

**Town of Bethlehem, New York**

Basic Financial Statements

December 31, 2018

# Town of Bethlehem, New York

## Basic Financial Statements

December 31, 2018

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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, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

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

### *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 1c to 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, 2018, 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, 2018, 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.

***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.

Management has omitted the Schedule of Other Postemployment Benefits Liability 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 April 22, 2019, 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  
April 22, 2019



# Town of Bethlehem, New York

## Management's Discussion and Analysis December 31, 2018

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, 2018. 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

All four major operating funds, including General, Highway, Water and Sewer, finished the year with a surplus before other financing sources (uses) in 2018. In addition to department heads monitoring and maintaining expenditures at a responsible level, the key contributors to this were:

- Sales tax receipts were well in excess of expectation, presumably due to the strong economy, as well as the June 2018 ruling by the Supreme Court requiring collection of sales taxes on internet purchases. New York State has yet to vote on whether to collect these taxes, however, there is speculation that many online retailers are proactively collecting to ensure no future out-of-pocket liability.
- Managing investments toward higher yield accounts/securities to obtain highest possible return.
- Reimbursements from the New York State Office of Emergency Management (OEM) for disaster related storms in 2011 and 2017.
- Strong water sales and related sewer charges, despite significant precipitation throughout much of the summer.

	December 31, 2018			
	General	Highway	Water	Sewer
Final Budgeted Operating Revenue	\$ 19,972,440	\$ 6,817,787	\$ 10,136,137	\$ 4,418,975
Final Budgeted Operating Expenses	(20,269,389)	(7,512,001)	(12,683,417)	(6,191,087)
Budgeted Surplus (Shortfall)	<u>\$ (296,949)</u>	<u>\$ (694,214)</u>	<u>\$ (2,547,280)</u>	<u>\$ (1,772,112)</u>
Actual Revenue	\$ 20,410,750	\$ 6,848,333	\$ 9,998,649	\$ 4,577,705
Operating Expenses	(19,513,677)	(6,302,431)	(9,128,849)	(3,599,402)
Interfund Operating Transfers	437,764	-	(254,548)	(183,216)
Operating Surplus	1,334,837	545,902	615,252	795,087
Capital Fund Transfer	(23,000)	(563,509)	(2,413,751)	(1,606,740)
Net Surplus	1,311,837	(17,607)	(1,798,499)	(811,653)
Total Fund Balances, December 31, 2017	6,638,653	4,047,121	5,663,245	4,624,422
Total Fund Balances, December 31, 2018	<u>\$ 7,950,490</u>	<u>\$ 4,029,514</u>	<u>\$ 3,864,746</u>	<u>\$ 3,812,769</u>
Nonspendable Fund Balances	\$ 611,702	\$ 693,733	\$ 84,017	\$ 43,644
Assigned for Retirement	672,197	307,780	126,088	-
Assigned for Capital	1,307,266	926,079	918,107	1,919,127
Assigned Appropriated for Contingency	-	2,021,742	2,637,869	1,645,824
Assigned Appropriated Fund Balance	319,447	80,180	98,665	204,174
Unassigned for Contingency	5,039,878	-	-	-
Total Fund Balances	<u>\$ 7,950,490</u>	<u>\$ 4,029,514</u>	<u>\$ 3,864,746</u>	<u>\$ 3,812,769</u>

# Town of Bethlehem, New York

## Management's Discussion and Analysis December 31, 2018

### Financial Highlights - Continued

#### General Items of Note for All Funds

##### *Fringe Benefits*

The Town employed an average of 213 full-time employees in 2018, as well as a total of 244 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>2018 Actual</u>	<u>2017 Actual</u>	<u>\$ Variance</u>	<u>% Variance</u>
Social Security Taxes	\$ 1,176,348	\$ 1,142,225	\$ 34,123	2.99%
Health and Dental Insurance	2,517,758	2,402,116	115,642	4.81%
Retirement Systems	2,645,999	2,605,879	40,120	1.54%
Workers' Compensation Insurance	1,005,733	932,241	73,492	7.88%
Life and Short-Term Disability Insurance	<u>22,859</u>	<u>26,049</u>	<u>(3,190)</u>	<u>-12.25%</u>
Total	<u>\$ 7,368,697</u>	<u>\$ 7,108,510</u>	<u>\$ 260,187</u>	<u>3.66%</u>

Overall, the cost of fringe benefits for current employees increased from 2017 by \$260 thousand, or 3.66%. This largest increase was in the Town's health insurance cost by \$115 thousand, or 4.8%. This increase was primarily driven by an increase of 5.1% in the Town's premium rate. The other large change was in Workers' Compensation Insurance which increased \$73 thousand, or 7.86%. This was primarily due to a one-time reduction in premium, in 2017, by the Town having locked into a two-year agreement with the Public Employees Risk Management Association, Inc. (PERMA).

##### *Post-Retirement Health Benefits*

Retired employees who 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 172 retirees (including spouses) by expensing the annual insurance premiums. The postemployment expense was \$746 thousand for 2018 and \$762 thousand for 2017, a 2.1% decrease.

Governmental Accounting Standards Board Statement No.75, *Accounting and Financial Reporting 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.

# Town of Bethlehem, New York

## Management's Discussion and Analysis December 31, 2018

### Financial Highlights - Continued

#### *Interest Income*

A summary of the budgeted bank-earned interest income compared to actual for 2018 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>Original Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
General	\$ 15,000	\$ 108,156	\$ 93,156
Highway	8,000	54,863	46,863
Water	12,000	44,284	32,284
Sewer	8,000	53,173	45,173
Capital	-	8,474	8,474
<b>Total</b>	<b><u>\$ 43,000</u></b>	<b><u>\$ 268,950</u></b>	<b><u>\$ 225,950</u></b>

The interest earnings for 2018 were \$269 thousand, a 398% increase from the 2017 earnings of \$54 thousand. This was due to rising interest rates as well as the Town's strategy of investing in U.S. Treasury Bills (T-Bills) for a full year, in addition to the traditional money market funds. This investment strategy provided for interest earnings of multiple times previous rates but does not accrue non-cash credits (also known as "compensating balances") which pay for vital banking services.

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 0.8125% 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; and
- Debit blocks, which prevent unauthorized Automated Clearing House activity unless expressly granted.

Additionally, Key Bank provided paid outside vendors to cover the following costs until October 2018, when they declined to continue the practice, opting to increase interest rates paid on certain accounts as an offset:

- 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 provided have directly and indirectly saved the Town approximately \$104 thousand annually over the past seven years through personnel reductions, and until the current year when they changed policy, the Town saved \$6 thousand annually on check printing and return payment envelopes.

# Town of Bethlehem, New York

## Management's Discussion and Analysis December 31, 2018

### **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 support, public safety, health, transportation, economic opportunity and development, 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.

#### 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 balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

# Town of Bethlehem, New York

## Management's Discussion and Analysis December 31, 2018

### Overview of the Financial Statements - Continued

#### Fund Financial Statements - Continued

The Town maintains eight individual governmental funds: the General Fund, the Highway Fund, the Water Fund, the Sewer Fund, the Capital Projects Fund, the Special Grants Fund, the Miscellaneous Fund, and the Ambulance Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, 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 balances. 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 projections are presented, reviewed and publicly discussed by the Town Board for all major funds to provide financial and operational guidance and direction during all budget discussions.

#### 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, 2018

### 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			
	2018	2017	\$ Change	% Change
<b>Assets</b>				
Cash	\$ 22,536,121	\$ 29,866,224	\$ (7,330,103)	-24.54%
Receivables	7,627,495	8,371,212	(743,717)	-8.88%
Other	778,432	1,805,598	(1,027,166)	-56.89%
Capital assets	105,911,954	97,860,972	8,050,982	8.23%
Total assets	<u>136,854,002</u>	<u>137,904,006</u>	<u>(1,050,004)</u>	<u>-0.76%</u>
Deferred outflows of resources	<u>8,264,136</u>	<u>6,664,892</u>	<u>1,599,244</u>	<u>24.00%</u>
<b>Liabilities</b>				
Due within one year	7,098,650	12,190,477	(5,091,827)	-41.77%
Due in more than one year	28,514,057	33,894,054	(5,379,997)	-15.87%
Total liabilities	<u>35,612,707</u>	<u>46,084,531</u>	<u>(10,471,824)</u>	<u>-22.72%</u>
Deferred inflows of resources	<u>6,591,350</u>	<u>1,193,969</u>	<u>5,397,381</u>	<u>452.05%</u>
Net position	<u>\$ 102,914,081</u>	<u>\$ 97,290,398</u>	<u>\$ 5,623,683</u>	<u>5.78%</u>

The Town's 2018 net position increased by \$5.6 million when compared to 2017. As a result of the tax law changes signed at the Federal government level in 2017, a significant number of property taxpayers had opted to pay their 2018 property tax bills in December 2017. These prepayments had resulted in a \$6.1 million increase to cash, unearned revenue, and due to other governments, in that year, which did not reoccur. Increases in capital assets are primarily due to the substantial completion of the building at 114 Adams Street which will house the Delmar-Bethlehem Volunteer Ambulance, Department of Public Works employees and provide additional meeting space for Town residents. Lastly, the New York State Retirement System reported dramatically higher deferred outflows and inflows of resources in 2018.

# Town of Bethlehem, New York

## Management's Discussion and Analysis December 31, 2018

### Government-Wide Financial Analysis - Continued

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

	Governmental Activities			
	2018	2017	\$ Change	% Change
<b>Revenues</b>				
Program revenues				
Charges for services	\$ 13,095,340	\$ 12,461,067	\$ 634,273	5.09%
Operating grants and contributions	445,770	521,737	(75,967)	-14.56%
Capital grants and contributions	547,867	1,475,040	(927,173)	-62.86%
General revenues				
Taxes	26,946,509	25,827,237	1,119,272	4.33%
Other	2,493,797	1,979,653	514,144	25.97%
<b>Total revenues</b>	<b>43,529,283</b>	<b>42,264,734</b>	<b>1,264,549</b>	<b>2.99%</b>
<b>Expenses</b>				
General government support	5,984,184	5,738,447	245,737	4.28%
Public safety	8,751,442	8,861,561	(110,119)	-1.24%
Health	1,210,899	1,183,337	27,562	2.33%
Transportation	6,379,954	6,180,946	199,008	3.22%
Economic opportunity and development	1,028,941	1,067,509	(38,568)	-3.61%
Culture and recreation	1,684,739	1,784,695	(99,956)	-5.60%
Home and community services	12,024,432	13,105,143	(1,080,711)	-8.25%
Interest on long-term debt	841,009	629,607	211,402	33.58%
<b>Total expenses</b>	<b>37,905,600</b>	<b>38,551,245</b>	<b>(645,645)</b>	<b>-1.67%</b>
<b>Increase in net position</b>	<b>\$ 5,623,683</b>	<b>\$ 3,713,489</b>	<b>\$ 1,910,194</b>	<b>51.44%</b>

The majority of the Town's programs remained relatively consistent year over year. The decrease in home and community services expenses is related to a reduction in water related capital repairs and maintenance. These projects included water main repairs, dam safety, wellfields, and project design 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 \$25.7 million. All the Town's major funds, excluding the capital projects fund, showed excess revenues over expenditures before other financing sources (uses).

#### Items of Note for the General Fund

Total revenues increased approximately \$1.7 million, or 9.4%, from \$19.1 million in 2017 to \$20.8 million in 2018. The primary changes in this fund included:

- An increase in real property tax revenues of \$755 thousand from \$2.4 million to \$3.2 million to cover new debt service relating to 114 Adams Street, Delaware Avenue Streetscape and Feura Bush Roundabout projects;
- An increase in year over year sales tax revenues of \$714 thousand, from \$11.5 million to \$12.2 million relating to a strong economy and internet collections;

# Town of Bethlehem, New York

## Management's Discussion and Analysis December 31, 2018

### The Town's Funds - Continued

Total operating expenditures increased by \$978 thousand, or 5.3%, from \$18.5 million in 2017 to \$19.5 million in 2018. Some of the larger drivers included the following:

- Debt service costs increased \$363 thousand, from \$294 thousand in 2017 to \$657 thousand in 2018 due to a new bond issuance in August 2017 for \$6.5 million;
- Increased focus on repair, maintenance and replacement of sidewalks around Town increased costs \$98 thousand, from \$24 thousand in 2017 to \$122 thousand in 2018;
- An increase of police wages and fringe benefits \$163 thousand, from \$6.1 million to \$6.3 million is less than the 2% cost of living adjustment that is anticipated to be paid at the conclusion of the union negotiations, due to turnover and changes in individual employee selections of benefits;
- Town Designated Engineering Costs (TDEs) increased \$118 thousand, from \$31 thousand to \$149 thousand, due to increased reliance on this labor. However, \$88 thousand in increased revenues partially offsets this increase.

In 2017, the General Fund had a \$757 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 2018, the Town Board assigned an additional \$550 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, \$1.3 million, will remain in the operating fund, separately identified, until additional projects are authorized by the Town Board.

In 2012, the Town created a reserve for retirement stabilization in response to significant increases in annual contributions. To date, due to a growing economy, the Town has not had to utilize these funds. As of the end of 2018, the General Fund has maintained a reserve balance of \$672 thousand.

The General Fund made the final principal payment on the \$1.8 million Police Pension bond issued in 2008. There were no new issuance of debt in 2018.

### 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 decreased by \$20 thousand, or 0.30%, from \$6.87 million in 2017 to \$6.85 in 2018. The primary changes in this fund included:

- A decrease in work on the roadways which resulted in the reduction of CHIPs funding from the State of \$227 thousand relating to a shift in focus to sidewalk maintenance. The reduction in state aid was offset in part by the receipt of PaveNY funding for 2017; received mid-2018 for \$59 thousand. This effectively doubled the positive variance because 2018's receipt, for the same amount, was received in 2018.
  - The Town is still eligible to receive the "lost" CHIPs funding in 2019 if the work is completed during the upcoming year;
- Interest earnings were up for the year by \$45 thousand, or 439% from \$10K to \$55K, due to a focus on T-Bill investments as a primary source of interest earnings.

# Town of Bethlehem, New York

## Management's Discussion and Analysis December 31, 2018

### The Town's Funds - Continued

Total expenditures increased by \$449 thousand, or 7.66%, from \$5.9 million in 2017 to \$6.3 million in 2018. Some of the larger drivers included the following:

- Five budgeted labor positions went unfilled in 2017 for all but one month. Because they were filled for all of 2018, the increase in salary and benefit expenditure increased by \$292 thousand, from \$4.0 million in 2017 to \$4.3 million in 2018;
- Due to an especially difficult winter, the Town spent \$138 thousand more on snow and ice removal products in 2018 than 2017, increasing expenditures from \$157 thousand to \$296 thousand;
- Contractual costs within the Highway Fund machinery department increased \$126 thousand related to increased maintenance costs, by \$83 thousand and increased fuel costs by \$34 thousand;
- Equipment costs within the Highway Fund machinery department increased \$64 thousand due primarily to increased "small" vehicle purchases amounting to a change of \$93 thousand, offset by furniture purchases decrease of \$29 thousand;
- Lastly, despite the Town underspending its budgeted concrete and asphalt purchases in 2017 by \$218 thousand, the Town spent \$121 thousand less in 2018, resulting in the decreased CHIPs aid;

In 2017, the Highway Fund had \$570 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 2018, the Town Board assigned an additional \$920 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 \$564 thousand of assigned fund balance to the Highway Fund Capital Reserve to pay for projects committed to by Town Board action. The total remaining assigned fund balance, \$926 thousand, will remain in the operating fund, separately identified, until additional projects are authorized by the Town Board.

In 2012, the Town created a reserve for retirement stabilization in response to significant increases in annual contributions. To date, due to a growing economy, the Town has not had to utilize these funds. As of the end of 2018, the Highway Fund has maintained a reserve balance of \$308 thousand.

There were no new debt issuances in 2018.

### 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 increased by \$372 thousand, or 3.9%, from \$9.6 million in 2017 to \$10.0 million in 2018.

- Metered water sales increased by \$322 thousand, or 4.7%, due to fewer wet days during the summer of 2018 than 2017.
- There was a \$200 thousand one-time contribution recognized in 2018 for the River Road water line extension project. This project was important to the Town because it connected two dead-ends in the water lines and was more immediately necessitated due to the increased water requirements related to an expansion by a local business.
- The Water Fund decreased the property tax levy by \$198 thousand, or 9.2%, from \$2.1 million in 2017 to \$1.9 million in 2018.

# Town of Bethlehem, New York

## Management's Discussion and Analysis December 31, 2018

### The Town's Funds - Continued

The Water Fund's operating expenditures increased by \$129 thousand, or 1.4%, from \$9.3 million in 2017 to \$9.4 million in 2018. The primary driver of this increase was the debt service cost increase of \$115 thousand from \$1.1 million in 2017 to \$1.2 million in 2018, relating to the 2017 bonding of \$2.7 million.

In 2017, the Water Fund had \$2.8 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 2018, the Town Board assigned an additional \$553 thousand of Water Fund operating fund balance to help cover future capital needs, and as part of the Town's fund balance policy. Further, the Town transferred \$2.4 million of assigned fund balance to the Water Fund Capital Reserve to pay for projects committed to by Town Board action. The total remaining assigned fund balance, \$918 thousand, will remain in the operating fund, separately identified, until additional projects are authorized by the Town Board.

In 2012, the Town created a reserve for retirement stabilization in response to significant increases in annual contributions. To date, due to a growing economy, the Town has not had to utilize these funds. As of the end of 2018, the Water Fund has maintained a reserve balance of \$126 thousand.

There were no new debt issuances in 2018.

### 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 decreased by \$140 thousand, or 3.0%, from \$4.7 million in 2017 to \$4.6 million in 2018, primarily due to:

- The receipt in 2017 of \$364 thousand in Hurricane Irene related reimbursements from FEMA for expenditures that occurred in prior years. This was the final FEMA payment related to this event. However, the New York State Office of Emergency Management made their final payment of \$121 thousand in 2018. The net year over year decrease was \$243 thousand;
- The Sewer Fund decreased the property tax levy by \$157 thousand, or 11.0%, from \$1.4 million in 2017 to \$1.3 million in 2018.
- Sewer charges are based on water usage. Consistent with the increase in metered water sales, sewer charges increased by \$217 thousand or 7.5%, increasing from \$2.9 million in 2017 to \$3.1 million in 2018

The Sewer Fund's operating expenditures decreased by \$32 thousand, or 0.8%.

In 2017, the Sewer Fund had \$2.7 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 2018, the Town Board assigned an additional \$862 thousand of Sewer Fund operating fund balance to help cover future capital needs, as part of the Town's fund balance policy. Further, the Town transferred \$1.6 million of assigned fund balance to the Water Fund Capital Reserve to pay for projects committed to by Town Board action. The total remaining assigned fund balance, \$1.9 million, will remain in the operating fund, separately identified, until additional projects are authorized by the Town Board.

There were no new debt issuances in 2018.

# Town of Bethlehem, New York

## Management's Discussion and Analysis December 31, 2018

### The Town's Funds - Continued

#### 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 2019 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 2019.

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

	<u>General</u>	<u>Highway</u>	<u>Water</u>	<u>Sewer</u>
Fund Balances, December 31, 2018	\$ 7,950,490	\$ 4,029,514	\$ 3,864,746	\$ 3,812,769
Less:				
Prior Year Encumbrances	319,447	80,180	98,665	204,174
Retirement Contribution Reserve	672,197	307,780	126,088	-
Capital Reserve Appropriation	1,307,266	926,079	918,107	1,919,127
Nonspendable Fund Balance	611,702	693,733	84,017	43,644
Infrastructure Reserve	1,026,587	622,850	599,587	734,204
Projected Balance, December 31, 2019	<u>\$ 4,013,291</u>	<u>\$ 1,398,892</u>	<u>\$ 2,038,282</u>	<u>\$ 911,620</u>
2019 Budgeted Appropriations	<u>\$ 20,067,178</u>	<u>\$ 6,994,463</u>	<u>\$ 10,191,410</u>	<u>\$ 4,558,100</u>
Percent of Appropriations	<u>20.00%</u>	<u>20.00%</u>	<u>20.00%</u>	<u>20.00%</u>

### Capital Asset and Debt Administration

#### *Capital Assets*

As of 2018, the Town has \$105.9 million invested in a broad range of capital assets, including land, buildings, improvements, machinery and equipment, and infrastructure, which primarily includes roads, water lines and sewer lines. This amount represents an \$8.0 million increase compared to the prior year.

#### *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.

	<u>2018</u>	<u>2017</u>
Serial bonds	\$ 27,010,000	\$ 28,812,241
Net pension liability	2,449,147	6,219,251
Compensated absences	540,724	484,493
Landfill closure and post-closure	100,000	100,000
Judgments and claims	60,000	90,000
Total long-term debt	<u>\$ 30,159,871</u>	<u>\$ 35,705,985</u>

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

# **Town of Bethlehem, New York**

## **Management's Discussion and Analysis December 31, 2018**

### **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 2018 property taxes was 1.84% for the Town. The published allowable levy growth factor for the 2019 period is 2.0%. The Town's adherence to these modest tax increases remains a challenge, given State mandates, negotiated wage increases and healthcare cost increases.

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

	<b>December 31, 2018</b>	
	<b>Primary Government</b>	
	<b>Governmental Activities</b>	<b>Component Unit</b>
<b>ASSETS</b>		
Cash	\$ 22,536,121	\$ 554,001
Receivables		
Accounts	3,244,178	13,445
Due from other governments	4,383,317	-
Inventory	732,679	-
Prepaid expenses	45,753	1,220
Capital assets	105,911,954	-
Total assets	136,854,002	568,666
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
	8,264,136	-
<b>LIABILITIES</b>		
Accounts payable	3,100,519	-
Accrued liabilities	676,716	-
Due to other governments	572,006	-
Unearned revenue	1,103,595	-
Long-term liabilities		
Due within one year	1,645,814	-
Due in more than one year	28,514,057	-
	35,612,707	-
<b>DEFERRED INFLOWS OF RESOURCES</b>		
	6,591,350	-
<b>NET POSITION</b>		
Net investment in capital assets	78,901,954	-
Restricted	6,005,339	-
Unrestricted	18,006,788	568,666
	<b>\$ 102,914,081</b>	<b>\$ 568,666</b>

# Town of Bethlehem, New York

## Statement of Activities

Year Ended December 31, 2018

Functions/Programs	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	\$ 5,984,184	\$ 565,764	\$ -	\$ 126,522	\$ (5,291,898)	\$ -
Public safety	8,751,442	484,113	43,923	-	(8,223,406)	-
Health	1,210,899	-	-	-	(1,210,899)	-
Transportation	6,379,954	100,740	-	278,827	(6,000,387)	-
Economic opportunity and development	1,028,941	96,238	393,847	-	(538,856)	-
Culture and recreation	1,684,739	525,725	7,000	-	(1,152,014)	-
Home and community services	12,024,432	11,322,760	1,000	142,518	(558,154)	-
Interest on long-term debt	841,009	-	-	-	(841,009)	-
	<b><u>37,905,600</u></b>	<b><u>13,095,340</u></b>	<b><u>445,770</u></b>	<b><u>547,867</u></b>	<b><u>(23,816,623)</u></b>	<b><u>-</u></b>
<b>Component Unit</b>	<b><u>\$ 129,628</u></b>	<b><u>270,153</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>-</u></b>	<b><u>\$ 140,525</u></b>
<b>GENERAL REVENUES</b>						
					14,058,421	-
					12,888,088	-
					1,324,512	-
					1,169,285	339
					<b><u>29,440,306</u></b>	<b><u>339</u></b>
<b>CHANGES IN NET POSITION</b>					<b>5,623,683</b>	<b>140,864</b>
<b>NET POSITION, beginning of the year</b>					97,290,398	427,802
<b>NET POSITION, end of the year</b>					<b><u>\$ 102,914,081</u></b>	<b><u>\$ 568,666</u></b>

See accompanying Notes to Basic Financial Statements.

# Town of Bethlehem, New York

## Balance Sheets - Governmental Funds

December 31, 2018

	Major Funds					Non-Major Funds		Total
	General	Highway	Water	Sewer	Capital Projects	Special Grant	Miscellaneous	
<b>ASSETS</b>								
Cash	\$ 5,319,222	\$ 3,768,430	\$ 2,500,204	\$ 3,367,025	\$ 6,721,314	\$ 28,518	\$ 831,408	\$ 22,536,121
Accounts receivable	446,110	2,931	1,914,611	880,526	-	-	-	3,244,178
Due from other governments	3,890,675	-	195,072	126,461	171,109	-	-	4,383,317
Inventory	125,469	597,545	9,665	-	-	-	-	732,679
Prepaid expenses	486,233	96,188	74,352	43,644	-	-	-	700,417
	<b>\$ 10,267,709</b>	<b>\$ 4,465,094</b>	<b>\$ 4,693,904</b>	<b>\$ 4,417,656</b>	<b>\$ 6,892,423</b>	<b>\$ 28,518</b>	<b>\$ 831,408</b>	<b>\$ 31,596,712</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>								
<b>LIABILITIES</b>								
Accounts payable	\$ 436,277	\$ 332,103	\$ 479,251	\$ 106,472	\$ 1,718,492	\$ 27,924	\$ -	\$ 3,100,519
Accrued liabilities	492,278	81,324	65,939	37,175	-	-	-	676,716
Due to other governments	572,005	-	-	-	-	-	-	572,005
Unearned revenue	816,659	22,153	1,908	262,876	-	-	-	1,103,596
Total liabilities	2,317,219	435,580	547,098	406,523	1,718,492	27,924	-	5,452,836
<b>DEFERRED INFLOWS OF RESOURCES</b>	-	-	282,060	198,364	-	594	-	481,018
<b>FUND BALANCES</b>								
Nonspendable	611,702	693,733	84,017	43,644	-	-	-	1,433,096
Restricted	-	-	-	-	5,173,931	-	831,408	6,005,339
Assigned	2,298,910	3,335,781	3,780,729	3,769,125	-	-	-	13,184,545
Unassigned	5,039,878	-	-	-	-	-	-	5,039,878
Total fund balances	7,950,490	4,029,514	3,864,746	3,812,769	5,173,931	-	831,408	25,662,858
	<b>\$ 10,267,709</b>	<b>\$ 4,465,094</b>	<b>\$ 4,693,904</b>	<b>\$ 4,417,656</b>	<b>\$ 6,892,423</b>	<b>\$ 28,518</b>	<b>\$ 831,408</b>	<b>\$ 31,596,712</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

	<b>December 31, 2018</b>
Total fund balances - governmental funds	\$ 25,662,858
Amounts reported for government activities in the statement of net position are different because:	
Capital assets used in government activities are not financial resources and, therefore, are not reported in the funds.	105,911,954
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.	481,018
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	2,619,431
Total prepaid pension contribution	<u>(654,664)</u>
	1,964,767
Some liabilities (listed below) are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds payable	(27,010,000)
Net pension liability, net of deferrals	(3,395,792)
Claims payable	(60,000)
Landfill post-closure costs	(100,000)
Compensated absences	<u>(540,724)</u>
	<u>(31,106,516)</u>
<b>Total net position - governmental activities</b>	<b><u>\$ 102,914,081</u></b>

# Town of Bethlehem, New York

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

	Year Ended December 31, 2018								
	Major Funds					Non-Major Funds			Total
	General	Highway	Water	Sewer	Capital Projects	Special Grant	Miscellaneous	Ambulance	
<b>REVENUES</b>									
Real property taxes	\$ 3,160,795	\$ 6,135,299	\$ 1,947,973	\$ 1,270,646	\$ -	\$ -	\$ -	\$ 1,210,899	\$ 13,725,612
Real property tax items	120,963	211,845	-	-	-	-	-	-	332,808
Non-property tax items	12,888,088	-	-	-	-	-	-	-	12,888,088
Departmental Income	1,849,549	-	7,540,321	3,116,313	-	-	71,850	-	12,578,033
Intergovernmental charges	50,000	14,067	-	-	-	-	-	-	64,067
Use of money and property	193,387	54,864	267,560	53,173	8,490	-	144	-	577,618
Licenses and permits	49,280	-	-	-	-	-	-	-	49,280
Fines and forfeitures	425,558	-	-	-	-	-	-	-	425,558
Sales of property and compensation for loss	237,154	19,993	25,975	16,081	-	-	-	-	299,203
Miscellaneous local sources	25,308	50,154	216,820	183	-	-	-	-	292,465
State aid	1,354,688	290,654	-	121,309	25,000	-	-	-	1,791,651
Federal aid	55,980	71,457	-	-	126,522	397,961	-	-	651,920
<b>Total revenues</b>	<b>20,410,750</b>	<b>6,848,333</b>	<b>9,998,649</b>	<b>4,577,705</b>	<b>160,012</b>	<b>397,961</b>	<b>71,994</b>	<b>1,210,899</b>	<b>43,676,303</b>
<b>EXPENDITURES</b>									
General government support	3,945,691	-	-	-	3,828,011	-	-	-	7,773,702
Education	11,087	-	-	-	-	-	-	-	11,087
Public safety	6,385,073	-	-	-	118,189	-	-	-	6,503,262
Health	-	-	-	-	-	-	-	1,210,899	1,210,899
Transportation	714,803	4,385,726	-	-	862,611	-	-	-	5,963,140
Economic opportunity and development	478,865	-	-	-	-	397,961	-	-	876,826
Culture and recreation	1,332,268	-	-	-	389,204	-	-	-	1,721,472
Home and community services	1,230,771	-	6,890,546	2,422,949	2,141,738	-	-	-	12,686,004
Employee benefits	4,758,337	1,691,712	1,024,450	628,831	-	-	-	-	8,103,330
Debt service									
Principal	453,585	143,173	895,325	310,158	-	-	-	-	1,802,241
Interest	203,197	81,820	318,528	237,464	-	-	-	-	841,009
<b>Total expenditures</b>	<b>19,513,677</b>	<b>6,302,431</b>	<b>9,128,849</b>	<b>3,599,402</b>	<b>7,339,753</b>	<b>397,961</b>	<b>-</b>	<b>1,210,899</b>	<b>47,492,972</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>897,073</b>	<b>545,902</b>	<b>869,800</b>	<b>978,303</b>	<b>(7,179,741)</b>	<b>-</b>	<b>71,994</b>	<b>-</b>	<b>(3,816,669)</b>
<b>OTHER FINANCING SOURCES (USES)</b>									
Operating transfers in	437,764	-	-	-	4,607,000	-	-	-	5,044,764
Operating transfers out	(23,000)	(563,509)	(2,668,299)	(1,789,956)	-	-	-	-	(5,044,764)
<b>Total other financing sources (uses)</b>	<b>414,764</b>	<b>(563,509)</b>	<b>(2,668,299)</b>	<b>(1,789,956)</b>	<b>4,607,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses</b>	<b>1,311,837</b>	<b>(17,607)</b>	<b>(1,798,499)</b>	<b>(811,653)</b>	<b>(2,572,741)</b>	<b>-</b>	<b>71,994</b>	<b>-</b>	<b>(3,816,669)</b>
<b>FUND BALANCES, beginning of year</b>	<b>6,638,653</b>	<b>4,047,121</b>	<b>5,663,245</b>	<b>4,624,422</b>	<b>7,746,672</b>	<b>-</b>	<b>759,414</b>	<b>-</b>	<b>29,479,527</b>
<b>FUND BALANCES, end of year</b>	<b>\$ 7,950,490</b>	<b>\$ 4,029,514</b>	<b>\$ 3,864,746</b>	<b>\$ 3,812,769</b>	<b>\$ 5,173,931</b>	<b>\$ -</b>	<b>\$ 831,408</b>	<b>\$ -</b>	<b>\$ 25,662,858</b>

See accompanying Notes to Basic Financial Statements.

# Town of Bethlehem, New York

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

		<b>Year Ended December 31, 2018</b>
Net change in fund balances - total governmental funds		\$ (3,816,669)
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, the purchase and disposal amounts are:		
Purchase of assets	8,261,011	
Disposal of capital assets	<u>(210,029)</u>	
		8,050,982
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		1,802,241
Decrease in revenues in the statement of activities that does not reduce current financial resources are not reported in the funds.		
		(362,121)
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	12,770	
Public safety	(24,511)	
Transportation	(16,476)	
Economic opportunity and development	(1,503)	
Culture and recreation	(2,836)	
Home and community services	<u>(18,194)</u>	
		<u>(50,750)</u>
<b>Change in net position of governmental activities</b>		<b><u>\$ 5,623,683</u></b>

# Town of Bethlehem, New York

## Statement of Fiduciary Net Position

	<b>December 31, 2018</b>
	<b>Trust and Agency</b>
Cash	\$ 87,699
Due from other governments	24
<b>Total assets</b>	<b>\$ 87,723</b>
<b>Other liabilities</b>	<b>\$ 87,723</b>

# Town of Bethlehem, New York

## Notes to Basic Financial Statements December 31, 2018

### 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 serve 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 Avenue  
Delmar, New York 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, 2018

### 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 the 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, 2018

### 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, 2018

### 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 within the Town 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures 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, 2018.

#### *h. Inventory*

The Town's inventory consists of salt used on roadways, fuel, information technology supplies and spare machinery parts. Inventory is reported in the fund financial statements and statement of net position at the lower of cost or net realizable value, on a first-in first-out basis. Inventory expected to be used in the Town's normal operations is expensed as consumed. Damaged and obsolete inventory is evaluated by management on periodic basis. No impairment was considered necessary for December 31, 2018.

# Town of Bethlehem, New York

## Notes to Basic Financial Statements December 31, 2018

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

#### *i. 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).

#### *j. 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.

#### *k. 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.

#### *l. 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.

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.

# Town of Bethlehem, New York

## Notes to Basic Financial Statements December 31, 2018

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

#### *m. 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.

#### *n. 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 172 individuals, at a cost of \$746,302 for the year ended December 31, 2018.

#### *o. 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.

#### *p. 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, 2018

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

#### *q. 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.

#### *r. 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, 2018

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

#### s. 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.

#### t. Subsequent Events

The Town has evaluated subsequent events for potential recognition or disclosure through April 22, 2019, the date 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 Government Wide deposits was \$22,533,771 (excluding \$2,350 in petty cash), and the bank balance was \$22,656,721. The insured and collateral status of the bank balance was as follows:

Federally insured	\$ 4,074,240
Collateralized with securities held by a third-party custodian for the benefit of the Town pursuant to third-party custody agreement	<u>18,582,481</u>
	<u><u>\$ 22,656,721</u></u>

# Town of Bethlehem, New York

## Notes to Basic Financial Statements December 31, 2018

### 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	\$ 3,110,774	\$ -	\$ -	\$ -	\$ 3,110,774
Mortgage tax	709,335	-	-	-	709,335
Water/Sewer relevies	-	188,790	126,461	-	315,251
New York State	255	-	-	171,109	171,364
Bethlehem IDA	144	-	-	-	144
Other	70,167	6,282	-	-	76,449
	<u>\$ 3,890,675</u>	<u>\$ 195,072</u>	<u>\$ 126,461</u>	<u>\$ 171,109</u>	<u>\$ 4,383,317</u>

Amounts due to other governments consist of the following balances:

Albany County - EMS Services	\$ 530,992
Fire Districts	146
New York State - Justice Court Receipts	<u>40,868</u>
	<u>\$ 572,006</u>

### Note 4 - Capital Assets

A summary of changes in capital assets is as follows:

	Balance at January 1, 2018	Additions	Disposals	Balance at December 31, 2018
Land	\$ 1,970,816	\$ -	\$ -	\$ 1,970,816
Buildings	25,249,991	-	-	25,249,991
Improvements	12,245,715	5,130,451	-	17,376,166
Machinery and equipment	24,649,969	1,228,635	210,029	25,668,575
Infrastructure	33,744,481	1,901,925	-	35,646,406
Total capital assets	<u>\$ 97,860,972</u>	<u>\$ 8,261,011</u>	<u>\$ 210,029</u>	<u>\$ 105,911,954</u>

# Town of Bethlehem, New York

## Notes to Basic Financial Statements December 31, 2018

### Note 5 - Long-Term Liabilities

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

	Year Ended December 31, 2018					
	Landfill Post-Closure Costs	Bonds Payable	Judgments and Claims	Net Pension Liability	Compensated Absences	Total
Balance, <i>beginning of year</i>	\$ 100,000	\$ 28,812,241	\$ 90,000	\$ 6,219,251	\$ 484,493	\$ 35,705,985
Additions/issues	-	-	-	2,647,463	-	2,647,463
Redeemed	-	(1,802,241)	-	(2,619,431)	-	(4,421,672)
Other increase/(decrease)	-	-	(30,000)	(3,798,136)	56,231	(3,771,905)
 Balance, <i>end of year</i>	 <u>\$ 100,000</u>	 <u>\$ 27,010,000</u>	 <u>\$ 60,000</u>	 <u>\$ 2,449,147</u>	 <u>\$ 540,724</u>	 <u>\$ 30,159,871</u>
 Current portion	 \$ -	 \$ 1,635,000	 \$ -	 \$ -	 \$ 10,814	 \$ 1,645,814
Non-current portion	<u>100,000</u>	<u>25,375,000</u>	<u>60,000</u>	<u>2,449,147</u>	<u>529,910</u>	<u>28,514,057</u>
	<u>\$ 100,000</u>	<u>\$ 27,010,000</u>	<u>\$ 60,000</u>	<u>\$ 2,449,147</u>	<u>\$ 540,724</u>	<u>\$ 30,159,871</u>

See Note 9 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.

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

	Original Issuance	Original Amount	Interest Rate	Final Maturity	December 31, 2018 Outstanding
Water	2012	6,715,000	4.000%	2022	\$ 3,280,000
General, Highway, Water, and Sewer	2015	5,912,058	2.000%	2034	5,215,000
General, Water, and Sewer	2016	6,455,000	4.000%	2037	6,360,000
Sewer	2016	2,600,000	0.550%	2046	2,455,000
General, Highway, Water, and Sewer	2017	9,992,241	2.250%	2042	9,700,000
					<u>\$ 27,010,000</u>

# Town of Bethlehem, New York

## Notes to Basic Financial Statements December 31, 2018

### 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,			
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	970,000	540,547	1,510,547
2024 through 2028	5,290,000	2,314,982	7,604,982
2029 through 2033	6,085,000	1,577,739	7,662,739
2034 through 2038	4,830,000	750,218	5,580,218
2039 through 2043	2,605,000	209,082	2,814,082
2044 through 2046	320,000	8,126	328,126
	\$ 27,010,000	\$ 8,133,204	\$ 35,143,204

*b. Judgments 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 \$60,000. 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, 2018

### Note 6 - Unearned Revenue

Unearned revenue consists of the following:

	<u>Customer Deposits</u>	<u>Restricted Gifts</u>	<u>Other</u>	<u>Total</u>
General	\$ 426,723	\$ 83,620	\$ 306,315	\$ 816,658
Highway	22,153	-	-	22,153
Water	1,908	-	-	1,908
Sewer	20,364	-	242,512	262,876
	<u>\$ 471,148</u>	<u>\$ 83,620</u>	<u>\$ 548,827</u>	<u>\$ 1,103,595</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:

	<u>Federal and State Grants</u>	<u>Departmental Income</u>	<u>Total</u>
Water	\$ -	\$ 282,060	\$ 282,060
Sewer	-	198,364	198,364
Special Grant	594	-	594
	<u>\$ 594</u>	<u>\$ 480,424</u>	<u>\$ 481,018</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, 2018, interfund receivables, payables, revenues and expenses arising from these transactions were as follows:

	<u>December 31, 2018</u>	
	<u>Operating Transfers-In</u>	<u>Operating Transfers-Out</u>
General	\$ 437,764	\$ 23,000
Highway	-	563,509
Water	-	2,668,299
Sewer	-	1,789,956
Capital Projects	4,607,000	-
	<u>\$ 5,044,764</u>	<u>\$ 5,044,764</u>

# Town of Bethlehem, New York

## Notes to Basic Financial Statements December 31, 2018

### 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 of the State of New York 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:

	ERS	PFRS	Total
2018	\$ 1,648,913	\$ 968,271	\$ 2,617,184
2017	1,646,734	959,534	2,606,268
2016	1,691,321	889,122	2,580,443

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

At December 31, 2018, the Town reported a liability of \$2,449,147 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, 2018, and the total pension liability was determined by an actuarial valuation as of April 1, 2017. 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, 2018 measurement date, the Town's proportionate share of ERS and PFRS was 0.042864% and 0.1054407%, respectively.

# Town of Bethlehem, New York

## Notes to Basic Financial Statements December 31, 2018

### 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, 2018, the Town recognized pension expense of \$2,647,463 in the governmental wide financial statements. At December 31, 2018, 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	\$ 493,413	\$ 407,738	\$ 438,652	\$ 283,194
Changes of assumptions	917,307	-	807,498	-
Net differences between projected and actual investment earnings on pension plan investments	2,009,276	3,966,108	862,599	1,737,228
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,975	178,599	108,985	18,483
Contributions subsequent to the measurement date	1,655,041	-	964,390	-
<b>Total</b>	<b>\$ 5,082,012</b>	<b>\$ 4,552,445</b>	<b>\$ 3,182,124</b>	<b>\$ 2,038,905</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, 2019. 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,		
2019	\$ 224,653	\$ 246,656
2020	175,308	222,296
2021	(1,045,484)	(209,813)
2022	(479,951)	(136,701)
2023	-	56,391
<b>Total</b>	<b>\$ (1,125,474)</b>	<b>\$ 178,829</b>

*d. Actuarial Assumptions*

The actuarial assumptions used in the April 1, 2017 valuation, with updated procedures used to roll forward the total pension liability to March 31, 2018, were based on the results of an actuarial experience study for the period April 1, 2010 to March 31, 2015. These assumptions are:

	ERS	PFRS
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, 2018

### 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, 2017 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, 2018 are summarized below:

<u>Asset Type</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate</u>
Domestic equity	36.00%	4.55%
International equity	14.00%	6.35%
Private equity	10.00%	7.50%
Real estate	10.00%	5.55%
Absolute return strategies	2.00%	3.75%
Opportunistic portfolio	3.00%	5.68%
Real assets	3.00%	5.29%
Bonds and mortgages	17.00%	1.31%
Cash	1.00%	-0.25%
Inflation-Indexed bonds	4.00%	1.25%
	<u>100.00%</u>	

# Town of Bethlehem, New York

## Notes to Basic Financial Statements December 31, 2018

### 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%)
<b>ERS</b>			
Town's proportionate share of the net pension liability (asset)	\$ 10,467,159	\$ 1,383,398	\$ (6,301,102)
	1% Decrease (6.0%)	Current Discount (7.0%)	1% Increase (8.0%)
<b>PFRS</b>			
Town's proportionate share of the net pension liability (asset)	\$ 5,220,328	\$ 1,065,749	\$ (2,418,968)

*h. Pension Plan Fiduciary Net Position*

The components of the current-year net pension liability of the System as of March 31, 2018 were as follows (amounts in thousands):

	ERS	PFRS	Total
Employers' total pension liability	\$ 183,400,590	\$ 32,914,423	\$ 216,315,013
Plan net position	180,173,145	31,903,666	212,076,811
Employers' net pension liability	\$ 3,227,445	\$ 1,010,757	\$ 4,238,202
Ratio of plan net position to the employers' total pension liability	98.2%	96.9%	98.0%

# Town of Bethlehem, New York

## Notes to Basic Financial Statements December 31, 2018

### Note 10 - Fund Balances

Fund balances are detailed as follows:

	General	Highway	Water	Sewer	Capital Projects	Non-Major Funds
<b>Nonspendable</b>						
Inventory	\$ 125,469	\$ 597,545	\$ 9,665	\$ -	\$ -	-
Prepaid	486,233	96,188	74,352	43,644	-	\$ -
	<u>611,702</u>	<u>693,733</u>	<u>84,017</u>	<u>43,644</u>	<u>-</u>	<u>-</u>
<b>Restricted</b>						
Capital reserve	-	-	-	-	4,113,728	-
Bond proceeds - capital	-	-	-	-	870,363	-
Landfill post-closure	-	-	-	-	189,840	-
Parklands	-	-	-	-	-	831,408
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,173,931</u>	<u>831,408</u>
<b>Assigned</b>						
Encumbrances	319,447	80,180	98,665	204,172	-	-
Capital reserve	1,307,266	926,079	918,107	1,919,127	-	-
Retirement contribution	672,197	307,780	126,088	-	-	-
Highway Fund	-	2,021,742	-	-	-	-
Water Fund	-	-	2,637,869	-	-	-
Sewer Fund	-	-	-	1,645,826	-	-
	<u>2,298,910</u>	<u>3,335,781</u>	<u>3,780,729</u>	<u>3,769,125</u>	<u>-</u>	<u>-</u>
<b>Unassigned</b>						
	<u>5,039,878</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 7,950,490</u>	<u>\$ 4,029,514</u>	<u>\$ 3,864,746</u>	<u>\$ 3,812,769</u>	<u>\$ 5,173,931</u>	<u>\$ 831,408</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	\$ 346,604
Recreational facilities	156,529
Fire tower and additions and improvements	90,705
Highway equipment	1,180,242
Reconstruction of water facilities	1,858,597
Reconstruction of sewer facilities	1,351,414
Total GML Section 6-C	<u>4,984,091</u>
GML Section 6-O Reserves	<u>189,840</u>
Total Capital Reserves Under GML Sections 6-C and 6-O	<u>\$ 5,173,931</u>

Funds restricted for parklands represent developer fees remitted to the Town for the acquisition and maintenance of greenspace.

# Town of Bethlehem, New York

## Notes to Basic Financial Statements December 31, 2018

### Note 10 - Fund Balances - Continued

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, 2018, all funds were at maximum. To the extent that fund balances exceed the maximum, per policy, the balances are assigned as infrastructure reserve funds.

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, 2018 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	\$ 2.54	\$ 19,593	\$ 7,152	\$ 12,441
Albany Enterprises LLC	2,100,000	2.54	5,344	4,075	1,269
American Housing Foundation <sup>2</sup>	-	2.54	-	12,281	(12,281)
Cole Capital Corp	9,600,000	2.54	24,428	23,317	1,111
CPI Bethlehem BERK I LLC	1,100,000	2.54	2,799	1,216	1,583
CPI Bethlehem SEF I LLC	1,200,000	2.54	3,053	1,312	1,741
Finke Enterprises, LLC	5,900,000	2.54	15,013	10,123	4,890
MALM Realty Company	1,000,000	2.54	2,545	2,039	506
PSEG Power	100,000,000	2.54	254,454	261,737	(7,283)
SAE Sun and Earth Energy Corp	163,700	2.54	417	417	-
Vista Development Group LLC	2,621,000	2.54	6,669	6,669	-
Vista Medical LLC	1,350,000	2.54	3,435	2,471	964
	<u>\$ 132,734,700</u>		<u>\$ 337,750</u>	<u>\$ 332,809</u>	<u>\$ 4,941</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.

# Town of Bethlehem, New York

## Notes to Basic Financial Statements December 31, 2018

### Note 12 - Commitments

The Town 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 22 years lapsed as of December 31, 2018. The current estimated liability for post-closure care costs of the landfill for the remaining 8 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.

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 - Contingencies, 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 2018. There was no reduction in insurance coverage during 2018. An estimate of this liability is recorded at December 31, 2018, 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:

	Contract Expiration Date
Bargaining Unit	
AFSCME Council 66 (Dispatchers)	December 31, 2017
AFL-CIO Council 82 (Lieutenants and Sergeants)	December 31, 2017
Teamsters Local 294 (Officers and Detectives)	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, 2018

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

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. 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.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this statement. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

# Town of Bethlehem, New York

## Notes to Basic Financial Statements December 31, 2018

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

GASB Statement No. 90, *Majority Equity Interests*. This statement will provide financial reporting users with information related to the presentation of majority equity interests in legally separate organizations. In addition, this statement requires the reporting of information about component units if the government acquires a 100% equity interest about the cost of services to be provided by the component unit in relation to the consideration provided to acquire the component unit. The requirements for this statement are effective for reporting periods beginning after December 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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Real property taxes	\$ 3,160,795	\$3,160,795	\$ 3,160,795	\$ -
Real property tax items	122,575	122,575	120,963	(1,612)
Non-property tax items	12,103,424	12,216,939	12,888,088	671,149
Departmental Income	1,453,340	1,716,275	1,849,549	133,274
Intergovernmental charges	80,000	80,000	50,000	(30,000)
Use of money and property	95,000	166,617	193,387	26,770
Licenses and permits	47,265	57,265	49,280	(7,985)
Fines and forfeitures	360,208	360,208	425,558	65,350
Sales of property and compensation for loss	157,700	137,199	237,154	99,955
Miscellaneous local sources	-	19,122	25,308	6,186
State aid	1,339,638	1,447,306	1,354,688	(92,618)
Federal aid	45,000	45,000	55,980	10,980
Total revenues	<u>18,964,945</u>	<u>19,529,301</u>	<u>20,410,750</u>	<u>881,449</u>
<b>EXPENDITURES</b>				
General government support	3,907,084	4,056,307	3,945,691	110,616
Education	-	11,087	11,087	-
Public safety	6,355,010	6,565,134	6,385,073	180,061
Transportation	555,924	718,684	714,803	3,881
Economic opportunity and development	494,110	495,754	478,865	16,889
Culture and recreation	1,452,121	1,489,257	1,332,268	156,989
Home and community services	1,141,785	1,380,225	1,230,771	149,454
Employee benefits	4,844,824	4,872,715	4,758,337	114,378
Debt service				
Principal	453,585	453,585	453,585	-
Interest	203,641	203,641	203,197	444
Total expenditures	<u>19,408,084</u>	<u>20,246,389</u>	<u>19,513,677</u>	<u>732,712</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u><b>(443,139)</b></u>	<u><b>(717,088)</b></u>	<u><b>897,073</b></u>	<u><b>1,614,161</b></u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	443,139	443,139	437,764	(5,375)
Operating transfers out	-	(23,000)	(23,000)	-
Total other financing sources (uses)	<u>443,139</u>	<u>420,139</u>	<u>414,764</u>	<u>(5,375)</u>
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses</b>	<u><b>\$ -</b></u>	<u><b>\$ (296,949)</b></u>	<u><b>\$ 1,311,837</b></u>	<u><b>\$ 1,608,786</b></u>
<b>FUND BALANCE, beginning of year</b>			<u>6,638,653</u>	
<b>FUND BALANCE, end of year</b>			<u><b>\$ 7,950,490</b></u>	

See Independent Auditor's Report.

# Town of Bethlehem, New York

## Required Supplementary Information Budgetary Comparison Schedule - Highway Fund Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Real property taxes	\$ 6,135,299	\$ 6,135,299	\$ 6,135,299	\$ -
Real property tax items	214,941	214,941	211,845	(3,096)
Intergovernmental charges	9,000	9,000	14,067	5,067
Use of money and property	8,000	8,000	54,864	46,864
Sales of property and compensation for loss	10,500	10,500	19,993	9,493
Miscellaneous local sources	20,000	-	50,154	50,154
State aid	375,047	375,047	290,654	(84,393)
Federal aid	-	45,000	71,457	-
Total revenues	6,772,787	6,797,787	6,848,333	24,089
<b>EXPENDITURES</b>				
Transportation	4,739,648	4,837,311	4,385,726	451,585
Employee benefits	1,808,144	1,886,186	1,691,712	194,474
Debt service				
Principal	143,173	143,173	143,173	-
Interest	81,822	81,822	81,820	2
Total expenditures	6,772,787	6,948,492	6,302,431	646,061
<b>Excess (deficiency) of revenues over expenditures</b>	-	<b>(150,705)</b>	<b>545,902</b>	<b>670,150</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	-	20,000	-	20,000
Operating transfers out	-	(563,509)	(563,509)	-
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses</b>	\$ -	\$ (714,214)	(17,607)	\$ 670,150
<b>FUND BALANCE, beginning of year</b>			4,047,121	
<b>FUND BALANCE, end of year</b>			<b>\$ 4,029,514</b>	

# Town of Bethlehem, New York

## Required Supplementary Information Budgetary Comparison Schedule - Water Fund Year Ended December 31, 2018

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget</b>
<b>REVENUES</b>				
Real property taxes	\$1,947,975	\$ 1,947,975	\$ 1,947,973	\$ (2)
Departmental Income	7,743,589	7,743,589	7,540,321	(203,268)
Use of money and property	232,000	233,573	267,560	33,987
Sales of property and compensation for loss	11,000	11,000	25,975	14,975
Miscellaneous local sources	-	200,000	216,820	16,820
Total revenues	9,934,564	10,136,137	9,998,649	(137,488)
<b>EXPENDITURES</b>				
Home and community services	7,347,819	7,688,993	6,890,546	798,447
Employee benefits	1,113,546	1,110,711	1,024,450	86,261
Debt service				-
Principal	895,325	895,325	895,325	-
Interest	320,088	320,088	318,528	1,560
Total expenditures	9,676,778	10,015,117	9,128,849	886,268
<b>Excess (deficiency) of revenues over expenditures</b>	<b>257,786</b>	<b>121,020</b>	<b>869,800</b>	<b>748,780</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers out	(257,786)	(2,668,300)	(2,668,299)	1
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses</b>	<b>\$ -</b>	<b>\$ (2,547,280)</b>	<b>(1,798,499)</b>	<b>\$ 748,781</b>
<b>FUND BALANCE, <i>beginning of year</i></b>			5,663,245	
<b>FUND BALANCE, <i>end of year</i></b>			<b>\$ 3,864,746</b>	

# Town of Bethlehem, New York

## Required Supplementary Information Budgetary Comparison Schedule - Sewer Fund Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Real property taxes	\$ 1,270,648	\$ 1,270,648	\$ 1,270,646	\$ (2)
Departmental Income	3,134,978	3,134,978	3,116,313	(18,665)
Use of money and property	8,000	9,349	53,173	43,824
Sales of property and compensation for loss	4,000	4,000	16,081	12,081
Miscellaneous local sources	-	-	183	183
State aid	-	-	121,309	121,309
Total revenues	4,417,626	4,418,975	4,577,705	158,730
<b>EXPENDITURES</b>				
Home and community services	3,049,837	3,209,918	2,422,949	786,969
Employee benefits	629,285	638,062	628,831	9,231
Debt service				
Principal	310,158	310,158	310,158	-
Interest	242,993	242,993	237,464	5,529
Total expenditures	4,232,273	4,401,131	3,599,402	801,729
<b>Excess of revenues over expenditures</b>	<b>185,353</b>	<b>17,844</b>	<b>978,303</b>	<b>960,459</b>
<b>OTHER FINANCING USES</b>				
Operating transfers out	(185,353)	(1,789,956)	(1,789,956)	-
<b>Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses</b>	<b>\$ -</b>	<b>\$ (1,772,112)</b>	<b>(811,653)</b>	<b>\$ 960,459</b>
<b>FUND BALANCE, beginning of year</b>			4,624,422	
<b>FUND BALANCE, end of year</b>			<b>\$ 3,812,769</b>	

# Town of Bethlehem, New York

## Notes to Budgetary Basis Reporting December 31, 2018

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 and the Special Miscellaneous Revenue 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, 2018

	December 31,	
	2018	2017
<b>ERS</b>		
Town's proportion of the net pension liability	0.04286360%	0.04359270%
Town's proportionate share of the net pension liability	\$ 1,383,398	\$ 4,096,063
Town's covered-employee payroll	\$ 11,277,347	\$ 11,005,858
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	12.27%	37.22%
Plan fiduciary net position as a percentage of the total pension liability	98.24%	94.70%
<b>PFRS</b>		
Town's proportion of the net pension liability	0.10544070%	0.10243820%
Town's proportionate share of the net pension liability	\$ 1,065,749	\$ 2,123,188
Town's covered-employee payroll	\$ 3,989,317	\$ 3,923,577
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	26.72%	54.11%
Plan fiduciary net position as a percentage of the total pension liability	96.93%	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, 2018

	December 31,	
	2018	2017
<b>ERS</b>		
Contractually required contribution	\$ 1,648,913	\$ 1,646,734
Contributions in relation to the contractually required contribution	\$ 1,648,913	\$ 1,646,734
Contribution deficiency (excess)	\$ -	\$ -
Town's covered-employee payroll	\$ 11,277,347	\$ 11,005,858
Contributions as a percentage of covered-employee payroll	14.68%	14.96%
<b>PFRS</b>		
Contractually required contribution	\$ 968,271	\$ 959,534
Contributions in relation to the contractually required contribution	\$ 968,271	\$ 959,534
Contribution deficiency (excess)	\$ -	\$ -
Town's covered-employee payroll	\$ 3,989,317	\$ 3,923,577
Contributions as a percentage of covered-employee payroll	24.17%	24.97%

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



**Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit  
of Financial Statements Performed in Accordance With  
*Government Auditing Standards***

Members of the Town Board  
Town of Bethlehem, New York  
Delmar, New York

We have audited, 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, the 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, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated April 22, 2019, which contained an adverse opinion on the governmental activities opinion unit and unmodified opinions on the other opinion units. Our report includes a reference to other auditors who audited the financial statements of the Town of Bethlehem Industrial Development Agency (Agency), as described in our report on the Town's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance with other matters that are reported separately by those auditors.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying *schedule of findings and responses* as item 2018-001 that we consider to be a material weakness.

### **Compliance and Other Matters**

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

### **Town's Response to Finding**

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

### **Purpose of this Report**

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

BST & CO. CPAs, LLP

Albany, New York  
April 22, 2019



# Town of Bethlehem, New York

## Schedule of Findings and Responses Year Ended December 31, 2018

### **2018-001. Government-Wide Financial Reporting**

*Criteria:* Accounting principles generally accepted in the United States of America (U.S. GAAP), as prescribed by the Governmental Accounting Standards Board (GASB), require the capitalization and depreciation of capital assets, and the estimation of other postemployment benefit (OPEB) costs and obligations in the government-wide financial statements.

*Condition and cause:* Management of the Town does not have processes and controls in place to ensure complete and accurate reporting of capital asset balances. In addition, the Town has not engaged an external actuary to assist with the preparation of an OPEB accounting estimate.

*Effect or potential effect:* An adverse opinion has been issued on the governmental activities opinion unit to our purported inaccuracies of capital asset balances and omission of OPEB. In addition, the schedule of other postemployment benefits liability has been omitted from required supplementary information.

*Recommendation:* We recommend that management of the Town develop processes and controls to ensure the complete and accurate reporting of capital asset balances. In addition, we recommend that management of the Town engage a qualified actuary to assist with the valuation of OPEB costs and obligations.

*View of responsible officials and planned corrective actions:* The Town is evaluating the cost versus benefit of developing processes and controls to report capital asset balances and expenses, and other postemployment obligations and expenses.