,559	428,538
2020	666,948	404,871
2021	(574,732)	(15,104)
2022	-	56,010
<b>Total</b>	<b><u>\$ 1,527,334</u></b>	<b><u>\$ 1,302,853</u></b>

*d. Actuarial Assumptions*

The actuarial assumptions used in the April 1, 2016 valuation, with updated procedures used to roll forward the total pension liability to March 31, 2017, were based on the results of an actuarial experience study for the period April 1, 2010 to March 31, 2015. These assumptions are:

Investment rate of return (net of investment expense, including inflation)	7.00%	7.00%
Salary scale	3.80%	4.50%
Inflation rate	2.50%	2.50%
Cost of living adjustment	1.30%	1.30%

# Town of Bethlehem, New York

## Notes to Basic Financial Statements December 31, 2017

### Note 9 - Retirement System - Continued

#### d. Actuarial Assumptions - Continued

Annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System experience with adjustment for mortality improvements based on Society of Actuaries' Scale MP-2014.

The actuarial assumptions used in the April 1, 2016 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015.

The long-term expected rate of return on the System's pension plan investments was determined in accordance with Actuarial Standard of Practice No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major class as well as historical investment data and plan performance.

#### e. Investment Asset Allocation

The long-term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of 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 each target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2017 are summarized below:

Asset Type	Target Allocation	Long-Term Expected Real Rate
Domestic equity	36.00%	4.55%
International equity	14.00%	6.35%
Private equity	10.00%	7.75%
Real estate	10.00%	5.80%
Absolute return strategies	2.00%	4.00%
Opportunistic portfolio	3.00%	5.89%
Real assets	3.00%	5.54%
Bonds and mortgages	17.00%	1.31%
Cash	1.00%	-0.25%
Inflation-Indexed bonds	4.00%	1.50%
	100.00%	

# Town of Bethlehem, New York

## Notes to Basic Financial Statements December 31, 2017

### Note 9 - Retirement System - Continued

*f. Discount Rate*

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

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

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.0% and the impact of using a discount rate that is 1% higher or lower than the current rate:

	1% Decrease (6.0%)	Current Discount (7.0%)	1% Increase (8.0%)
ERS			
Town's proportionate share of the net pension liability (asset)	\$ 13,082,015	\$ 4,096,063	\$ (3,501,542)
PFRS			
Town's proportionate share of the net pension liability (asset)	\$ 6,016,115	\$ 2,123,188	\$ (1,144,541)

*h. Pension Plan Fiduciary Net Position*

The components of the current-year net pension liability of the System as of March 31, 2017 were as follows (amounts in thousands):

	ERS	PFRS	Total
Employers' total pension liability	\$ 177,400,586	\$ 31,670,483	\$ 209,071,069
Plan net position	168,004,363	29,597,830	197,602,193
Employers' net pension liability	\$ 9,396,223	\$ 2,072,653	\$ 11,468,876
Ratio of plan net position to the employers' total pension liability	94.7%	93.5%	94.5%



# Town of Bethlehem, New York

## Notes to Basic Financial Statements December 31, 2017

### Note 10 - Fund Balance

Fund balances are detailed as follows:

	General	Highway	Water	Sewer	Capital Projects	Non-Major Funds
<b>Nonspendable</b>						
Inventory	\$ 113,910	\$ 661,102	\$ 14,462	\$ -	\$ -	-
Prepaid	1,456,151	103,390	67,374	47,387	-	-
	<u>1,570,061</u>	<u>764,492</u>	<u>81,836</u>	<u>47,387</u>	<u>-</u>	<u>-</u>
<b>Restricted</b>						
Capital reserve	757,266	569,933	2,778,859	2,663,367	2,439,958	-
Retirement contribution	672,197	307,780	126,088	-	-	-
Bond Proceeds	-	-	-	-	5,306,714	-
Parklands						759,414
	<u>1,429,463</u>	<u>877,713</u>	<u>2,904,947</u>	<u>2,663,367</u>	<u>7,746,672</u>	<u>759,414</u>
<b>Assigned</b>						
Encumbrances	289,814	130,704	136,762	167,509	-	-
Highway Fund	-	2,274,212	-	-	-	-
Water Fund	-	-	2,539,700	-	-	-
Sewer Fund	-	-	-	1,746,159	-	-
	<u>289,814</u>	<u>2,404,916</u>	<u>2,676,462</u>	<u>1,913,668</u>	<u>-</u>	<u>-</u>
<b>Unassigned</b>						
	<u>3,349,315</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 6,638,653</u>	<u>\$ 4,047,121</u>	<u>\$ 5,663,245</u>	<u>\$ 4,624,422</u>	<u>\$ 7,746,672</u>	<u>\$ 759,414</u>

#### *Restricted Fund Balance*

The Town has established capital reserves pursuant to General Municipal Law (GML), Section 6-C, within the capital projects fund. In addition, the Town has established a capital reserve pursuant to GML Section 6-O, for the purpose of paying landfill related post-closure costs within the general fund.

#### GML Section 6-C Reserves

Improvements and equipment	\$ 5,094,445
Recreational facilities	190,027
Fire tower and additions and improvements	67,604
Highway equipment	881,435
Reconstruction of water facilities	615,963
Reconstruction of sewer facilities	707,771
Total GML Section 6-C	<u>7,557,245</u>
GML Section 6-O Reserves	<u>189,426</u>

Total Capital Reserves Under GML Sections 6-C and 6-O \$ 7,746,671

The Town has a fund balance policy that provides guidance for minimum, maximum, and optimal levels at which the operating fund reserves should be held. These percentages of fund balance to appropriations are set at 7%, 20%, and 15%, respectively. As of December 31, 2017, the General Fund was 17.26% while the other funds were at maximum. To the extent that fund balances exceed the maximum, per policy, the balances are assigned as infrastructure reserve funds.

# Town of Bethlehem, New York

## Notes to Basic Financial Statements December 31, 2017

### Note 10 - Fund Balance - Continued

The Town's budget provides for programs with multiple revenue sources. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance, and lastly unassigned fund balance.

### Note 11 - Tax Abatements

Certain property values in the Town have been reduced as the result of payment in lieu of tax (PILOT) agreements entered into by the Albany County Industrial Development Agency (IDA) for the purpose of general economic development. These agreements reduce the assessed value of the properties for all taxing agencies in Albany County, including the Town. As a result of the agreement, the Town receives a PILOT payment, which is equal to the reduced assessed value times the Town's levied tax rate.

Information relevant to disclosure of these agreements for the year ended December 31, 2017, is as follows:

Property Owner	Taxable Assessed Value	Tax Rate <sup>1</sup> per 000	Tax Value	PILOT Received	Taxes Abated
44-74 21st Street, LLC	\$ 7,700,000	\$ 2.34	\$ 18,017	\$ 4,942	\$ 13,075
Albany Enterprises LLC	2,100,000	2.34	4,914	3,552	1,362
American Housing Foundation <sup>2</sup>	-	2.34	-	12,132	(12,132)
Cole Capital Corp	9,600,000	2.34	22,463	20,417	2,046
CPEI Bethlehem Berk I LLC	1,100,000	2.34	2,574	909	1,665
CPI Bethlehem SEF I LLC	1,200,000	2.34	2,808	978	1,830
Finke Enterprise	5,900,000	2.34	13,805	8,666	5,139
MARM Realty Company	1,000,000	2.34	2,340	1,782	558
PSEG Power	100,000,000	2.34	233,980	248,871	(14,891)
SAE Sun and Earth Energy Corp	478,000	2.34	1,118	1,118	-
Vista Development Group LLC	6,107,300	2.34	14,290	14,290	-
Vista Medical LLC	1,350,000	2.34	3,159	2,145	1,014
	<u>\$ 136,535,300</u>		<u>\$ 319,468</u>	<u>\$ 319,802</u>	<u>\$ (334)</u>

<sup>1</sup>General and Highway Tax Rates

<sup>2</sup>American Housing is a 501(c)3 and therefore not subject to certain taxes including General and Highway.

### Note 12 - Commitments

The Town of Bethlehem has completed closure of the North Street landfill in accordance with an Order of Consent issued by the Department of Environmental Conservation (DEC) on November 18, 1993. The Town is required to monitor the site for 30 years, with 21 years lapsed as of December 31, 2017. The current estimated liability for post-closure care costs of the landfill for the remaining 10 years is \$38,000. However, the actual cost of post-closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. Funds have been reserved to finance the remaining post-closure costs.

# Town of Bethlehem, New York

## Notes to Basic Financial Statements December 31, 2017

### Note 12 - Commitments - Continued

In 2004, the Town entered into a 20-year contract with the City of Albany for the purchase of finished water. The contract calls for the purchase of specified minimum quantities, at rates that are subject to the same percentage increases paid by other customers within the City. In 2019, the contract's minimum quantities increase from 450 million gallons per year (MGY) to 500 MGY, which will result in a significant increase in expense.

### Note 13 - Risks and Uncertainties

#### *Judgments and Claims*

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town has purchased commercial insurance for all risk above minimal deductible amounts except for workers' compensation and environmental hazards. Settled claims have not exceeded the commercial coverage, or the amounts provided for in long-term liabilities by any material amounts during 2017. There was no reduction in insurance coverage during 2017. An estimate of this liability is recorded at December 31, 2017, for outstanding claims or for any potential claims incurred but not reported as of that date in the long-term liabilities.

#### *Self-Insurance*

The Town has retained a portion of the liability for losses, if any, under Section 207-C of the General Municipal Law for police officers. Certain employees are entitled to their full pay when on workers' compensation leave. The Town is required to fund any losses not reimbursed by workers' compensation insurance.

#### *Union Contracts*

Police department and general Town employees are each represented by a collective bargaining agent. Those agents which represent them and the dates of expiration of their agreements are as follows:

Bargaining Unit	Contract Expiration Date
Bethlehem Police Benevolent Association (Officers & Detectives)	December 31, 2017
AFSCME Council 66 (Dispatchers)	December 31, 2017
AFL-CIO Council 82 (Lieutenants & Sergeants)	December 31, 2017

The Town Board and management are currently negotiating the terms and conditions of expired union contracts.

# Town of Bethlehem, New York

## Notes to Basic Financial Statements December 31, 2017

### Note 14 - Accounting Standards Not Yet Implemented

Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. The scope of this statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed. The provisions of Statement No. 75 are effective for fiscal years beginning after June 15, 2017.

GASB Statement No. 83, *Certain Asset Retirement Obligations* (GASB 83). GASB 83 establishes criteria for determining the timing and pattern of recognition for a liability and corresponding deferred outflow of resources for asset retirement obligations. This statement required that recognition occur when the liability is both incurred and reasonably estimable. The requirements of this statement are effective for reporting periods beginning after June 15, 2018.

GASB Statement No. 84, *Fiduciary Activities* (GASB 84). GASB 84 established criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria is generally 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 reporting periods beginning after December 15, 2018.

GASB Statement No. 85, *Omnibus 2017* (GASB 85). GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits OPEB). Specifically, this statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation.
- Reporting amounts previously reported as goodwill and “negative” goodwill.
- Classifying real estate held by insurance entities.
- Measuring certain money market investments and participating interest-earning investment contracts at amortized cost.
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus.
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements.
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB.
- Classifying employer-paid member contributions for OPEB.
- Simplifying certain aspects of the alternative measurement method for OPEB.
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The requirements of this statement are effective for reporting periods beginning after June 15, 2017.

# Town of Bethlehem, New York

## Notes to Basic Financial Statements December 31, 2017

### Note 14 - Accounting Standards Not Yet Implemented - Continued

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

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

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. 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 reporting periods beginning after June 15, 2018.

The Town's management is not able to estimate the extent of the potential impact of these statements on the future financial statements.

# Town of Bethlehem, New York

## Required Supplementary Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Real property taxes	\$ 2,405,608	\$ 2,405,608	\$ 2,405,610	\$ 2
Real property tax items	105,148	105,148	105,015	(133)
Non-property tax items	12,221,888	12,221,888	12,159,102	(62,786)
Departmental Income	1,382,875	1,603,949	1,814,390	210,441
Intergovernmental charges	50,000	50,000	50,000	-
Use of money and property	90,000	116,440	111,268	(5,172)
Licenses and permits	46,100	55,350	54,779	(571)
Fines and forfeitures	400,000	400,000	396,704	(3,296)
Sales of property and compensation for loss	90,000	90,000	154,986	64,986
Miscellaneous local sources	-	17,162	22,736	5,574
State aid	1,337,638	1,366,495	1,320,281	(46,214)
Federal aid	35,000	39,830	54,897	15,067
Total revenues	<u>18,164,257</u>	<u>18,471,870</u>	<u>18,649,768</u>	<u>177,898</u>
<b>EXPENDITURES</b>				
General government support	\$ 3,817,074	3,824,266	3,670,347	153,919
Public safety	6,114,722	6,406,191	6,189,794	216,397
Transportation	571,347	574,280	547,636	26,644
Economic opportunity and development	491,790	487,027	476,151	10,876
Culture and recreation	1,396,732	1,576,823	1,470,498	106,325
Home and community services	1,149,922	1,396,201	1,262,519	133,682
Employee benefits	4,720,766	4,713,222	4,624,853	88,369
Debt service				
Principal	252,100	252,700	252,700	-
Interest	44,334	41,745	41,066	679
Total expenditures	<u>18,558,787</u>	<u>19,272,455</u>	<u>18,535,564</u>	<u>736,891</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u><b>(394,530)</b></u>	<u><b>(800,585)</b></u>	<u><b>114,204</b></u>	<u><b>914,789</b></u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	394,530	394,530	415,495	20,965
Operating transfers out	-	(26,340)	(26,340)	-
Total other financing sources (uses)	<u>394,530</u>	<u>368,190</u>	<u>389,155</u>	<u>20,965</u>
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses</b>	<u><b>\$ -</b></u>	<u><b>\$ (432,395)</b></u>	<u><b>\$ 503,359</b></u>	<u><b>\$ 935,754</b></u>
<b>FUND BALANCE, beginning of year</b>			<u>6,135,294</u>	
<b>FUND BALANCE, end of year</b>			<u><b>\$ 6,638,653</b></u>	

# Town of Bethlehem, New York

## Required Supplementary Information Budgetary Comparison Schedule - Highway Fund Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Real property taxes	\$ 6,161,219	\$ 6,161,219	\$ 6,161,219	\$ -
Real property tax items	239,693	239,693	239,121	(572)
Intergovernmental charges	7,000	7,000	11,181	4,181
Use of money and property	4,000	4,000	10,189	6,189
Sales of property and compensation for loss	14,500	14,500	46,753	32,253
Miscellaneous local sources	30,000	30,000	11,754	(18,246)
State aid	389,000	389,000	388,463	(537)
Total revenues	6,845,412	6,845,412	6,868,680	23,268
<b>EXPENDITURES</b>				
Transportation	4,723,189	4,810,051	3,995,022	815,029
Employee benefits	1,881,104	1,881,104	1,617,636	263,468
Debt service				
Principal	170,400	170,400	170,400	-
Interest	70,719	70,719	70,719	-
Total expenditures	6,845,412	6,932,274	5,853,777	1,078,497
<b>Excess (deficiency) of revenues over expenditures</b>	-	<b>(86,862)</b>	<b>1,014,903</b>	<b>1,101,765</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers out	-	(429,914)	(429,914)	-
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses</b>	<b>\$ -</b>	<b>\$ (516,776)</b>	<b>\$ 584,989</b>	<b>\$ 1,101,765</b>
<b>FUND BALANCE, beginning of year</b>			3,462,132	
<b>FUND BALANCE, end of year</b>			<b>\$ 4,047,121</b>	

# Town of Bethlehem, New York

## Required Supplementary Information Budgetary Comparison Schedule - Water Fund Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Real property taxes	\$ 2,146,180	\$ 2,146,180	\$ 2,146,179	\$ (1)
Departmental Income	7,548,384	7,548,384	7,206,676	(341,708)
Use of money and property	230,200	230,200	222,139	(8,061)
Sales of property and compensation for loss	22,000	22,000	51,138	29,138
Miscellaneous local sources	-	-	210	210
Total revenues	9,946,764	9,946,764	9,626,342	(320,422)
<b>EXPENDITURES</b>				
Home and community services	7,490,484	7,799,161	6,883,124	916,037
Employee benefits	1,114,166	1,126,628	1,032,006	94,622
Debt service				-
Principal	813,700	815,155	815,800	(645)
Interest	295,128	286,574	283,527	3,047
Total expenditures	9,713,478	10,027,518	9,014,457	1,013,061
<b>Excess (deficiency) of revenues over expenditures</b>	<b>233,286</b>	<b>(80,754)</b>	<b>611,885</b>	<b>692,639</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers out	(233,286)	(240,432)	(240,432)	-
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses</b>	<b>\$ -</b>	<b>\$ (321,186)</b>	<b>\$ 371,453</b>	<b>\$ 692,639</b>
<b>FUND BALANCE, beginning of year</b>			5,291,792	
<b>FUND BALANCE, end of year</b>			<b>\$ 5,663,245</b>	



# Town of Bethlehem, New York

## Required Supplementary Information Budgetary Comparison Schedule - Sewer Fund Year Ended December 31, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Real property taxes	\$ 1,427,648	\$ 1,427,648	\$ 1,427,654	\$ 6
Departmental Income	3,032,848	3,032,848	2,898,851	(133,997)
Use of money and property	4,100	4,100	7,965	3,865
Sales of property and compensation for loss	4,000	4,000	19,782	15,782
Federal aid	-	-	363,927	363,927
Total revenues	<u>4,468,596</u>	<u>4,468,596</u>	<u>4,718,179</u>	<u>249,583</u>
<b>EXPENDITURES</b>				
Home and community services	3,132,764	3,216,642	2,501,984	714,658
Employee benefits	604,779	645,490	595,972	49,518
Debt service				
Principal	295,300	307,267	307,267	-
Interest	274,509	242,805	234,295	8,510
Total expenditures	<u>4,307,352</u>	<u>4,412,204</u>	<u>3,639,518</u>	<u>772,686</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>161,244</b>	<b>56,392</b>	<b>1,078,661</b>	<b>1,022,269</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers out	<u>(161,244)</u>	<u>(175,063)</u>	<u>(175,063)</u>	<u>-</u>
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses</b>	<b>\$ -</b>	<b>\$ (118,671)</b>	<b>\$ 903,598</b>	<b>\$ 1,022,269</b>
<b>FUND BALANCE, beginning of year</b>			<u>3,720,824</u>	
<b>FUND BALANCE, end of year</b>			<u>\$ 4,624,422</u>	

# Town of Bethlehem, New York

## Notes to Budgetary Basis Reporting December 31, 2017

The Town employs the following budgetary procedures:

- a. No later than September 30, the Budget Officer submits a tentative budget for the fiscal year commencing the following January 1. The tentative budget includes proposed expenditures and the proposed means of financing for all funds of the Town except for the Special Grant Fund. Capital projects are budgeted for the start of each project.
- b. After public hearings are conducted to obtain taxpayer comments, but no later than November 20, the Town Board adopts the budget.
- c. All revisions that alter an appropriation of any department or fund must be approved by the Town Board.

Budget Basis of Accounting - Budgets are adopted annually on a basis generally consistent with the modified accrual basis of accounting. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded for budgetary control purposes to reserve that portion of the applicable appropriations, is employed as a control in preventing over-expenditure of established appropriations. Open encumbrances are reported as reservations of fund balance since they do not constitute expenditures or liabilities and will be honored through budget appropriations in the subsequent year.

# Town of Bethlehem, New York

## Schedule of Proportionate Share of the Net Pension Liability December 31, 2017

<b>ERS</b>	<b>December 31, 2017</b>
Town's proportion of the net pension liability	0.04359270%
Town's proportionate share of the net pension liability	\$ 4,096,063
Town's covered-employee payroll	\$ 11,005,858
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	37.22%
Plan fiduciary net position as a percentage of the total pension liability	94.70%
 <b>PFRS</b>	
Town's proportion of the net pension liability	0.1024382%
Town's proportionate share of the net pension liability	\$ 2,123,188
Town's covered-employee payroll	\$ 3,923,577
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	54.11%
Plan fiduciary net position as a percentage of the total pension liability	93.46%

*Schedule is intended to show information for ten years. Additional years will be displayed as they become available.*

# Town of Bethlehem, New York

## Schedule of Employer Contributions December 31, 2017

### ERS

	<u>December 31, 2017</u>
Contractually required contribution	\$ 1,646,734
Contributions in relation to the contractually required contribution	\$ 1,646,734
Contribution deficiency (excess)	\$ -
Village's covered-employee payroll	\$ 11,005,858
Contributions as a percentage of covered-employee payroll	14.96%

### PFRS

Contractually required contribution	\$ 959,534
Contributions in relation to the contractually required contribution	\$ 979,913
Contribution deficiency (excess)	\$ -
Village's covered-employee payroll	\$ 3,923,577
Contributions as a percentage of covered-employee payroll	24.97%

*Schedule is intended to show information for ten years. Additional years will be displayed as they become available.*