

In the opinion of Hodgson Russ LLP, Albany, New York, Bond Counsel, based on existing statutes, regulations, rulings and court decisions, (1) interest on the Bonds is excluded from gross income for federal income tax purposes, assuming compliance with certain covenants and the accuracy of certain representations, except that (a) no opinion is expressed as to the exclusion from gross income of interest on any Bond during any period when such Bond is held by a "substantial user" of the facilities financed by the Bonds, or a "related person" thereto, as those quoted terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code"), and (b) interest on the Bonds is subject to certain alternative minimum taxes imposed on individuals and corporations, and certain other taxes, and (2) interest on the Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof (including The City of New York). See "TAX EXEMPTION" herein.

The Bonds will NOT be designated "qualified tax-exempt obligations pursuant to Section 265(b)(3) of the Code.

\$6,715,000
TOWN OF BETHLEHEM
ALBANY COUNTY, NEW YORK

\$6,715,000 General Obligation Water System Refunding (Serial) Bonds, Series 2012 (Subject to AMT)

Dated: Date of Delivery

Due: March 1, 2013-2022

CUSIP BASE: 087311

MATURITIES

<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>CSP</u>	<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>CSP</u>	<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>CSP</u>
2013	\$ 65,000	3.000%	1.000%	A97	2017	\$ 700,000	4.000%	1.440%	B54	2021	\$ 840,000	5.000%	2.140%	B96
2014	625,000	3.000	1.050	B21	2018	725,000	4.000	1.560	B62	2022	880,000	5.000	2.330%	C20
2015	650,000	4.000	1.170	B39	2019	760,000	5.000	1.750	B70					
2016	670,000	4.000	1.320	B47	2020	800,000	5.000	1.940	B88					

(referred to hereinafter as the "Bonds")

The Bonds are not subject to redemption prior to maturity.

The Bonds are general obligations of the Town of Bethlehem, County of Albany, New York, all the taxable real property within which is subject to the levy of ad valorem taxes to pay the Bonds and interest thereon, without limitation as to rate or amount, subject to certain statutory limitations imposed by Chapter 97 of the Laws of 2011 (the "Tax Levy Limitation Law"). See "TAX LEVY LIMITATION LAW" herein.

The Bonds will be issued as registered bonds and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Bonds. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or integral multiples thereof. Purchasers will not receive certificates representing their ownership interest in the Bonds. Interest on the Bonds will be payable on March 1, 2013, September 1, 2013 and semi-annually thereafter on March 1 and September 1 in each year until maturity. Principal and interest will be paid by the Town to DTC, which will in turn remit such principal and interest to its Participants, for subsequent distribution to the Beneficial Owners of the Bonds, as described herein.

The Bonds are offered and received by the Underwriter and subject to the receipt of the unqualified legal opinion as to the validity of the Bonds of Hodgson Russ LLP, Albany, New York. Certain legal matters will be passed on for the Underwriter by its counsel, Cahill Gambino LLP, New York, New York. It is anticipated that the Bonds will be available for delivery through the facilities of DTC in New York, New York on or about December 20, 2012.



RBC Capital Markets®

TOWN OFFICIALS

JOHN CLARKSON
Town Supervisor

TOWN BOARD

JOANN DAWSON
GEORGE LENHARDT

KYLE KOTARY
JEFFREY KUHN

* * * * *

MICHAEL E. COHEN
Town Comptroller

NANCI MOQUIN
Town Clerk

NANCY K. MENDICK
Receiver of Taxes

GREGG SAGENDORPH
Superintendent of Highways

ERIK T. DEYOE
Commissioner of Public Works

JAMES POTTER, ESQ
Town Attorney

FISCAL ADVISORS & MARKETING, INC.
Town Financial Advisor

HODGSON RUSS LLP
Bond Counsel

No person has been authorized by the Town of Bethlehem to give any information or to make any representations not contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy any of the Bonds in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. The information, estimates and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of Town of Bethlehem.

The Underwriter has provided the following sentence for inclusion in this Official Statement. "The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities law, but the Underwriter does not guaranty the accuracy or completeness of such information."

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKETS. SUCH STABILIZATION, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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OFFICIAL STATEMENT

of the

TOWN OF BETHLEHEM

ALBANY COUNTY, NEW YORK

Relating To

\$6,715,000 General Obligation Water System Refunding (Serial) Bonds, Series 2012 (Subject to AMT)

This Official Statement, which includes the cover page, has been prepared by the Town of Bethlehem, located in Albany County, New York (the "Town", "County", and "State", respectively) in connection with the sale by the Town of \$6,715,000 aggregate principal amount of General Obligation Water System Refunding (Serial) Bonds, Series 2012 (Subject to AMT) (the "Bonds").

The factors affecting the Town's financial condition and the Bonds are described throughout this Official Statement. Inasmuch as many of these factors, including economic and demographic factors, are complex and may influence the Town tax base, revenues, and expenditures, this Official Statement should be read in its entirety, and no one factor should be considered more or less important than any other by reason of its relative position in this Official Statement.

All quotations from and summaries and explanations of provisions of the Constitution and laws of the State and acts and proceedings of the Town contained herein do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof, and all references to the Bonds and the proceedings of the Town relating thereto are qualified in their entirety by reference to the definitive forms of the Bonds and such proceedings.

DESCRIPTION OF THE BONDS

The Bonds are general obligations of the Town, and will contain a pledge of its faith and credit for the payment of the principal of and interest on the Bonds as required by the Constitution and laws of the State (State Constitution, Art. VIII, Section 2; Local Finance Law, Section 100.00). All the taxable real property within the Town is subject to the levy of ad valorem taxes to pay the Bonds and interest thereon, without limitation as to rate or amount, subject to certain statutory limitations imposed by Chapter 97 of the Laws of 2011 (the "Tax Levy Limitation Law"). See "TAX LEVY LIMITATION LAW" herein.

The Bonds will be dated the date of delivery and will mature in the principal amounts and on the dates as set forth on the cover page. Interest on the Bonds will be payable on March 1, 2013, September 1, 2013 and semi-annually thereafter on March 1 and September 1 in each year until maturity. The "Record Date" of the Bonds will be the fifteenth day of the calendar month preceding each such interest payment date.

The Bonds will be issued as registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, which will act as securities depository for the Bonds. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or integral multiples thereof. Purchasers will not receive certificates representing their ownership interest in the Bonds. Principal and interest will be paid by the Town to DTC, which will in turn remit such principal and interest to its Participants, for subsequent distribution to the Beneficial Owners of the Bonds, as described herein.

No Optional Redemption

The Bonds are not subject to redemption prior to maturity.

Book-Entry-Only System

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. As such, the Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Bonds.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC or the Town, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Town, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Town. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Town believes to be reliable, but the Town takes no responsibility for the accuracy thereof.

Source: The Depository Trust Company.

THE TOWN CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE BONDS (1) PAYMENTS OF PRINCIPAL OF OR INTEREST OR REDEMPTION PREMIUM ON THE BONDS (2) CONFIRMATIONS OF THEIR OWNERSHIP INTERESTS IN THE BONDS OR (3) OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS PARTNERSHIP NOMINEE, AS THE REGISTERED OWNER OF THE BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

THE TOWN WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO DTC, THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS OF DTC OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST OR REDEMPTION PREMIUM ON THE BONDS; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS; OR (4) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE REGISTERED HOLDER OF THE BONDS.

THE INFORMATION CONTAINED HEREIN CONCERNING DTC AND ITS BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM DTC AND THE TOWN MAKES NO REPRESENTATION AS TO THE COMPLETENESS OR THE ACCURACY OF SUCH INFORMATION OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

Certificated Bonds

DTC may discontinue providing its services with respect to the Bonds at any time by giving notice to the Town and discharging its responsibilities with respect thereto under applicable law, or the Town may terminate its participation in the system of book-entry-only transfers through DTC at any time. In the event that such book-entry-only system is discontinued, the following provisions will apply: the Bonds will be issued in fully registered form in denominations of \$5,000 each or any integral multiple thereof. Principal of the Bonds when due will be payable upon presentation at the principal corporate trust office of the bank or trust company located and authorized to do business in the State to be named as fiscal agent by the Town upon termination of the book-entry-only system. Interest on the Bonds will remain payable on March 1, 2013, September 1, 2013 and semi-annually thereafter on March 1 and September 1 in each year until maturity. Such interest will be payable by check drawn on the fiscal agent and mailed to the registered owner on each interest payment date at the address as shown on the registration books of the fiscal agent as of fifteenth day of the calendar month preceding each such interest payment date. Bonds may be transferred or exchanged at no cost to the registered owner at any time prior to maturity at the office of the fiscal agent for Bonds of the same or any other authorized denomination or denominations in the same aggregate principal amount upon the terms set forth in the Bond Determinations Certificate of the Town Supervisor authorizing the sale of the Bonds and fixing the details thereof and in accordance with the provisions of the Local Finance Law. The fiscal agent shall not be obligated to make any such transfer or exchange of Bonds between the fifteenth day of the calendar month preceding an interest payment date and such interest payment date.

AUTHORIZATION AND PLAN OF REFUNDING

Authorization and Purpose

The Bonds are being issued pursuant to the Constitution and statutes of the State, including particularly Section 90.10 of the Local Finance Law, a refunding bond resolution adopted by the Town Board on September 12, 2012 (the "Refunding Bond Resolution") and other proceedings and determinations related thereto.

The Refunding Bond Resolution authorizes the refunding of all or a portion of the \$8,005,000 outstanding principal balance of the outstanding General Obligation Water System Refunding (Serial) Bonds, 2004 (Subject to AMT) originally issued by the Town in the aggregate principal amount of \$12,105,000, (the "Refunded Bonds"), and authorizes issuance of the Bonds to provide the funds necessary to effect the refunding of the Refunded Bonds.

The Refunded Bonds were issued by the Town to refund the \$11,325,000 outstanding principal balance of the Town's Water System Serial Bonds, 1994 (Subject to AMT) originally issued by the Town in the aggregate principal amount of \$13,815,000 (the "Original Bonds"). The Original Bonds were authorized by the Town Board and issued by the Town in 1994 pursuant to a bond resolution to provide funds for improvements and additions to the water supply facilities of Water District No. 1.

The Refunding Financial Plan

The Bonds are being issued to effect the refunding of the Refunded Bonds pursuant to the Town's refunding financial plan (the "Refunding Financial Plan"). The Refunding Financial Plan provides that the proceeds of the Bonds (after payment of the underwriting fee and other costs of issuance related to the Bonds) are to be applied to the purchase of the Government Obligations. The Government Obligations are to be placed in an irrevocable trust fund (the "Escrow Deposit Fund") with The Bank of New York Mellon (the "Escrow Holder") pursuant to the terms of an escrow contract (the "Escrow Contract") by and between the Town and the Escrow Holder. The Refunding Financial Plan further provides that the Government Obligations will mature in amounts and bear interest sufficient, together with any un-invested cash deposited into the Escrow Deposit Fund from proceeds of the Bonds, to meet principal and interest payments and redemption premiums with respect to the Refunded Bonds on the dates such payments are due or, in the case of Refunded Bonds, subject to redemption prior to maturity, upon their earliest redemption dates (the "Payment Dates"). The Refunding Financial Plan calls for the Escrow Holder, pursuant to the Refunding Bond Resolution and the Escrow Contract, to call for redemption all the then outstanding Refunded Bonds on their respective first permitted redemption date. The owners of the Refunded Bonds will have a first lien on all of the respective cash and securities necessary for the refunding in the Escrow Deposit Fund into which are required to be deposited all investment income on and maturing principal of the Government Obligations, together with the un-invested cash deposit, until the Refunded Bonds have been paid, whereupon the Escrow Contract, given certain conditions precedent, shall terminate.

The Town is expected to realize, as a result of the issuance of the Bonds, and in accordance with the Refunding Financial Plan, cumulative dollar and present value debt service savings.

Under the Refunding Financial Plan, the Refunded Bonds will continue to be general obligations of the Town and will continue to be payable from Town sources legally available therefore. However, inasmuch as the Government Obligations and cash held in the Escrow Deposit Fund will have been verified to be sufficient to meet all required payments of principal, interest and redemption premiums on the Refunded Bonds, it is not anticipated that such Town sources of payment will be used.

\$12,105,000 General Obligation Water System Refunding (Serial) Bonds, 2004 (Subject to AMT) – dated December 1, 2004

CUSIP BASE: 087311

<u>Due March 1st</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Redemption Date</u>	<u>Redemption Price</u>	<u>CSP</u>
2014	\$ 660,000	5.125%	3/01/2013	100.000%	YJ9
2015	695,000	5.250%	3/01/2013	100.000%	YK6
2016	730,000	5.500%	3/01/2013	100.000%	YL4
2017	770,000	5.500%	3/01/2013	100.000%	YM2
2018	810,000	5.250%	3/01/2013	100.000%	YN0
2019	855,000	5.375%	3/01/2013	100.000%	YP5
2020	905,000	5.375%	3/01/2013	100.000%	YQ3
2021	955,000	5.500%	3/01/2013	100.000%	YR1
2022	<u>1,005,000</u>	5.500%	3/01/2013	100.000%	YS9
	\$ 7,385,000				

Verification of Mathematical Computations

Stanley P. Stone & Associates, Inc. will deliver to the Town, on or before the settlement date of the Bonds, its attestation report indicating that it has verified, in accordance with standards established by the American Institute of Certified Public Accountants, the information and assertions provided by the Town and its representatives. Included in the scope of its engagement will be a verification of the mathematical accuracy of the mathematical computations of the adequacy of the cash and the maturing principal of and interest on, the Government Obligations used to fund the Escrow Deposit Fund to be established by the Escrow Holder to pay, when due, the principal of, redemption premium and interest on the Refunded Bonds.

The verification performed by Stanley P. Stone & Associates, Inc. will be solely based upon data, information and documents provided to Stanley P. Stone & Associates, Inc., by the Town and its representatives. Stanley P. Stone & Associates, Inc., reports of its verification will state Stanley P. Stone & Associates, Inc. has no obligations to update the report because of events occurring, or data or information coming to their attention, subsequent to the date of the report.

Sources and Uses of Bond Proceeds

Proceeds of the Bonds are to be applied as follows:

Sources:	Par Amount of the Bonds	\$6,715,000.00
	Original Issue Premium	<u>952,486.45</u>
	Total	\$7,667,486.45
Uses:	Deposit to Escrow Fund	\$7,582,541.29
	Underwriter's Discount	22,085.00
	Costs of Issuance and Contingency	<u>62,860.16</u>
	Total	\$7,667,486.45

THE TOWN

General Information

The Town of Bethlehem was incorporated in 1793. It has a land area of 52 square miles, a current population of 33,656 (2010 U.S. Census estimate) and is located in the upstate New York Capital Region in Albany County. It includes the hamlets of Delmar, Elsmere, Glenmont, Selkirk, Slingerlands and South and North Bethlehem. Situated approximately 6 miles south of the City of Albany, the capital of New York State, on the west bank of the Hudson River, the Town is primarily residential in nature. New York City is located approximately 150 miles south and Boston is located approximately 170 miles to the east. Residents have employment opportunities within the Capital Region.

The nearby Adirondack, Catskill and Berkshire mountains offer skiers, hikers and climbers world-class facilities, while boaters and water sports enthusiasts have Lake George only a short drive away. The Town has available all the usual commercial services in the hamlet of Delmar, as well as at various shopping centers within the Town.

The Town has its own Water District with a water filtration and supply system capable of delivering eight million gallons of water daily through about 190 miles of water mains. The Bethlehem Sewer District contains about 160 miles of sewer mains. Approximately 97% of the Town's residents are served by the Sewer District. The Town maintains its own Police Department. There are five volunteer fire districts in the Town with each district having a five-person Board of Commissioners or Board of Directors. Three volunteer ambulance companies provide ambulance service to the Town. The highway department is responsible for street and highway construction and repair. Gas and electricity are furnished by National Grid.

Rail passenger service to New York City and to the City of Buffalo and the west is provided by Amtrak at the Rensselaer station, which is located within close proximity to the Town and is easily accessible for residents. Major bus lines operate in all directions from the Albany Bus Terminal. Truck traffic is facilitated by US Interstates #87 (Adirondack Northway) and #90 (New York State Thruway). Other major highways include Interstate #787, US Routes #9W and #20, and State Routes #443 and #85. The Albany International Airport, located nearby in the Town of Colonie, provides passenger and freight service and accommodates both general aviation and military services.

Three Districts, Bethlehem Central School District, Ravena-Coeymans-Selkirk Central School District and Guilderland Central School District provide primary education. Higher education is afforded residents in the nearby City of Albany includes such institutions as the State University of New York at Albany, Albany Law School, Albany College of Pharmacy and Health Sciences and Albany Medical College. Additionally, Siena College is located in the Town of Colonie and Rensselaer Polytechnic Institute and Russell Sage College are located in the City of Troy.

Population Trends

	<u>Town of Bethlehem</u>	<u>Albany County</u>	<u>New York State</u>
1970	23,427	286,742	18,236,882
1980	24,296	285,909	17,558,072
1990	27,552	292,594	17,990,455
2000	31,304	294,585	18,976,457
2010	33,656	304,204	19,378,102

Sources: U.S. Census.

Wealth and Income Indicators

Per capita income statistics are available for the Town, County and State. Listed below are select figures from the 1990, 2000 and 2010 Census reports.

	<u>Per Capita Income</u>			<u>Median Family Income</u>		
	<u>1990</u>	<u>2000</u>	<u>2010</u>	<u>1990</u>	<u>2000</u>	<u>2010</u>
Town of:						
Bethlehem	\$ 21,564	\$ 31,492	\$ 39,867	\$ 54,029	\$ 77,211	\$104,387
County of:						
Albany	16,363	23,345	30,863	41,670	56,724	76,159
State of:						
New York	16,501	23,389	30,948	39,741	51,691	67,405

Note: 2011 estimates are not available as of the date of this Official Statement.

Source: U.S. Bureau of the Census.

Major Employers

The following table sets forth the names of the major employers located within the Town and the estimated number of persons employed by each:

<u>Name of Employer</u>	<u>Nature of Entity</u>	<u>Estimated Number of Employees</u>
Bethlehem Central School District	Public School	653
New Visions of Albany	Non-Profit Organization	630
Farm Family Insurance	Insurance	570
SABIC (formerly General Electric Plastics Mfg.)	Plastics Manufacturing	550
CSX	Utility – Rail Transport	535
Wal-Mart	Retail	406
Owens Corning	Fiberglass Manufacturing	365
Town of Bethlehem	Local Government	240
Slingerland I/II LaSalle Medical Offices LLC	Medical Offices	200
Lowe's	Retail	145

Construction Activity

The following table sets forth the number of building permits which were issued within the Town for the years 2006 through 2012:

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u> ⁽¹⁾
Residential:							
One Family	71	64	46	44	34	26	34
Two Family	7 (14 units)	1 (2 units)	0	0	0	0	0
Additions/Alterations	259	257	158	141	143	138	99
Town Houses	0	0	0	1 (mixed use)	0	0	0
Apartments	0	2 (8 units)	0	2 (5 units)	4 (22 units)	18 (93 units)	11 (86 units)
Commercial & Industrial	13	21	3	9	9	13	13
Non-Residential							
Additions/Alterations	34	36	45	58	28	94	94
Miscellaneous, Pools & Sheds	416	342	412	705	607	506	504

⁽¹⁾ As of October 4, 2012.

Form of Town Government

The Town functions under the Town Law of the State of New York. The chief executive, administrative and fiscal officer and Chairman of the Town Board is the Town Supervisor. The Supervisor is elected to a two-year term and is eligible to succeed his term. The Town Board, in addition to the Supervisor, is comprised of four councilmen who are elected to four-year terms. The Town Board reviews and adopts the annual Town budget, levies taxes, enacts ordinances and resolutions, administers municipal services and special Town districts, and appoints various personnel of the Town government. Two Town Justices who preside over weekly sessions of the Town Court, and a Receiver of Taxes and Assessments, who supervises the receipt and recording of the County, Town and school district taxes, are elected for four-year terms. The Town Clerk and Superintendent of Highways, who supervises the budget and personnel of the Highway Department, are elected to two-year terms.

Financial Organization

The Supervisor is the chief fiscal officer of the Town. The Town Board appoints the Comptroller who, along with the Supervisor, have responsibility for the Town's financial affairs, including reviewing the financial conditions of the Town and plans for the Town's financial needs. The Supervisor is responsible for the custody of the Town's funds and disbursement of Town expenses. The Comptroller is responsible for auditing the financial records of the Town and allowing claims and expenses. The Board of Assessment and Review has responsibility for assessing real property in the Town for ad valorem taxes. Taxes, including Albany County ad valorem taxes assessed in the Town, are collected by the Receiver of Taxes and Assessments. The Town maintains separate accounts of revenues and expenditures of the General Fund, Water District (Water Fund), its Sewer District (Sewer Fund) and its Highway Department (Highway Fund).

Budgetary Procedures

The Town Law of New York prescribes the method of budget procedures employed by the Town. In mid-August, administrative heads of the Town's departments are expected to prepare and file an estimate of revenues and expenditures during the next succeeding fiscal year with the Town Comptroller. The Town Supervisor prepares a tentative budget, which is presented to the Town Board, no later than September 30th. The tentative budget is filed with the Town Clerk and made available for inspection by interested persons during reasonable hours. A hearing on the preliminary budget is held on or before the Thursday immediately following the general election held each year in November. The Town Board adopts the preliminary budget, by a majority vote, which then becomes the annual fiscal budget, on or before November 20th. The 2013 budget was adopted on November 14, 2012.

Investment Policy

Pursuant to the statutes of the State of New York, the Town is permitted to invest only in the following investments: (1) special time deposits or certificates of deposits in a bank or trust company located and authorized to do business in the State of New York; (2) obligations of the United States of America; (3) obligations guaranteed by agencies of the United States of America where the payment of principal and interest is guaranteed by the United States of America; (4) obligations of the State of New York; (5) with the approval of the New York State Comptroller, tax anticipation notes and revenue anticipation notes issued by any New York municipality or district corporation, other than the Town; (6) obligations of a New York public corporation which are made lawful investments by the Town pursuant to another provision of law; (7) certain certificates of participation issued on behalf of political subdivisions of the State of New York; and, (8) in the case of Town moneys held in certain reserve funds established pursuant to law, obligations issued by the Town. These statutes further require that all bank deposits, in excess of the amount insured under the Federal Deposit Insurance Act, be secured by either a pledge of eligible securities, an eligible surety bond or an eligible letter of credit, as those terms are defined in the law.

State Aid

The Town receives financial assistance from the State. In its budget for the current fiscal year, approximately 7.7% of the General Fund revenues of the Town are estimated to be received in the form of State aid. If the State should not adopt its budget in a timely manner in any year, municipalities and school districts in the State, including the Town, may be affected by a delay in the payment of State aid.

The State is not constitutionally obligated to maintain or continue State aid to the Town. No assurance can be given that present State aid levels will be maintained in the future. In view of the State's continuing budget problems, future State aid reductions may occur. State budgetary restrictions which eliminate or substantially reduce State aid could have an effect

upon the Town requiring either a counterbalancing increase in revenues from other sources to the extent available, or a curtailment of expenditures.

Employees

The Town currently employs approximately 220 full-time employees, of which 52 are represented by the collective bargaining units listed below. 168 employees are not represented by any bargaining unit.

<u>Employees</u>	<u>Union Representation</u>	<u>Contract Expiration Date</u>
31	Bethlehem Police Benevolent Association	Expired – In Negotiation
11	AFL-CIO Council 66	Expired – In Negotiation
10	AFL-CIO Council 82	12/31/2014

Pension Payments

Substantially all employees of the Town are members of the New York State and Local Employees' Retirement System ("ERS") or Police and Fire Retirement System ("PFRS"). The ERS is generally also known as the "Common Retirement Fund" or "Retirement System". The obligation of employers and employees to contribute and the benefit to employees are governed by the New York State Retirement System and Social Security Law (the "Retirement System Law"). The Retirement System offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits and optional methods of benefit payments. All benefits generally vest after five years of credited service. The Retirement System Law generally provides that all participating employers in each retirement system are jointly and severally liable for any unfunded amounts. Such amounts are collected through annual billings to all participating employers. Generally, all employees, except certain part-time employees, participate in the Retirement System. The Retirement System is non-contributory with respect to members hired prior to July 27, 1976. All members hired on or after July 27, 1976 with at least ten years of service can discontinue the 3% contribution of gross annual salary toward the cost of retirement programs.

On December 12, 2009, a new Tier V was signed into law. The law became effective for new ERS hires on January 1, 2010. The legislation created a new Tier V pension level, the most significant reform of the State's pension system in more than a quarter-century. Key components of Tier V include:

- Raising the minimum age at which most civilians can retire without penalty from 55 to 62 and imposing a penalty of up to 38% for any civilian who retires prior to age 62.
- Requiring ERS employees to continue contributing 3% of their salaries.
- Increasing the minimum years of service required to draw a pension from 5 years to 10 years.
- Capping the amount of overtime that can be considered in the calculation of pension benefits for civilians at \$15,000 per year, and for police and firefighters at 15% of non-overtime wages.

On March 16, 2012 Governor Cuomo signed into law the new Tier VI public employee pension reform that will, according to the Governor's Office, save the State and local governments (including New York City) approximately \$80 billion over the next 30 years. The Tier VI plan only applies to those employees hired after April 1, 2012.

Below is a brief summary highlighting a number of components from the Tier VI legislation:

- The employee contribution rates will vary based on a salary sliding scale from 3% to 6% of salary.
- Under previous tiers, there was no limit to the number of public employers a public employee worked for from which retirement benefits could be calculated. Tier VI only permits two salaries to be included in the calculation.
- The legislation includes an optional defined contribution plan for new non-union contribution to employee contribution accounts. This is a voluntary option for those employees.
- The new tier increases the minimum retirement age from 62 to 63 and allows for early retirement with penalties. There will be a permanent reduction of a pension payout for each year a person retires prior to age 63.
- The pension multiplier for Tier VI will be 1.75% for the first 20 years of service and 2% starting in the 21st year.

The Town's contributions to ERS and PFRS since 2007, including the 2013 budgeted amount, are as follows:

<u>Year</u>	<u>ERS</u>	<u>PFRS</u>
2007	\$ 992,592	\$ 479,358
2008	959,170	488,604
2009	899,678	499,983
2010	826,029	511,982
2011	1,636,058	794,736
2012	1,763,202	857,536
2013 (Budgeted)	2,170,779	946,866

The annual required pension contribution is due February 1 annually with the ability to pre-pay on December 15 at a discount. The Town pays pension contributions in full each December to take advantage of the discount offered by the State.

Historically there has been a State mandate requiring full (100%) funding of the annual actuarially required local governmental contribution out of current budgetary appropriations. With the strong performance of the Retirement System in the 1990s, the locally required annual contribution declined to zero. However, with the subsequent decline in the equity markets, the pension system became underfunded. As a result, required contributions increased substantially for the employees' and the police and fire retirement systems, respectively. Wide swings in the contribution rate resulted in budgetary planning problems for many participating local governments.

The investment losses experienced in fiscal year 2009 negatively impacted the value of assets held for the Systems. The current actuarial smoothing method spreads the impact over a 5-year period, and thus contribution rates increased for fiscal years 2011 and 2012 and further increases are expected for fiscal years 2013 through 2015. The amount of such future increases depend, in part, on the value of the pension fund as of each April 1 as well as on the present value of the anticipated benefits to be paid by the pension fund as of each April 1. Final contribution rates for fiscal year 2012 were released in early September 2010. The average ERS rate increased from 11.9% of salary in fiscal year 2011 to 16.3% of salary in fiscal year 2012, while the average PFRS rate increased from 18.2% of salary in fiscal year 2011 to 21.6% of salary in fiscal year 2012. The contribution rates for fiscal year 2012 reflect the System's Actuary's recommendations, including a reduction in the assumed investment rate of return from 8% to 7.5%, based on the legally required five year review of actuarial assumptions. The contributions for 2013 range from 10.1% for Tier 6 ERS to 25.4% for Tier 1 ERS with the majority at 18.6% (Tiers 3 and 4). For PFRS, the range goes from 22.4% for Tier 6 to 30.7% for Tier 1, with the majority of employees at Tier 2 - 25.9%.

Chapter 57 of the Laws of 2010 (Part TT) amended the Retirement and Social Security Law to authorize participating local government employers, if they so elect, to amortize an eligible portion of their annual required contributions to both ERS and PFRS, when employer contribution rates rise above certain levels. The option to amortize the eligible portion began with the annual contribution due February 1, 2011. The amortizable portion of an annual required contribution is based on a "graded" rate by the State Comptroller in accordance with formulas provided in Chapter 57. Amortized contributions are to be paid in equal annual installments over a ten-year period, but may be prepaid at any time. Interest is to be charged on the unpaid amortized portion at a rate to be determined by State Comptroller, which approximates a market rate of return on taxable fixed rate securities of a comparable duration issued by comparable issuers. The interest rate is established annually for that year's amortized amount and then applies to the entire ten years of the amortization cycle of that amount. When in any fiscal year, the participating employer's graded payment eliminates all balances owed on prior amortized amounts, any remaining graded payments are to be paid into an employer contribution reserve fund established by the State Comptroller for the employer, to the extent that amortizing employer has no currently unpaid prior amortized amounts, for future such use.

The Town has opted to not amortize any of its contributions.

It should also be noted that the Town provides post-retirement healthcare benefits to various categories of former employees. These costs may be expected to rise substantially in the future. There is now an accounting rule that requires governmental entities, such as the Town, to account for post-retirement healthcare benefits as it accounts for vested pension benefits. GASB Statement No. 45 ("GASB 45") of the Governmental Accounting Standards Board ("GASB"), described below, requires such accounting.

School districts and boards of cooperative educational services, unlike other municipal units of government in the State, have been prohibited from reducing retiree health benefits or increasing health care contributions received or paid by retirees below the level of benefits or contributions afforded to or required from active employees since the implementation of Chapter 729 of the Laws of 1994. Legislative attempts to provide similar protection to retirees of other local units of government in the State, including the Town, have not succeeded as of this date. Nevertheless, many such retirees of all varieties of municipal units in the State do presently receive such benefits.

Other Post-Employment Benefits

GASB 45 and OPEB. OPEB refers to "other post-employment benefits," meaning other than pension benefits. OPEB consist primarily of health care benefits, and may include other benefits such as disability benefits and life insurance. Until now, these benefits have generally been administered on a pay-as-you-go basis and have not been reported as a liability on governmental financial statements.

GASB 45 requires municipalities and school districts to account for OPEB liabilities much like they already account for pension liabilities, generally adopting the actuarial methodologies used for pensions, with adjustments for the different characteristics of OPEB and the fact that most municipalities and school districts are prohibited by the NYS Comptroller to reserve funds against this liability. Unlike GASB 27, which covers accounting for pensions, GASB 45 does not require municipalities or school districts to report a net OPEB obligation at the start.

Under GASB 45, based on actuarial valuation, an annual required contribution ("ARC") will be determined for each municipality or school district. The ARC is the sum of (a) the normal cost for the year (the present value of future benefits being earned by current employees) plus (b) amortization of the unfunded accrued liability (benefits already earned by current and former employees but not yet provided for), using an amortization period of not more than 30 years. If a municipality or school district contributes an amount less than the ARC, a net OPEB obligation will result, which is required to be recorded as a liability on its financial statements.

GASB 45 does not require that the unfunded liability actually be amortized nor that it be advance funded, only that the municipality or school district account for its unfunded accrued liability and compliance in meeting its ARC.

In addition to providing pension benefits, the Town also provides certain health care benefits for retired employees and their dependents. Substantially all of the Town employees may become eligible for those benefits if they reach normal retirement age while working for the Town.

The Town has not recorded other postemployment benefits in accordance with the regulatory basis accounting principles. The amounts that would have been recorded as a liability, had other postemployment benefits been recorded in accordance with the regulatory basis accounting principles, is not known.

GASB 45 requires the Town to recognize the cost of pension benefits to be reflected in the financial statements in the periods in which the exchange occurs rather than in the periods when the benefits are paid. GASB 45 requires the services of an actuary to calculate current OPEB costs and to amortize prior service costs over a period not to exceed thirty years. The expense recognized under this policy would be significantly larger than prior practice which recognized expense on a pay-as-you-go basis. OPEB costs recognized by the Town as incurred were approximately \$626,000 in 2011 for 141 retirees.

An annual audit will be conducted on the Annual Financial Report as required to be submitted to the Office of the New York State Comptroller, using an Other Comprehensive Basis of Accounting (OCBOA), in that the financial statements will be prepared in conformity with the requirements of this regulatory agency. See "Financial Statements" herein.

Unemployment Rate Statistics

Unemployment statistics are not available for the Town as such. The smallest area for which such statistics are available (which includes the Town) is Albany County. The information set forth below with respect to Albany County is included for informational purposes only. It should not be implied from the inclusion of such data in this Official Statement that Albany County is necessarily representative of the Town, or vice versa.

	<u>Annual Average</u>						
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Albany County	4.0%	3.9%	3.9%	4.9%	6.9%	7.1%	7.0%
New York State	5.0%	4.6%	4.6%	5.4%	8.3%	8.6%	8.2%

	<u>2012 Monthly Figures</u>										
	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>
Albany County	7.6%	7.5%	7.1%	6.9%	7.4%	7.9%	8.1%	8.0%	7.4%	7.2%	N/A
New York State	9.1%	9.2%	8.7%	8.1%	8.6%	9.1%	9.1%	8.8%	8.2%	8.3%	N/A

Source: Department of Labor, State of New York. (Note: Figures not seasonally adjusted).

Other Information

The statutory authority for the power to spend money for the object or purpose, or to accomplish the object or purpose, for which the Bonds are to be issued is the Town Law and the Local Finance Law.

The Town is in compliance with the procedures for the validation of the Bonds provided in Title 6 of Article 2 of the Local Finance Law

No principal or interest upon any obligation of the Town is past due.

The fiscal year of the Town is the calendar year.

Except as set forth in "Estimated Overlapping Indebtedness" herein, this Official Statement does not include the financial data of any political subdivision having power to levy taxes within the Town.

Financial Statements

The Town retains an independent certified public accounting firm for a continuous independent audit of all financial transactions of the Town. The financial affairs of the Town are also subject to periodic reviews by the State Comptroller. The last independent audit covers the fiscal year ending December 31, 2011 and is attached hereto as APPENDIX - C to this Official Statement.

The Town complies with the Uniform System of Accounts as prescribed for towns in New York State by the State Comptroller. This System differs from generally accepted accounting principles as prescribed by the American Institute of Certified Public Accountants' Industry Audit Guide, "Audits of State and Local Governmental Units", and codified in Government Accounting, Auditing and Financial Reporting (GAAFR), published by the Governmental Accounting Standards Board (GASB).

The Town has chosen to defer implementation of GASB Statement No. 34 (and other subsequent statements), until such time as the benefits from compliance may outweigh the costs to comply. The Town's financial statements are prepared using an Other Comprehensive Basis of Accounting (OCBOA), in that the financial statements are prepared in conformity with the requirements of the Office of the New York State Comptroller, the regulatory agency. In addition, the Town continues to comply with the requirements of OMB Circular A-133, for its Single Audit.

TAX INFORMATION

Valuations

<u>Years Ending December 31:</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Assessed Valuation	\$ 3,128,941,346	\$ 3,154,890,131	\$ 3,158,310,641	\$ 3,178,151,468	\$ 3,173,786,789
New York State Equalization Rate	92.45%	92.45%	97.00%	97.00%	98.00%
Full Valuation	\$ 3,384,468,736	\$ 3,412,536,648	\$3,255,990,352	\$ 3,276,444,812	\$ 3,238,557,948

Tax Rate Per \$1,000 (Assessed)

<u>Years Ending December 31:</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
County	\$ 2.84	\$ 3.00	\$ 3.15	\$ 3.25	\$ 3.61
Town	.42	.44	.65	.66	0.65
Highway	1.24	1.32	1.24	1.25	1.29
Water	.56	.63	.60	.58	0.58
Sewer	.31	.32	.29	.29	0.31

Tax Collection Record

<u>Years Ending December 31:</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Tax Levy	\$ 23,124,584	\$ 24,673,983	\$ 25,540,423	\$ 26,273,437	\$ 27,501,637
Uncollected	N/A	N/A	N/A	N/A	N/A
% Uncollected	N/A	N/A	N/A	N/A	N/A

Tax Collection Procedure

Taxes are payable during the month of January without penalty. Penalties thereafter are imposed at a rate of 1% if paid in February and 2% if paid in March. In April the tax roll is returned to the County and taxes plus penalties are payable to the County. The Town retains the total amount of Town, Highway, Special District levies from the total collections and returns the balance plus the uncollected items to the County, which assumes responsibility and holds annual tax sales. As far as the Town is concerned there are no uncollected taxes. Payment in full of all Town items is guaranteed by the County.

The County of Albany acts as billing and collecting agent for real property taxes with respect to public utility (including special franchise) and railroad properties.

Larger Taxpayers Assessment Roll for 2012

Name	Type	Assessed Value
Selkirk Cogen	Utility	\$ 152,000,000
PSEG	Utility	105,354,789
National Grid	Utility	72,660,699
CSX (NY Central Lines)	Railroad	32,184,742
GE Noryl	Plastics Plant	27,722,700
Bethlehem Assoc. LLC	Retail	20,293,900
Verizon New York, Inc.	Special Franchise/Utility	18,952,378
Albany Water Board	Utility	14,582,931
Mansions At Delmar Investors	Apartments	13,700,000
Owens Corning Fiberglass	Fiberglass Manufacturing	9,500,000

The larger taxpayers listed above have a total assessed value of \$466,952,139 which represents 14.7% of the tax base of the town.

Additional Tax Information

Real property in the Town is assessed by the Town.

Veterans' and senior citizens' exemptions are offered to those who qualify.

The assessment roll of the Town is constituted approximately as follows: 73% Agricultural and Residential, 18% Commercial, Industrial, Other and 9 % Wholly Exempt.

The Town assessment roll is derived from the Town's Assessor and is modified according to Town requirements and standards.

The total 2012 property tax bill of a \$250,000 average assessed value residential property located in the Town is approximately \$7,200 including County, Town, and School District (2011/2012) taxes.

TAX LEVY LIMITATION LAW

Prior to the enactment of Chapter 97 of the Laws of 2011 (the "Tax Levy Limitation Law") on June 24, 2011, all the taxable real property within the Town had been subject to the levy of ad valorem taxes to pay the bonds and notes of the Town and interest thereon without limitation as to rate or amount. However, the Tax Levy Limitation Law imposes a tax levy limitation upon the Town for any fiscal year commencing after January 1, 2012, continuing through June 15, 2016 or later as provided in the Tax Levy Limitation Law, without providing an exclusion for debt service on obligations issued by the Town. As a result, the power of the Town to levy real estate taxes on all the taxable real property within the Town, without limitation as to rate or amount, may or may not be subject to statutory limitations, according to the formulas set forth in the Tax Levy Limitation Law. The actual effect of the Tax Levy Limitation Law would depend upon the interpretation of such law by a court of competent jurisdiction in the event of a legal challenge.

The following is a brief summary of certain relevant provisions of Tax Levy Limitation Law. The summary is not complete and the full text of the Tax Levy Limitation Law should be read in order to understand the details and implications thereof.

The Tax Levy Limitation Law imposes a limitation on increases in the real property tax levy of the Town, subject to certain exceptions. The Tax Levy Limitation Law permits the Town to increase its overall real property tax levy over the tax levy of the prior year by no more than the "Allowable Levy Growth Factor", which is the lesser of one and two-one hundredths or the sum of one plus the Inflation Factor; provided, however that in no case shall the levy growth factor be less than one. The "Inflation Factor" is the quotient of: (i) the average of the National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the coming fiscal year minus the average of the National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the prior fiscal year, divided by: (ii) the average of the National Consumer Price Indexes determined by the United States Department of Labor for the twelve-month period ending six months prior to the start of the prior fiscal year, with the result expressed as a decimal to four places. The Town is required to calculate its tax levy limit for the upcoming year in accordance with the provision above and provide all relevant information to the New York State Comptroller prior to adopting its budget. The Tax Levy Limitation Law sets forth certain exclusions to the real property tax levy limitation of the Town, including exclusions for certain portions of the expenditures for retirement system contributions and tort judgments payable by the Town. The Town Board may adopt a budget that exceeds the tax levy limit for the coming fiscal year, only if the governing board of the Town first enacts, by a vote of at least sixty percent of the total voting power of the Town Board, a local law to override such limit for such coming fiscal year.

The Tax Levy Limitation Law does not contain an exception from the levy limitation for the payment of debt service on either outstanding general obligation bonds or notes of the Town or such indebtedness incurred after the effective date of the Tax Levy Limitation Law. As such, there can be no assurances that the Tax Levy Limitation Law will not come under legal challenge for violating (i) Article VIII, Section 12 of the State Constitution for not providing an exception for debt service on obligations issued prior to the enactment of the Tax Levy Limitation Law, (ii) Article VIII, Section 10 of the State Constitution by effectively eliminating the exception for debt service to general real estate tax limitations, and (iii) Article VIII, Section 2 of the State Constitution by limiting the resources supporting the pledge of full faith and credit by a municipality or school district for the payment of debt service on obligations issued by such municipality or school district.

STATUS OF INDEBTEDNESS

Constitutional Requirements

The New York State Constitution limits the power of the Town (and other municipalities and certain school districts of the State) to issue obligations and to otherwise contract indebtedness. Such constitutional limitations in summary form, and as generally applicable to the Town and the Bonds include the following:

Purpose and Pledge. Subject to certain enumerated exceptions, the Town shall not give or loan any money or property to or in aid of any individual or private corporation or private undertaking or give or loan its credit to or in aid of any of the foregoing or any public corporation.

The Town may contract indebtedness only for a Town purpose and shall pledge its faith and credit for the payment of principal of and interest thereon.

Payment and Maturity. Except for certain short-term indebtedness contracted in anticipation of taxes or to be paid within three fiscal year periods, indebtedness shall be paid in annual installments commencing no later than two years after

the date such indebtedness shall have been contracted and ending no later than the expiration of the period of probable usefulness of the object or purpose as determined by statute; no installment may be more than fifty per centum in excess of the smallest prior installment, unless the Town Board authorizes and utilizes the issuance of bonds with substantially level or declining annual debt service. The Town is required to provide an annual appropriation for the payment of interest due during the year on its indebtedness and for the amounts required in such year for amortization and redemption of its serial bonds and such required annual installments on its notes.

Debt Limit. The Town has the power to contract indebtedness for any Town purpose so long as the principal amount thereof, subject to certain limited exceptions, shall not exceed seven per centum of the average full valuation of taxable real estate of the Town and subject to certain enumerated exclusions and deductions such as water and certain sewer facilities and cash or appropriations for current debt service. The constitutional method for determining full valuation is by taking the assessed valuation of taxable real estate as shown upon the latest completed assessment roll and dividing the same by the equalization rate as determined by the State Office of Real Property Services. The State Legislature is required to prescribe the manner by which such ratio shall be determined. Average full valuation is determined by taking the sum of the full valuation of the last completed assessment roll and the four preceding assessment rolls and dividing such sum by five.

Statutory Procedure

In general, the State Legislature has authorized the power and procedure for the Town to borrow and incur indebtedness by the enactment of the Local Finance Law subject, of course, to the provisions set forth above. The power to spend money, however, generally derives from other law, including specifically the Town Law and the General Municipal Law.

Pursuant to the Local Finance Law, the Town authorizes the issuance of bonds by the adoption of a bond resolution approved by at least two-thirds of the members of the Town Board, the finance board of the Town. Customarily, the Town Board has delegated to the Town Supervisor, as chief fiscal officer of the Town, the power to authorize and sell bond anticipation notes in anticipation of authorized bonds.

The Local Finance Law also provides that where a bond resolution is published with a statutory form of notice, the validity of the bonds authorized thereby, including bond anticipation notes issued in anticipation of the sale thereof, may be contested only if:

- (1) Such obligations are authorized for a purpose for which the Town is not authorized to expend money, or
- (2) There has not been substantial compliance with the provisions of law which should have been complied with in the authorization of such obligations and an action contesting such validity is commenced within twenty days after the date of such publication, or,
- (3) Such obligations are authorized in violation of the provisions of the Constitution.

Except on rare occasions the Town complies with this estoppel procedure. It is a procedure that is recommended by Bond Counsel, but it is not an absolute legal requirement.

Each bond resolution usually authorizes the construction, acquisition or installation of the object or purpose to be financed, sets forth the plan of financing and specifies the maximum maturity of the bonds subject to the legal (Constitution, Local Finance Law and case law) restrictions relating to the period of probable usefulness with respect thereto.

The Town Board, as the finance board of the Town, has the power to enact bond resolutions. In addition, such finance board has the power to authorize the sale and issuance of obligations. However, such finance board may, and generally does, delegate the power to sell the obligations to the Town Supervisor, the chief fiscal officer of the Town, pursuant to the Local Finance Law.

Statutory law in New York permits bond anticipation notes to be renewed each year provided annual principal installments are made in reduction of the total amount of such notes outstanding, commencing no later than two years from the date of the first of such notes and provided that such renewals do not exceed five years beyond the original date of borrowing. (See "Payment and Maturity" under "Constitutional Requirements" herein, and "Details of Outstanding Indebtedness" herein).

In general, the Local Finance Law contains provisions providing the Town with power to issue certain other short-term general obligation indebtedness including revenue and tax anticipation notes and budget notes (see "Details of Outstanding Indebtedness" herein).

Debt Outstanding End of Fiscal Year

<u>Fiscal Years Ending December 31:</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Bonds	\$ 11,520,000	\$ 12,715,000	\$ 19,808,000	\$ 18,745,000	\$ 17,640,000
Bond Anticipation Notes	2,722,500	4,583,250	143,000	1,505,000	2,900,000
Installment Loan	<u>189,611</u>	<u>86,148</u>	<u>0</u>	<u>0</u>	<u>0</u>
Totals	\$ 14,432,111	\$ 17,384,398	\$ 19,951,000	\$ 20,250,000	\$ 20,540,000

Details of Outstanding Indebtedness

The following table sets forth the indebtedness of the Town evidenced by serial bonds and bond anticipation notes as of November 29, 2012.

	<u>Maturity</u>	<u>Amount</u>
<u>Bonds</u>	2012-2037	\$ 16,875,000
<u>Bond Anticipation Notes</u>		
Police Vehicle Acquisition	BAN1 August 2, 2013	\$ 26,667
Highway Paving	BAN1 August 2, 2013	650,000
Water	BAN1 August 2, 2013	130,000
Sewer	BAN1 August 2, 2013	342,333
Equipment Acquisition	BAN2 August 2, 2013	12,000
Equipment Acquisition	BAN2 August 2, 2013	310,500
Town Hall Improvement	BAN2 August 2, 2013	393,000
Highway Paving	BAN2 August 2, 2013	715,000
Highway Paving	BAN3 August 2, 2013	597,000
Equipment Acquisition	BAN3 August 2, 2013	<u>299,000</u>
	Total Bond Anticipation Notes	\$ 3,475,500
	Total Debt	<u>\$ 20,350,500</u>

Debt Statement Summary

Summary of Indebtedness, Debt Limit and Net Debt-Contracting Margin as of November 29, 2012:

Five-Year Average Full Valuation of Taxable Real Property	\$ 3,313,599,699
Debt Limit - 7% thereof.....	231,951,979

Inclusions:

Bonds	\$ 16,875,000
Bond Anticipation Notes.....	<u>3,475,500</u>
Total Inclusions.....	\$ 20,350,500

Exclusions:

Water Debt ⁽¹⁾	\$ 8,005,000
Appropriations ⁽²⁾	<u>165,000</u>
Total Exclusions.....	<u>\$ 8,170,000</u>

Total Net Indebtedness	<u>\$ 12,180,500</u>
Net Debt-Contracting Margin.....	<u>\$ 219,771,479</u>
The percent of debt contracting power exhausted is	5.25%

The proceeds of the Bonds will refund \$7,385,000 serial bonds currently outstanding.

- (1) Water indebtedness is automatically excluded pursuant to the provisions of Article VIII, section 5B of the New York State Constitution.
- (2) Budgeted appropriations are automatically excluded pursuant to provision of the New York State Constitution and Section 136 of the Local Finance Law.

Bonded Debt Service

A schedule of Bonded Debt Service may be found as APPENDIX - B to this Official Statement.

Estimated Overlapping Indebtedness

In addition to the Town, the following political subdivisions have the power to issue bonds and to levy taxes or cause taxes to be levied on taxable real property in the Town. The estimated outstanding indebtedness of such political subdivisions is as follows:

	<u>Outstanding Indebtedness</u>	<u>Exclusions</u>	<u>Net Indebtedness</u>	<u>Approx. % Within Town</u>	<u>Applicable Net Indebtedness</u>
County of:					
Albany	\$ 274,806,031	\$ 54,193,732 ⁽¹⁾	\$ 220,612,299	13.14%	\$ 28,988,456
School Districts of:					
Bethlehem	98,109,588	69,461,588 ⁽²⁾	28,648,000	91.93%	26,336,106
Ravena-Coeymans-Selkirk	28,898,972	22,512,299 ⁽²⁾	6,386,673	38.11%	2,433,961
Guilderland	60,499,109	39,203,423 ⁽²⁾	21,295,686	6.00%	<u>1,277,741</u>
				Total	<u>\$ 59,036,264</u>

⁽¹⁾ Sewer and water indebtedness.

⁽²⁾ Estimated State Building aid.

Source: 2010 State Comptroller’s Report.

Debt Ratios

The following table sets forth certain ratios relating to the Town’s net indebtedness as of November 29, 2012:

**Debt Ratios
as of November 29, 2012**

	<u>Amount</u>	<u>Per Capita (a)</u>	<u>Percentage of Full Value (b)</u>
Gross Indebtedness (see “Debt Statement Summary”).....	\$ 20,350,500	\$ 604.66	0.63%
Net Indebtedness (see “Debt Statement Summary”)	12,180,500	361.91	0.38%
Gross Plus Net Overlapping Indebtedness (c)	79,386,764	2,358.77	2.45%
Net Plus Net Overlapping Indebtedness (c).....	71,216,764	2,116.02	2.20%

(a) According to the 2010 Federal Census, the population of the Town is 33,656.

(b) The Town's full value of taxable real estate for 2012 is \$3,238,557,948.

(c) The Town's estimated applicable share of net underlying indebtedness is \$59,036,264. (See "Estimated Overlapping Indebtedness" herein.)

Capital Plan Summary

The Town has a Capital Plan Projection which covers six years. It is an internal working document to be used by the Town Board and administrators as well as the Town's financial advisors and bond counsel. It provides a financial plan through which borrowing can be organized and scheduled and debt service impacts on future annual operating budgets can be predicted.

		<u>2012</u> <u>Plan</u>	<u>Proposed</u> <u>2013</u>	<u>Proposed</u> <u>2014</u>	<u>Proposed</u> <u>2015</u>	<u>Proposed</u> <u>2016</u>	<u>Proposed</u> <u>2017</u>	<u>Total</u> <u>Program</u>
Fund								
General	Operating	\$133,000	\$249,000	\$162,000	\$148,000	\$146,500	\$147,500	\$986,000
	Capital Reserve	\$406,000	\$454,500	\$470,000	\$225,000		\$125,000	\$1,680,500
	Debt Borrowing							\$189,000
	Grant		\$109,000	\$400,000				\$509,000
	Total	\$539,000	\$812,500	\$1,221,000	\$373,000	\$146,500	\$272,500	\$3,364,500
Highway Fund	Operating	\$103,073	\$389,000	\$779,000	\$789,000	\$589,000	\$989,000	\$3,638,073
	Capital Reserve	\$47,500						\$47,500
	Debt Borrowing	\$901,927	\$815,000	\$1,015,000	\$615,000	\$515,000	\$415,000	\$4,276,927
	Grant		\$1,120,000	\$160,000				\$1,280,000
	Total	\$1,052,500	\$2,324,000	\$1,954,000	\$1,404,000	\$1,104,000	\$1,404,000	\$9,242,500
Water Fund	Operating	\$513,300	\$658,000	\$195,000	\$125,000	\$110,000	\$8,000	\$1,609,300
	Capital Reserve	\$880,000	\$899,517	\$450,000	\$650,000	\$300,000	\$100,000	\$3,279,517
	Debt Borrowing	\$1,320,000	\$3,035,000	\$4,750,000	\$3,240,000	\$1,750,000	\$950,000	\$15,045,000
	Grant							
	Total	\$2,713,300	\$4,592,517	\$5,395,000	\$4,015,000	\$2,160,000	\$1,058,000	\$19,933,817
Sewer Fund	Operating	\$561,000	\$156,000	\$201,000	\$214,000	\$231,000	\$173,000	\$1,536,000
	Capital Reserve	\$30,000	\$898,483	\$115,000	\$80,000			\$1,123,483
	Debt Borrowing	\$1,500,000	\$1,400,000	\$460,000	\$1,880,000	\$3,100,000	\$1,725,000	\$10,065,000
	Grant		\$4,096,500	\$1,000,000				\$5,096,500
	Total	\$2,091,000	\$6,550,983	\$1,776,000	\$2,174,000	\$3,331,000	\$1,898,000	\$17,820,983
	Total All Funds	\$6,395,800	\$14,280,000	\$10,346,000	\$7,966,000	\$6,741,500	\$4,632,500	\$50,361,800

Authorized But Unissued Debt

Currently approved projects that the Town has not yet financed include:

- \$1,500,000 waste water pump station rehabilitation and replacement at New Scotland Road, Glenmont, Blessing Road, Hamagrael and Beverwyck.
- \$1,700,000 for the installation of a water transmission main at the New Salem Water Treatment Plant, installation of new pipeline, improvement to the well water discharge pipes, replacement of valve actuators and flow meters and related improvements.
- Ongoing FEMA related and reimbursed projects relating to Hurricane Irene.

The Town has no other projects authorized at this time.

SPECIAL PROVISIONS AFFECTING REMEDIES UPON DEFAULT

Section 3-a of the General Municipal Law provides, subject to exceptions not pertinent, that the rate of interest to be paid by the Town upon any judgment or accrued claim against it shall not exceed nine per centum per annum. This provision might be construed to have application to the holders of the Bonds in the event of a default in the payment of the principal of or interest on the Bonds.

In accordance with the general rule with respect to municipalities, judgments against the Town may not be enforced by levy and execution against property owned by the Town.

The Federal Bankruptcy Code allows public bodies recourse to the protection of a Federal Court for the purpose of adjusting outstanding indebtedness. Section 85.80 of the Local Finance Law contains specific authorization for any municipality in the State to file a petition under any provision of Federal bankruptcy law for the composition or adjustment of municipal indebtedness. While these provisions do not apply to Towns, there can be no assurance that they will not be made so applicable in the future.

At the Extraordinary Session of the State Legislature held in November, 1975, legislation was enacted which purported to suspend the right to commence or continue an action in any court to collect or enforce certain short-term obligations of The City of New York. The effect of such act was to create a three-year moratorium on actions to enforce the payment of such obligations. On November 19, 1976, the Court of Appeals, the State's highest court, declared such act to be invalid on the ground that it violates the provisions of the State Constitution requiring a pledge by such City of its faith and credit for the payment of such obligations.

As a result of the Court of Appeals decision, the constitutionality of that portion of Title 6-A of Article 2 of the Local Finance Law enacted at the 1975 Extraordinary Session of the State legislature authorizing any county, city, town or village with respect to which the State has declared a financial emergency to petition the State Supreme Court to stay the enforcement against such municipality of any claim for payment relating to any contract, debt or obligation of the municipality during the emergency period, is subject to doubt. In any event, no such emergency has been declared with respect to the Town.

The Constitutional provision providing for first revenue set asides does not apply to tax anticipation notes, revenue anticipation notes or bond anticipation notes.

MARKET AND RISK FACTORS

The financial condition of the Town as well as the market for the Bonds could be affected by a variety of factors, some of which are beyond the Town's control. There can be no assurance that adverse events in the nation, such as the current international financial crisis expected in the near term in the State and in other jurisdictions in the country, including, for example, the seeking by a municipality or large taxable property owner of remedies pursuant to the Federal Bankruptcy Code or otherwise, will not occur which might affect the market price of and the market for the Bonds. If a significant default or other financial crisis should occur in the affairs of the State or another jurisdiction, or any of its agencies or political subdivisions thereby further impairing the acceptability of obligations issued by borrowers within the State, both the ability of the Town to arrange for additional borrowings, and the market for and market value of outstanding debt obligations, including the Bonds, could be adversely affected.

The Town is dependent in part on financial assistance from the State. However, if the State should experience difficulty in borrowing funds in anticipation of the receipt of State taxes in order to pay State aid to municipalities and school districts in the State, including the Town, in any year, the Town may be affected by a delay, until sufficient taxes have been received by the State to make State aid payments to the Town. In several recent years, the Town has received delayed payments of State aid which resulted from the State's delay in adopting its budget and appropriating State aid to municipalities and school districts, and consequent delay in State borrowing to finance such appropriations. (See also "State Aid").

CONTINUING DISCLOSURE UNDERTAKING

In accordance with the requirements of Rule 15c2-12 as the same may be amended or officially interpreted from time to time (the "Rule") promulgated by the Securities and Exchange Commission (the "Commission"), the Town has agreed to provide, or cause to be provided, during the period in which the Bonds are outstanding, in a timely manner, to the Electronic Municipal Market Access ("EMMA") system of the Municipal Securities Rulemaking Board ("MSRB"), or any other entity designated or authorized by the Commission to receive reports pursuant to the rule:

- (i) during any succeeding fiscal year in which the Bonds are outstanding certain annual financial information and operating data for the preceding fiscal year, in a form generally consistent with the information contained or cross-referenced under the headings “The Town”, “Tax Information”, “Status of Indebtedness”, “Litigation” and all Appendices (other than any related to bond insurance) and a copy of the audited financial statement (prepared in accordance with generally accepted accounting principles in effect at the time of audit) for the preceding fiscal year, if any (collectively, the “Annual Information”); such information, data and audit, if any, will be so provided on or prior to the later of either the end of the sixth month of each such succeeding fiscal year or, if audited financial statements are prepared, sixty days following receipt by the Town of audited financial statements for the preceding fiscal year, but, in no event, not later than the last business day of each such succeeding fiscal year.
- (ii) notice of the occurrence of any of the following events with respect to the Bonds, (each a “Material Event Notice”), not in excess of ten (10) business days after the occurrence of the event:
 - (a) principal and interest payment delinquencies
 - (b) non-payment related defaults, if material
 - (c) unscheduled draws on debt service reserves reflecting financial difficulties
 - (d) in the case of credit enhancement, if any, provided in connection with the issuance of the Bonds, unscheduled draws on credit enhancements reflecting financial difficulties
 - (e) substitution of credit or liquidity providers, or their failure to perform
 - (f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax- status of the Bonds
 - (g) modifications to rights of Bondholders, if material
 - (h) bond calls, if material and tender offers
 - (i) defeasances
 - (j) release, substitution, or sale of property securing repayment of the Bonds
 - (k) rating changes
 - (l) bankruptcy, insolvency, receivership or similar event of the Town
 - (m) the consummation of a merger, consolidation, or acquisition involving the Town or the sale of all or substantially all of the assets of the Town, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material
 - (n) appointment of a successor or additional trustee or the change of name of a trustee, if material

Event (c) is included pursuant to a letter from the SEC staff to the National Association of Bond Lawyers dated September 19, 1995. However, event (c) is not applicable, since no "debt service reserves" will be established for the Bonds.

With respect to event (d) the Town does not undertake to provide any notice with respect to credit enhancement added after the primary offering of the Bonds.

The Town may from time to time choose to provide notice of the occurrence of certain other events in addition to those listed above, if the Town determines that any such other event is material with respect to the Bonds; but the Town does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above.

- (iii) in a timely manner, to the MSRB or any other facility designated or authorized by the commissioner to receive reports pursuant to the Rule, notice of its failure to provide the aforementioned annual financial information and operating data and such audited financial statement, if any, on or before the date specified.

The Annual Information and the Material Event Notices, if any, will be filed with the Municipal Securities Rulemaking Board and its Electronic Municipal Market Access system for municipal securities disclosures.

The Town reserves the right to terminate its obligations to provide the aforescribed annual financial information and operating data and such audited financial statement, if any, and notices of material events, as set forth above, if and when the Town no longer remains an obligated person with respect to the Bonds within the meaning of the Rule. The Town acknowledges that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit of the holders of the Bonds (including holders of beneficial interests in the Bonds). The right of holders of the Bonds to enforce the provisions of the undertaking will be limited to a right to obtain specific enforcement of the Town's obligations under its continuing disclosure undertaking and any failure by the Town to comply with the provisions of the undertaking will neither be a default with respect to the Bonds nor entitle any holder of the Bonds to recover monetary damages.

The Town reserves the right to modify from time to time the specific types of information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the Town; provided that the Town agrees that any such modification will be done in a manner consistent with the Rule.

A Continuing Disclosure Undertaking Certificate to this effect shall be provided to the purchaser at closing.

In 2011, the Town did not timely file its Annual Information Statement for the Fiscal Year ending 2010 nor did it file a Material Event Notice in connection with its failure to file. However, on August 17, 2011, the Town filed its Annual Information Statement for its Fiscal Year ending 2010 and, as such, is now in full compliance with the Rule.

In addition, please note that, due to a clerical error, the EMMA website did not cross-reference the Town's continuing disclosure information for 2009 and 2010 with the Official Statement for the Town's \$7,958,000 Public Improvement (Serial) Bonds, 2009. The error has been rectified on EMMA's website.

TAX EXEMPTION

Federal Tax Exclusion

In the opinion of Hodgson Russ LLP, Albany, New York, Bond Counsel, under existing law, interest on the Bonds is excluded from the gross income of the owners thereof for federal income tax purposes. Further, (a) no opinion is expressed as to the exclusion from gross income of interest on any Bond during any period when such Bond is held by a "substantial user" of the facilities financed by the Bonds or a "related person" thereto, as those quoted terms are used in the Code, (b) the Town or another Person, by failing to comply with the requirements contained in the Code, may cause interest on the Bonds to become subject to federal income taxation from the date of issuance thereof, (c) interest on the Bonds is an item of tax preference for purposes of the alternative minimum tax imposed on individuals under Section 55 of the Code, (d) interest on the Bonds is included in the tax base for purposes of computing the alternative minimum tax on corporations under Section 56 of the Code and the branch profits tax under Section 884 of the Code.

Tax Requirements

In rendering the foregoing opinions, Hodgson Russ LLP noted that exclusion of the interest on the Bonds from gross income for federal income tax purposes may be dependent, among other things, on compliance with the applicable requirements of Sections 141, 142, 147, 148 and 149 of the Code and the regulations thereunder (collectively, the "Tax Requirements"). In the opinion of Hodgson Russ LLP, the Tax Regulatory Agreement establish requirements and procedures, compliance with which will satisfy the Tax Requirements.

In the Tax Regulatory Agreement the Town has covenanted to comply with the Tax Requirements, and refrain from taking any action which would cause the interest on the Bonds to be includable in gross income for federal income tax purposes. Any violation of the Tax Requirements may cause the interest on the Bonds to be included in gross income for federal income tax purposes from the date of issuance of the Bonds. Hodgson Russ LLP expresses no opinion regarding other federal tax consequences arising with respect to the Bonds.

The Tax Requirements referred to above, which must be complied with in order that interest on the Bonds remain excluded from gross income for federal income tax purposes, include, but are not limited to:

(1) The requirement that at least ninety-five percent (95%) of the net proceeds of the Bonds (i.e. proceeds of the issue minus amounts invested in a reasonably required reserve or replacement fund) actually be expended to finance the costs for the acquisition, construction, reconstruction or improvement of “facilities for the furnishing of water” within the meaning of Section 142(a)(4) of the Code (such costs are hereinafter referred to as “Qualified Costs”).

(2) The requirement that not more than two percent (2%) of the proceeds of the Bonds be utilized to finance the costs of issuance of the Bonds. The Town has indicated in the Tax Regulatory Agreement that not more than two percent (2%) of the proceeds of the Bonds will be utilized to finance the costs of issuance of the Bonds.

(3) The requirements contained in Section 148 of the Code relating to arbitrage bonds, including, but not limited to the requirement that the excess of all amounts earned on the investment of the Gross Proceeds of the Bonds over that which would have been earned on such Gross Proceeds had such Gross Proceeds been invested at a Yield equal to that on the Bonds, and any investment income earned on such excess, be rebated to the United States. The Town has agreed in the Tax Regulatory Agreement and the Indenture to comply with the requirements of Section 148 of the Code.

(4) The requirement contained in Section 149(b) of the Code that payment of principal or interest on the Bonds not be directly or indirectly guaranteed (in whole or in part) by the United States (or any agency or instrumentality thereof).

The benefits of the exclusion of interest on the Bonds from federal income taxation may be diminished by operation of certain provisions of the Code which affect recipients of social security and railroad retirement benefits.

Bonds Not Bank Qualified

The Bonds do not constitute “qualified tax-exempt obligations” within the meaning of the Code and if the Bonds are held by a financial institution, a portion of the interest expense allocable to the Bonds will not be deductible for federal income tax purposes.

Other Impacts

Prospective purchasers of the Bonds should be aware that ownership of, accrual or receipt of interest on, or disposition of, the Bonds may have collateral federal income tax consequences for certain taxpayers, including financial institutions, property and casualty insurance companies, S Corporations, certain foreign corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry such obligations. Prospective purchasers should consult their tax advisers as to any possible collateral consequences from their ownership of, or receipt of interest on, or disposition of, the Bonds. Bond Counsel expresses no opinion regarding any such collateral federal income tax consequences.

Information Reporting and Backup Withholding

In general, information reporting requirements will apply to non-corporate holders with respect to payments of principal, payments of interest and the proceeds of the sale of a Bond before maturity within the United States. Backup withholding may apply to holders of the Bonds under Section 3406 of the Code. Any amounts withheld under the backup withholding rules from a payment to a beneficial owner, and which constitutes over-withholding, would be allowed as a refund or a credit against such beneficial owner’s United States Federal income tax provided the required information is furnished to the Internal Revenue Service (the “Service”).

Future Legislation

Bond Counsel has not undertaken to advise in the future whether any events occurring after the date of issuance of the Bonds may affect the tax status of interest on the Bonds. The Code has been continuously subject to legislative modifications, amendments and revisions and proposals for further changes are regularly submitted by leaders of the legislative and executive branches of the federal government. No representation is made as to the likelihood of such proposals being enacted in their current or similar form, or if enacted, the effective date of any such legislation and no assurances can be given that such proposals or amendments will not materially and adversely affect the economic value of the Bonds or the tax consequences of ownership of the Bonds.

New York State Taxes

In the opinion of Bond Counsel, interest on the Bonds is exempt, under existing statutes, from New York State and New York City personal income taxes.

Miscellaneous

All quotations from and summaries and explanations of provisions of laws do not purport to be complete and reference is made to such laws for full and complete statements of their provisions.

ALL PROSPECTIVE PURCHASERS OF THE BONDS SHOULD CONSULT WITH THEIR TAX ADVISORS IN ORDER TO UNDERSTAND THE IMPLICATIONS OF THE CODE AS TO THE TAX CONSEQUENCES OF PURCHASING OR HOLDING THE BONDS.

LEGAL MATTERS

The legality of the authorization and issuance of the Bonds will be covered by the unqualified legal opinion of Hodgson Russ LLP, Bond Counsel, of Albany, New York. Such legal opinion will state that in the opinion of Bond Counsel (i) the Bonds have been authorized and issued in accordance with the Constitution and statutes of the State of New York and constitute valid and legally binding general obligations of the Town, all the taxable property within which is subject to the levy of ad valorem taxes to pay the Bonds and interest thereon, without limitation as to rate or amount (subject to certain recently enacted statutory limitations imposed by Chapter 97 of the 2011 Laws of New York), provided, that the enforceability (but not the validity) of the Bonds may be limited by any applicable existing or future bankruptcy, insolvency or other law (State or Federal) affecting the enforcement of creditors' rights, (a) may be limited by any applicable existing or future bankruptcy, insolvency or other law (State or federal) affecting the enforcement of creditors' rights, and (b) may be subject to the exercise of judicial discretion in appropriate cases, (ii) the Town has the power to comply with its covenant included in its arbitrage certificate with respect to the Bonds relating to compliance with the Code as it relates to the Bonds; provided, however, that the enforceability (but not the validity) of such covenants may be limited by any applicable existing or future bankruptcy, insolvency or other law (State or Federal) affecting the enforcement of creditors' rights; and (iii) assuming that the Town complies with such covenants interest on the Bonds is not includable in the gross income of the owners thereof for Federal income tax purposes under existing statutes and court decisions (as described in more detail in "Tax Exemption."

Such legal opinion also will state that (i) in rendering the opinions expressed therein, Bond Counsel has assumed the accuracy and truthfulness of all public records, documents and proceedings examined by Bond Counsel which have been executed or certified by public officials acting within the scope of their official capacities, and has not verified the accuracy or truthfulness thereof, and Bond Counsel also has assumed the accuracy of the signatures appearing upon such public records, documents and proceedings and such certifications; (ii) the scope of Bond Counsel's engagement in relation to the issuance of the Bonds has extended solely to the examination of the facts and law incident to rendering the opinions expressed therein; (iii) the opinions expressed therein are not intended and should not be construed to express or imply any conclusion that the amount of real property subject to taxation within the boundaries of the Town together with other legally available sources of revenue, if any, will be sufficient to enable the Town to pay the principal of and interest on the Bonds as the same respectively become due and payable; (iv) reference should be made to the Official Statement for factual information which, in the judgment of the Town, would materially affect the ability of the Town to pay such principal and interest; and (v) while Bond Counsel has participated in the preparation of the Official Statement, Bond Counsel has not verified the accuracy, completeness or fairness of the factual information contained therein and, accordingly, no opinion is expressed by Bond Counsel as to whether the Town, in connection with the sale of the Bonds, has made any untrue statement of a material fact, or omitted to state a material fact necessary in order to make any statements made, in the light of the circumstances under which they were made, not misleading.

Certain legal matters will be passed on for the Underwriter by its counsel, Cahill Gambino LLP, New York, New York.

LITIGATION

The Town is subject to a number of lawsuits in the ordinary conduct of its affairs. The Town does not believe, however, that such suits, individually or in the aggregate, are likely to have a material adverse effect on the financial condition of the Town.

There is no action, suit, proceedings or investigation, at law or in equity, before or by any court, public board or body pending or, to the best knowledge of the Town, threatened against or affecting the Town to restrain or enjoin the issuance, sale or delivery of the Bonds or the levy and collection of taxes or assessments to pay same, or in any way contesting or affecting the validity of the Bonds or any proceedings or authority of the Town taken with respect to the authorization, issuance or sale of the Bonds or contesting the corporate existence or boundaries of the Town.

FINANCIAL ADVISOR

Fiscal Advisors & Marketing, Inc. (the "Financial Advisor"), is a Municipal Advisor, registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Financial Advisor serves as independent financial advisor to the Town on matters relating to debt management. The Financial Advisor is a financial advisory and consulting organization and is not engaged in the business of underwriting, marketing, or trading municipal securities or any other negotiated instruments. The Financial Advisor has provided advice as to the plan of financing and the structuring of the Bonds and has reviewed and commented on certain legal documents, including this Official Statement. The advice on the plan of financing and the structuring of the Bonds was based on materials provided by the Town and other sources of information believed to be reliable. The Financial Advisor has not audited, authenticated, or otherwise verified the information provided by the Town or the information set forth in this Official Statement or any other information available to the Town with respect to the appropriateness, accuracy, or completeness of disclosure of such information and no guarantee, warranty, or other representation is made by the Financial Advisor respecting the accuracy and completeness of or any other matter related to such information and this Official Statement.

UNDERWRITING

The Bonds are being purchased by RBC Capital Markets, LLC (the "Underwriter") for reoffering to the public. The purchase contract for the Bonds provides that the Underwriter will purchase all of the Bonds, if any are purchased, at a purchase price equal to \$7,645,401.45 (being the par amount of the Bonds plus a net original issue premium of \$952,486.45, less an underwriter's fee for the transaction of \$22,085.00). The Underwriter is initially offering the Bonds to the public at the public offering yields indicated on the cover page but the Underwriter may offer and sell the Bonds to certain dealers, institutional investors and others (including sales for deposit into investment trusts, certain of which may be sponsored or managed by the Underwriter) at yields higher than the public offering yields stated on the cover page and the public offering yields may be changed from time to time by the Underwriter.

RATING

Standard & Poor's has assigned their rating of "AA" with a stable outlook to the Bonds. A rating reflects only the view of the rating agency assigning such rating and an explanation of the significance of such rating may be obtained from such rating agency. Generally, rating agencies base their ratings on the information and materials furnished to it and on investigations, studies and assumptions by the respective rating agency. There is no assurance that a rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

MISCELLANEOUS

So far as any statements made in this Official Statement involve matters of opinion or estimates whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of the statements will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the holders of the Bonds.

Fiscal Advisors & Marketing, Inc. may place a copy of this Official Statement on its website at www.fiscaladvisors.com. Unless this Official Statement specifically indicates otherwise, no statement on its website is included by specific reference or constitutes a part of this Official Statement. Fiscal Advisors & Marketing, Inc. has prepared its website information for your convenience, but you should not make any decision in reliance upon that information. Typographical or other errors may have occurred in converting original source documents to digital format, and Fiscal Advisors & Marketing, Inc. assumes no liability or responsibility for errors or omissions on its website. Further, Fiscal Advisors & Marketing, Inc. disclaims any duty or obligation either to update or to maintain that information or any responsibility or liability for any damages caused by viruses in the electronic files on its website. Fiscal Advisors & Marketing, Inc. also assumes no liability or responsibility for any errors or omissions or for any updates to dated website information.

Town will act as Paying Agent for the Bonds.

The Town's contact information is as follows: Mr. Michael E. Cohen, Town Comptroller, Town Hall, Room 205, 445 Delaware Avenue, Delmar, New York 12054, Phone (518) 439-4955 x 1123, Fax (518) 475-0520, Email: mcohen@townofbethlehem.org

This Official Statement has been duly executed and delivered by the Town Supervisor in the Town of Bethlehem, on behalf thereof.

TOWN OF BETHLEHEM

Dated: December 4, 2012

JOHN CLARKSON
Town Supervisor

GENERAL FUND

Balance Sheets

Fiscal Years Ending December 31:	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
ASSETS						
Cash	\$ 1,252,658	\$ 1,131,572	\$ 2,997,562	\$ 1,158,224	\$ 771,110	\$ 1,270,114
Restricted Assets	25,350	-	-	-	-	-
Accounts Receivable	225,004	230,869	240,715	267,901	285,628	183,772
Due from Other Funds	-	-	-	-	-	-
Due From Other Governments	3,291,390	3,362,701	3,083,047	3,041,882	2,959,366	3,514,086
State and Federal Aid Receivable	171,115	55,421	35,478	176,038	145,740	157,583
Prepaid Expenses	994,580	983,156	947,331	923,103	1,355,846	500,642
Inventories	23,456	32,150	30,690	46,550	59,959	75,029
TOTAL ASSETS	<u>\$ 5,983,553</u>	<u>\$ 5,795,869</u>	<u>\$ 7,334,823</u>	<u>\$ 5,613,698</u>	<u>\$ 5,577,649</u>	<u>\$ 5,701,226</u>
LIABILITES AND FUND EQUITY						
Accounts Payable	\$ 465,393	\$ 283,412	\$ 371,819	\$ 293,263	\$ 362,490	\$ 334,288
Accrued Liabilities	221,318	219,944	311,677	361,067	421,711	468,599
Due to Other Funds	82,205	125,100	148,147	152,501	144,316	241,325
Due to Other Governments	242,056	421,396	1,709,351	556,974	659,386	609,718
Deferred Revenues	132,655	102,588	325,744	347,806	250,830	495,418
TOTAL LIABILITES	<u>1,143,627</u>	<u>1,152,440</u>	<u>2,866,738</u>	<u>1,711,611</u>	<u>1,838,733</u>	<u>2,149,348</u>
FUND EQUITY						
Reserved	\$ 106,990	\$ 328,970	\$ 244,694	\$ 197,048	\$ 111,930	\$ 575,671
Unreserved:						
Appropriated	384,000	875,000	742,000	573,627	130,196	159,528
Unappropriated	4,348,936	3,439,459	3,481,391	3,131,412	3,496,790	2,816,679
TOTAL FUND EQUITY	<u>4,839,926</u>	<u>4,643,429</u>	<u>4,468,085</u>	<u>3,902,087</u>	<u>3,738,916</u>	<u>3,551,878</u>
TOTAL LIABILITES and FUND EQUITY	<u>\$ 5,983,553</u>	<u>\$ 5,795,869</u>	<u>\$ 7,334,823</u>	<u>\$ 5,613,698</u>	<u>\$ 5,577,649</u>	<u>\$ 5,701,226</u>

Source: Audited financial reports of the Town.

GENERAL FUND

Revenues, Expenditures and Changes in Fund Balance

Fiscal Years Ending December 31:	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
REVENUES						
Real Property Taxes	\$ 951,300	\$ 1,217,400	\$ 1,324,000	\$ 1,393,000	\$ 2,056,672	\$ 2,078,649
Real Property Tax Items	373,791	449,308	479,270	483,468	684,528	700,374
Non Property Tax Items	10,149,035	10,309,737	10,610,925	9,814,812	10,152,027	10,807,725
Departmental Income	1,665,263	1,694,956	1,815,396	1,431,267	1,535,634	1,640,781
Intergovernmental Charges	216,700	216,965	52,440	45,000	34,500	-
Use of Money & Property	199,197	212,385	182,614	83,135	83,320	91,169
Licenses and Permits	13,620	13,918	12,083	12,789	12,711	40,912
Fines and Forfeitures	556,025	553,340	544,859	533,559	500,567	496,517
Sale of Property and Compensation for Loss	127,306	169,071	89,448	127,144	118,346	208,169
Miscellaneous	70,711	59,253	62,483	223,366	33,213	68,219
Interfund Revenues	29,600	30,600	31,860	32,834	33,167	237
Revenues from State Sources	1,710,240	1,527,333	1,476,327	1,377,471	1,183,048	1,521,173
Revenues from Federal Sources	82,972	13,147	37,643	75,045	68,810	61,524
Total Revenues	\$ 16,145,760	\$ 16,467,415	\$ 16,719,348	\$ 15,632,890	\$ 16,496,543	\$ 17,715,449
EXPENDITURES						
General Government Support	\$ 3,903,387	\$ 3,931,602	\$ 4,047,322	\$ 4,011,499	\$ 4,150,204	\$ 3,599,216
Education	20,368	49,995	34,330	14,076	1,192	15,455
Public Safety	7,031,139	7,341,466	9,478,284	7,289,493	7,552,432	6,084,461
Health	1,934	1,782	1,823	7,102	4,117	1,539
Transportation	671,624	686,935	720,198	602,669	609,564	561,516
Economic Assistance and Opportunity	470,974	496,800	563,325	592,783	545,346	441,663
Culture and Recreation	1,543,744	1,638,993	1,778,285	1,923,341	1,853,220	1,518,065
Home and Community Services	1,980,034	2,038,330	1,990,778	1,448,549	1,551,555	1,288,103
Employee Benefits	341,819	373,498	247,663	243,905	364,636	4,104,093
Debt Service	180,209	104,511	142,684	315,471	266,448	291,345
Total Expenditures	\$ 16,145,232	\$ 16,663,912	\$ 19,004,692	\$ 16,448,888	\$ 16,898,714	\$ 17,905,456
Excess of Revenues Over (Under) Expenditures	<u>528</u>	<u>(196,497)</u>	<u>(2,285,344)</u>	<u>(815,998)</u>	<u>(402,171)</u>	<u>(190,007)</u>
Other Financing Sources (Uses):						
Proceeds of Obligations	-	-	1,880,000	-	-	-
Operating Transfers In	-	-	240,000	250,000	250,000	923,709
Operating Transfers Out	(200,000)	-	(10,000)	-	(11,000)	(18,000)
Total Other Financing	<u>(200,000)</u>	<u>-</u>	<u>2,110,000</u>	<u>250,000</u>	<u>239,000</u>	<u>905,709</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(199,472)</u>	<u>(196,497)</u>	<u>(175,344)</u>	<u>(565,998)</u>	<u>(163,171)</u>	<u>715,702</u>
FUND BALANCE						
Fund Balance - Beginning of Year	\$ 5,039,398	\$ 4,839,926	4,643,429	4,468,085	3,902,087	3,738,916
Prior Period Adjustments (net)	-	-	-	-	-	(902,740)
Fund Balance - End of Year	\$ 4,839,926	\$ 4,643,429	\$ 4,468,085	\$ 3,902,087	\$ 3,738,916	\$ 3,551,878

Source: Audited financial reports of the Town. This Appendix is not itself audited.

GENERAL FUND

Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

Fiscal Years Ending December 31:

	2010		2011		2012	2013
	Adopted Budget	Actual	Modified Budget	Actual	Adopted Budget	Adopted Budget
REVENUES						
Real Property Taxes	\$ 2,056,672	\$ 2,056,672	\$ 2,078,649	\$ 2,078,649	\$ 2,078,649	\$ 2,078,649
Real Property Tax Items	703,164	684,528	700,965	700,374	701,337	96,075
Non Property Tax Items	10,317,000	10,152,027	10,044,238	10,807,725	10,458,846	11,215,150
Departmental Income	1,604,080	1,535,634	1,658,025	1,640,781	1,644,037	1,621,892
Intergovernmental Charges	47,450	34,500	-	-	84,500	87,200
Use of Money & Property	100,420	83,320	101,030	91,169	95,543	87,065
Licenses and Permits	12,850	12,711	50,990	40,912	36,450	36,315
Fines and Forfeitures	600,000	500,567	561,000	496,517	510,000	485,000
Sale of Property and Compensation for Loss	131,400	118,346	128,120	208,169	119,500	122,000
Miscellaneous	25,100	33,213	81,100	68,219	32,970	-
Interfund Revenues	32,834	33,167	-	237	677,914	524,801
Revenues from State Sources	1,401,500	1,183,048	1,561,085	1,521,173	1,376,500	1,267,250
Revenues from Federal Sources	37,000	68,810	43,000	61,524	24,600	73,540
Total Revenues	<u>\$ 17,069,470</u>	<u>\$ 16,496,543</u>	<u>\$ 17,008,202</u>	<u>\$ 17,715,449</u>	<u>\$ 17,840,846</u>	<u>\$ 17,694,937</u>
EXPENDITURES						
General Government Support	\$ 4,568,437	\$ 4,150,204	\$ 3,882,435	\$ 3,599,216	\$ 4,612,908	\$ 4,509,017
Education	-	1,192	15,456	15,455	-	-
Public Safety	7,918,063	7,552,432	6,084,459	6,084,461	8,283,353	7,994,810
Health	2,049	4,117	1,539	1,539	1,699	1,720
Transportation	724,634	609,564	568,346	561,516	684,955	715,800
Economic Assistance and Opportunity	591,519	545,346	441,663	441,663	576,142	574,868
Culture and Recreation	1,923,882	1,853,220	1,523,194	1,518,065	1,761,792	1,518,608
Home and Community Services	1,734,501	1,551,555	1,311,384	1,288,103	1,637,800	1,579,402
Employee Benefits	298,000	364,636	4,104,107	4,104,093	365,000	441,800
Debt Service	297,012	266,448	291,348	291,345	293,446	336,633
Total Expenditures	<u>\$ 18,058,097</u>	<u>\$ 16,898,714</u>	<u>\$ 18,223,931</u>	<u>\$ 17,905,456</u>	<u>\$ 18,217,095</u>	<u>\$ 17,672,658</u>
Excess of Revenues Over (Under) Expenditures	<u>(988,627)</u>	<u>(402,171)</u>	<u>(1,215,729)</u>	<u>(190,007)</u>	<u>(376,249)</u>	<u>22,279</u>
Other Financing Sources (Uses):						
Serial Bonds	-	-	-	-	-	-
Operating Transfers In	415,000	250,000	944,578	923,709	387,249	275,000
Operating Transfers Out	-	(11,000)	(18,000)	(18,000)	(11,000)	-
Total Other Financing	<u>415,000</u>	<u>239,000</u>	<u>926,578</u>	<u>905,709</u>	<u>376,249</u>	<u>275,000</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(573,627)</u>	<u>(163,171)</u>	<u>(289,151)</u>	<u>715,702</u>	<u>-</u>	<u>297,279</u>
FUND BALANCE						
Fund Balance - Beginning of Year	573,627	3,902,087	289,151	3,738,916	-	-
Prior Period Adjustments (net)	-	-	-	(902,740)	-	-
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ 3,738,916</u>	<u>\$ -</u>	<u>\$ 3,551,878</u>	<u>\$ -</u>	<u>\$ 297,279</u>

Source: Audited financial report and budget of the Town. This Appendix is not itself audited.

CHANGES IN FUND EQUITY

Fiscal Years Ending December 31:	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
HIGHWAY FUND						
Fund Equity - Beginning of Year	\$ 2,030,137	\$ 1,831,039	\$ 1,874,470	\$ 1,717,590	\$ 1,703,174	\$ 2,441,625
Prior Period Adjustments (net)	-	40,000	-	-	-	(237,975)
Revenues & Other Sources	5,714,424	5,884,401	6,004,854	6,433,792	5,910,180	6,225,445
Expenditures & Other Uses	5,913,522	5,840,969	6,161,734	6,448,208	5,171,729	6,417,447
Fund Equity - End of Year	\$ 1,831,039	\$ 1,874,470	\$ 1,717,590	\$ 1,703,174	\$ 2,441,625	\$ 2,011,648
WATER FUND						
Fund Equity - Beginning of Year	\$ 3,872,198	\$ 3,478,587	\$ 2,760,635	\$ 2,350,338	\$ 2,761,169	\$ 3,371,573
Prior Period Adjustments (net)	-	-	-	-	-	(147,653)
Revenues & Other Sources	7,972,190	8,110,530	7,964,325	8,383,119	8,830,928	8,749,414
Expenditures & Other Uses	8,365,801	8,828,482	8,374,622	7,972,288	8,220,524	8,854,450
Fund Equity - End of Year	\$ 3,478,587	\$ 2,760,635	\$ 2,350,338	\$ 2,761,169	\$ 3,371,573	\$ 3,118,884
SEWER FUND						
Fund Equity - Beginning of Year	\$ 1,604,000	\$ 1,153,113	\$ 1,261,274	\$ 1,332,515	\$ 2,113,442	\$ 2,226,292
Prior Period Adjustments (net)	-	-	-	-	-	(104,388)
Revenues & Other Sources	3,974,140	4,193,284	3,803,605	3,920,426	3,906,223	4,010,726
Expenditures & Other Uses	4,425,027	4,085,123	3,732,364	3,139,499	3,793,373	4,878,788
Fund Equity - End of Year	\$ 1,153,113	\$ 1,261,274	\$ 1,332,515	\$ 2,113,442	\$ 2,226,292	\$ 1,253,842

Source: Audited financial reports.

BONDED DEBT SERVICE

Fiscal Year Ending December 31st	PRIOR TO REFUNDING BONDS			Less: Refunded Bonds Debt Service	REFUNDING BONDS			Total New Debt Service
	Principal	Interest	Total	Service	Principal	Interest	Total	Service
2012	\$ 930,000	\$ 838,600.00	\$ 1,768,600.00	\$ 0.00	\$ 0	\$ 0.00	\$ 0.00	\$ 1,768,600.00
2013	975,000	792,575.00	1,767,575.00	397,737.50	65,000	204,356.94	269,356.94	1,639,194.44
2014	1,030,000	744,000.00	1,774,000.00	1,040,825.00	625,000	283,175.00	908,175.00	1,641,350.00
2015	1,085,000	695,062.50	1,780,062.50	1,040,668.75	650,000	260,800.00	910,800.00	1,650,193.75
2016	1,135,000	642,662.50	1,777,662.50	1,037,350.00	670,000	234,400.00	904,400.00	1,644,712.50
2017	1,195,000	585,200.00	1,780,200.00	1,036,100.00	700,000	207,000.00	907,000.00	1,651,100.00
2018	1,255,000	524,425.00	1,779,425.00	1,033,662.50	725,000	178,500.00	903,500.00	1,649,262.50
2019	1,080,000	468,625.00	1,548,625.00	1,034,421.88	760,000	145,000.00	905,000.00	1,419,203.12
2020	1,135,000	413,668.76	1,548,668.76	1,037,121.88	800,000	106,000.00	906,000.00	1,417,546.88
2021	1,195,000	356,725.00	1,551,725.00	1,036,537.50	840,000	65,000.00	905,000.00	1,420,187.50
2022	1,260,000	293,700.00	1,553,700.00	1,032,637.50	880,000	22,000.00	902,000.00	1,423,062.50
2023	265,000	228,225.00	493,225.00					493,225.00
2024	275,000	217,625.00	492,625.00					492,625.00
2025	285,000	206,625.00	491,625.00					491,625.00
2026	300,000	195,225.00	495,225.00					495,225.00
2027	310,000	183,225.00	493,225.00					493,225.00
2028	325,000	170,825.00	495,825.00					495,825.00
2029	340,000	157,825.00	497,825.00					497,825.00
2030	350,000	144,225.00	494,225.00					494,225.00
2031	365,000	129,787.50	494,787.50					494,787.50
2032	380,000	114,275.00	494,275.00					494,275.00
2033	400,000	97,650.00	497,650.00					497,650.00
2034	415,000	79,650.00	494,650.00					494,650.00
2035	435,000	60,975.00	495,975.00					495,975.00
2036	450,000	41,400.00	491,400.00					491,400.00
2037	470,000	21,150.00	491,150.00					491,150.00
TOTALS	\$ 17,640,000	\$ 8,403,931.26	\$ 26,043,931.26	\$ 9,727,062.51	\$ 6,715,000	\$ 1,706,231.94	\$ 8,421,231.94	\$ 24,738,100.69

TOWN OF BETHLEHEM

ALBANY COUNTY, NEW YORK

AUDITED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2011

Such Financial Report and opinions were prepared as of date thereof and have not been reviewed and/or updated in connection with the preparation and dissemination of this Official Statement.

TOWN OF BETHLEHEM, NEW YORK
REGULATORY BASIS FINANCIAL STATEMENTS
DECEMBER 31, 2011

TOWN OF BETHLEHEM, NEW YORK

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TOWN OF BETHLEHEM, NEW YORK
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 DECEMBER 31, 2011

The following discussion and analysis of the Town of Bethlehem's financial performance provides an overview of the Town's financial activities for the year ended December 31, 2011. This document should be read in conjunction with the Town's financial statements.

Financial Highlights

Summarized below are the operating results for the Town of Bethlehem:

In 2011 the Town's major funds were impacted by two significant events which negatively affected the Town's financial statements. In August, Hurricane Irene caused significant damage to property and infrastructure of the Town, and in September there was a change in the Office of the State Comptroller's (OSC) Guidance relating to the timing of the accounting for pension costs.

The General Fund, with a positive net operating result of \$716,000, was the only fund in which operating revenues exceeded operating expenses. This was primarily because the Town's collection of sales tax receipts exceeded expectations for the year due to updated census data as well as a recovering economy.

The Highway and Water Fund were positive to budget, but showed net operating losses. Although both funds made significant cutbacks to general discretionary spending, they were greatly impacted by Hurricane Irene and the pension change.

The Sewer Fund experienced a shortfall to budget. This was primarily the result of a decrease in anticipated user fees as well as the factors noted above.

In total, the Town expended \$1.37 million in unbudgeted funds as a direct result of Hurricane Irene across all four funds. While management has no official timetable from FEMA and SEMO, the Town expects that 100% of these expenditures will be reimbursed at some point in the future.

Refer to the following chart, which compares the budgeted revenue and expenditures with actual figures for 2011:

	<u>General</u>	<u>Highway</u>	<u>Water</u>	<u>Sewer</u>
Budgeted Revenue	\$17,671,131	\$7,103,255	\$8,813,699	\$4,148,985
Budgeted Expenses	<u>17,801,327</u>	<u>7,516,165</u>	<u>9,499,128</u>	<u>4,906,801</u>
Budgeted Surplus (Shortfall)	<u>\$ (130,196)</u>	<u>\$ (412,910)</u>	<u>\$ (685,429)</u>	<u>\$ (757,816)</u>
Actual Revenue	\$18,639,158	\$6,225,445	\$8,749,414	\$4,010,726
Operating Expenses	<u>17,923,456</u>	<u>6,417,447</u>	<u>8,854,450</u>	<u>4,878,788</u>
Operating Surplus (Shortfall)	715,702	(192,002)	(105,036)	(868,062)
Prior Period Change in Accounting Policy	(902,740)	(237,975)	(147,653)	(104,388)
Total Fund Balance, December 31, 2010	<u>3,738,916</u>	<u>2,441,625</u>	<u>3,371,573</u>	<u>2,226,292</u>
Total Fund Balance, December 31, 2011	<u>\$ 3,551,878</u>	<u>\$ 2,011,648</u>	<u>\$ 3,118,884</u>	<u>\$ 1,253,842</u>
Nonspendable Fund Balance	\$ 575,671	\$ 514,476	\$ 87,448	\$ 55,085
Assigned Appropriated Fund Balance	\$ 159,528	\$ 248,614	\$ 583,477	\$ 445,773
Assigned Appropriated for Contingency	\$ 2,816,679	\$ 1,248,558	\$ 2,447,959	\$ 752,984

General Items of Note for All Funds

Fringe Benefits

The Town employed approximately 234 full time employees, 31 part time employees and 259 seasonal employees during the year.

The following schedule provides comparative detail on aggregated fringe benefit costs:

<u>Fringe Benefits</u>	<u>2011 Actual</u>	<u>2010 Actual</u>
FICA and Medicare Taxes	\$ 1,141,672	\$ 1,155,589
Health and Dental Insurance	2,384,186	2,218,079
Retirement Systems	2,426,167	1,332,311
Workers' Compensation Insurance	537,662	479,635
Life and Short-Term Disability Insurance	44,867	28,493
Total	<u>\$ 6,534,554</u>	<u>\$ 5,214,107</u>

Overall, fringe benefits increased by \$1.3 million or 25.3%, and retirement system costs represent \$1.1 million of this variance. The primary driver of this one-time event relates to the reversal of OSC guidance from 2004 which changed the timing of when the Town accounts for its pension costs. The new guidance states that the expenditures which had previously been considered a 2011 cost now relate to the period covering April 2010 through March 2011, and what had been considered a 2012 cost now covered the period April 2011 through March 2012. This process also adversely affected spending to budget by roughly \$450,000, and caused the Town to report a prior period adjustment for the change in accounting policy.

Post Retirement Benefits

In addition to providing pension benefits, the Town provides certain health care benefits for retired employees and their spouses. Those benefits are provided through payments to an insurance company. The Town recognizes the cost of providing these benefits for 141 retirees by expensing the annual insurance premiums. The post retirement expense was approximately \$564,000 for 2010 and \$626,000 for 2011 resulting in a 10.99% increase in the expense.

The current prescribed method for local governments to report these expenditures is on a cash basis, where the cost equals amounts paid to the insurance carrier. However, GASB 45 is applicable to governments who prepare their financial statements in accordance with Generally Accepted Accounting Principles (GAAP), and became effective December 15, 2007. The standard requires the employer to recognize the future value of retiree benefits as a liability in the period in which the benefits are earned, which has the potential to significantly increase the reported obligations for the Town.

TOWN OF BETHLEHEM, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2011

Interest Income

A summary of the budgeted interest income compared to actual for 2011 is presented in the table below (note that the Town only budgets for interest income in the operating funds and not in the reserve funds):

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
General	\$ 22,030	\$ 10,377	\$ (11,653)
Highway	22,540	10,875	(11,665)
Water	26,000	10,416	(15,584)
Sewer	15,950	12,859	(3,091)
Capital	-	8,335	8,335
Total	<u>\$ 86,520</u>	<u>\$ 52,862</u>	<u>\$ (33,658)</u>

The interest earnings for 2011 were equal to \$52,862, a 5% increase from the 2010 earnings of approximately \$50,000. This contrasts with the decrease in the average rate earned on investments in 2011 which was .30% compared to an average rate of .32% for 2010. The net return on investments increased primarily because the Town closed three accounts with poor yields (M&T Bank, Citizens Bank and HSBC) and opened two new accounts (Berkshire Bank and Capital Bank) mid-year to take advantage of above average rates.

Summary of Long-term Liabilities

The following table presents a comparative overview of long-term obligations, which are reported in the Non-Current Government Liabilities Account Group, and are more fully described within the footnotes to the financial statements.

	<u>2011</u>	<u>2010</u>
Serial Bonds	\$ 17,640,000	\$ 18,745,000
Compensated Absences	253,845	296,475
Workers' Compensation	499,528	1,499,740
Landfill Closure and Post Closure	100,000	100,000
Judgments and Claims	60,000	70,000
Total Long-Term Debt	<u>\$ 18,553,373</u>	<u>\$ 20,711,215</u>

The projected long-term cost of workers' compensation was reduced by \$1 million primarily due to the termination (relating to a felony conviction) of an employee on permanent 207(c) leave.

Cumulative Effect on Change in Accounting Principles

As noted above, the Town, in accordance with updated guidance from the OSC, adjusted the accounting period for the invoices received relating to the New York State pension payments. This change adjusted the language from 2004 which allowed the Town to forgo booking any related expenses in that year. In 2011, the reductions in each of the fund balances relating to this change were approximately \$900,000, \$238,000, \$148,000 and \$104,000 in the General, Highway, Water and Sewer Funds, respectively.

Items of Note for the General Fund

Total revenues increased 11.29% from \$16.7 million in 2010 to \$18.6 million in 2011. Of those revenues, sales tax was up 8.1% from \$9.4 million in 2010 to \$10.2 million in 2011, and was \$858,000 more than the \$9.35 million the Town budgeted. Franchise fee revenues decreased 15.15%, from \$707,000 in 2010 to \$600,000 in 2011 due to a one-time occurrence in audit recoveries of \$144,000 in 2010. Total operating expenditures increased 5.99% from \$16.9 million in 2010 to \$17.9 million in 2011. In planning its 2011 budget, the Town appropriated \$130,000 of fund balance to use in operations. The Town's use of fund balance amounted to \$187,000, including the prior period adjustment of \$903,000, which was approximately \$57,000 more than budgeted. Without the prior period adjustment, the General Fund would have added \$716,000 to the 2011 fund balance.

Items of Note for the Highway Fund

The Highway Fund is largely funded with property taxes. Given the desire to maintain stability in the tax rates, the fund is at a greater risk for imbalance due to the trend for operating costs to rise at a faster rate than the tax base. The fund tries to preserve structural balance by managing the size of the workforce relative to the seasonal operating needs of the department. However, the growth in roads and sidewalks from new development continues to place service and cost pressures on the department. In 2010, the Town took out a BAN for \$780,000 to finance Town paving projects. In the current year, the Town refinanced the 2010 BAN and took out an additional BAN for \$1.1 million, covering additional paving projects for \$780,000 and equipment for \$360,000. The paving and equipment expenditures and corresponding liabilities are accounted for in the Highway Capital Fund.

Items of Note for the Water and Sewer Funds

The Water and Sewer Funds are largely funded with user charges and are somewhat easier to bring to a self-sustaining financial position, even considering the longer-term and sizeable infrastructure construction and maintenance costs for these funds. Surpluses will be kept in the fund to the extent they are needed to maintain sufficient cash flow.

The Water Fund's operating revenue decreased by \$82,000, or 0.09%, in 2011, primarily due to a decrease in water usage from April through September of 2011, mostly offset by a change in rate structure, which had the effect of a rate increase. Operating expenditures increased \$634,000, or 7.7%. The Town took out a BAN for \$150,000 in 2010 for equipment acquisition. While the BAN was refinanced in 2011, there was no additional borrowings during the year. The expenditures and corresponding liability are accounted for in the Water Capital Fund.

The Sewer Fund's operating revenue decreased by \$105,000, or 2.7%, in 2011 primarily because user charges decreased \$77,000 due to decreased usage of water (on which sewer charges are based). Operating expenditures increased 28.6% primarily due to spending on Hurricane Irene and the change in accounting for pension costs, as noted above. In 2010, the Town took out a BAN for \$395,000 for equipment acquisition. While the BAN was refinanced in 2011, there was no additional borrowing during the year. The expenditures and corresponding liability are accounted for in the Sewer Capital Fund.

TOWN OF BETHLEHEM, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2011

Analysis of Fund Balances

In the current year, the Town passed a fund balance policy that provides 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 2012, along with a calculation showing where the fund balances are as compared to this policy:

	<u>General</u>	<u>Highway</u>	<u>Water</u>	<u>Sewer</u>
Fund Balance, December 31, 2011	\$ 3,551,877	\$ 2,011,648	\$ 3,118,884	\$ 1,253,842
2012 Use of Fund Balance	(112,249)	(248,614)	(344,166)	(263,756)
Prior Year Encumbrances	(94,184)	(385,876)	(342,647)	(251,451)
Nonspendable Fund Balance	(575,671)	(514,476)	(87,448)	(55,085)
Infrastructure Reserve	-	-	(478,000)	-
Projected Balance, December 31, 2012	<u>\$ 2,769,773</u>	<u>\$ 862,682</u>	<u>\$ 1,866,623</u>	<u>\$ 683,550</u>
2012 Budgeted Appropriations	<u>\$18,228,095</u>	<u>\$ 6,518,756</u>	<u>\$9,333,090</u>	<u>\$ 4,507,774</u>
Percent of Appropriations	15.20%	13.23%	20.00%	15.16%
Floor - 7% of Budgeted Appropriations	\$ 1,275,967	\$ 456,313	\$ 653,316	\$ 315,544
Optimal - 15% of Budgeted Appropriations	\$ 2,734,214	\$ 977,813	\$ 1,399,964	\$ 676,166
Ceiling - 20% of Budgeted Appropriations	\$ 3,645,619	\$ 1,303,751	\$ 1,866,618	\$ 901,555

The projected 2011 levels for the operating funds indicate sufficient net assets to fund currently budgetary requirements. Balances held above the ceiling will be moved to the Capital Reserves.

Capital Reserves

The following chart lists the activity within the major Capital Reserve Funds:

	<u>General</u>	<u>Highway</u>	<u>Water</u>	<u>Sewer</u>	<u>Recreation</u>
Fund Balance, December 31, 2010	\$ 491,717	\$ (291,783)	\$ 1,798,283	\$ 221,473	\$ 506,635
Increases	74,425	53,785	13,032	26,552	948
Decreases	(459,168)	(978,899)	-	(130,198)	(3,351)
Fund Balance, December 31, 2011	<u>\$ 106,974</u>	<u>\$(1,216,897)</u>	<u>\$ 1,811,315</u>	<u>\$ 117,827</u>	<u>\$ 504,232</u>

These reserves provide a supplemental funding source for major capital expenditures. The Town is in the process of developing a formal capital plan, based on the Office of the State Comptroller model plan, which will identify a timetable for anticipated projects, estimated funding needs, and provide an indication of the source of the project's funding (reserves, capital leases, grants or bonded indebtedness).

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 John Clarkson, Supervisor, or to Michael Cohen, CPA, Comptroller, at 445 Delaware Avenue, Delmar, NY 12054.

The Town of Bethlehem Industrial Development Agency is a Component Unit of the Town of Bethlehem. Separately issued audited financial statements for the Town of Bethlehem Industrial Development Agency may be obtained by contacting Allen Maikels, CPA, BIDA CFO, at 21 Everett Road Extension, Albany, NY 12205.

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AND
NEW YORK STATE SOCIETY OF
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INDEPENDENT AUDITOR'S REPORT

To the Supervisor and Members of
the Town Board of the Town
of Bethlehem, New York

We have audited the accompanying regulatory basis financial statements of the Town of Bethlehem, New York, as of and for the year ended December 31, 2011, as listed in the table of contents. These financial statements are the responsibility of the Town of Bethlehem, New York's management. Our responsibility is to express an opinion on these regulatory basis financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the regulatory basis financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the regulatory basis financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall regulatory basis financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Town prepared these financial statements using accounting principles prescribed by the New York State Office of the State Comptroller to demonstrate compliance with the State's regulatory basis of accounting, which practices differ from accounting principles generally accepted in the United States of America. The differences between the regulatory basis of accounting and accounting principles generally accepted in the United States of America are also described in Note 1. The effect on the financial statements of the variances between these regulatory accounting practices generally accepted in the United States of America, although not reasonably determined, are presumed to be material.

In our opinion, because of the effects of the matters discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Town of Bethlehem, New York, as of December 31, 2011, and the changes in its financial position for the year then ended.

As described in Note (H), the Town has not recorded other postemployment benefits in accordance with the regulatory basis accounting principles. The amounts that would have been recorded as a liability, had other postemployment benefits been recorded in accordance with the regulatory basis accounting principles, is not known.

In our opinion, except for the recording of other postemployment benefits as previously described, the regulatory basis financial statements referred to above present fairly, in all material respects, the financial position of the Town of Bethlehem, New York as of December 31, 2011, and the results of its operations for the year then ended in conformity with accounting principles prescribed by the New York State Office of State Comptroller.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 11, 2012, on our consideration of the Town of Bethlehem's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the regulatory basis financial statements taken as a whole. The accompanying schedule of expenditures of federal awards on page 37 is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of Sales, Local Governments and Non-Profit Organizations, and is not a required part of the regulatory basis financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the regulatory basis financial statements taken as a whole.



CUSACK & COMPANY, CPA'S LLC

Latham, New York
July 11, 2012

TOWN OF BETHLEHEM, NEW YORK
GENERAL FUND
REGULATORY BASIS BALANCE SHEET
DECEMBER 31, 2011

Assets

Cash	\$ 1,270,114
Other receivables	183,772
State and federal receivables	157,583
Due from other governments	3,514,086
Inventory	75,029
Prepaid expenses	<u>500,642</u>

Total Assets \$ 5,701,226

Liabilities

Accounts payable	\$ 334,288
Accrued liabilities	468,599
Due to other governments	609,718
Due to other funds	241,325
Deferred revenues	<u>495,418</u>

Total Liabilities 2,149,348

Fund Balance

Reserved:	
Nonspendable	575,671
Assigned	159,528
Unassigned	<u>2,816,679</u>

Total Fund Balance 3,551,878

Total Liabilities and Fund Balance \$ 5,701,226

TOWN OF BETHLEHEM, NEW YORK
GENERAL FUND (CONTINUED)

REGULATORY BASIS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Modified</u> <u>Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Variance</u>
Revenues				
Real property tax	\$ 2,078,649	\$ 2,078,649	\$ -	\$ -
Real property tax items	700,965	700,374	-	(591)
Non-property tax items	10,044,238	10,807,725	-	763,487
Departmental income	1,658,025	1,640,781	-	(17,244)
Use of money and property	101,030	91,169	-	(9,861)
Licenses and permits	50,990	40,912	-	(10,078)
Fines and forfeitures	561,000	496,517	-	(64,483)
Sales of property and compensation for loss	128,120	208,169	-	80,049
Miscellaneous local sources	81,100	68,219	-	(12,881)
Interfund revenues	-	237	-	237
State aid	1,561,085	1,521,173	-	(39,912)
Federal aid	43,000	61,524	-	18,524
Total Revenues	17,008,202	17,715,449	-	707,247
Expenditures				
General government support	3,882,435	3,599,216	27,555	255,664
Education	15,456	15,455	-	1
Public safety	6,084,459	6,084,461	-	(2)
Health	1,539	1,539	-	-
Transportation	568,346	561,516	6,806	24
Economic assistance and opportunity	441,663	441,663	-	-
Culture and recreation	1,523,194	1,518,065	5,132	(3)
Home and community services	1,311,384	1,288,103	7,786	15,495
Employee benefits	4,104,107	4,104,093	-	14
Debt service (principal and interest)	291,348	291,345	-	3
Total Expenditures	18,223,931	17,905,456	47,279	271,196
Other Financing Sources and Uses				
Operating transfer in	944,578	923,709	-	(20,869)
Operating transfers out	(18,000)	(18,000)	-	-
Total Other Financing Sources and Uses	926,578	905,709	-	(20,869)
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources and Uses				
	\$ (289,151)	715,702	\$ (47,279)	\$ 957,574
Cumulative Effect of Change in Accounting Principle				
		(902,740)		
Fund Balance - January 1, 2011		3,738,916		
Fund Balance - December 31, 2011		\$ 3,551,878		

TOWN OF BETHLEHEM, NEW YORK
HIGHWAY FUND

Regulatory Basis Balance Sheet
December 31, 2011

Assets	
Cash	\$ 1,720,409
Other receivables	29,118
Due from other governments	196,959
Inventories	402,952
Prepaid Expenses	<u>111,524</u>
Total Assets	<u><u>\$ 2,460,962</u></u>
Liabilities	
Accounts payable	\$ 137,151
Accrued liabilities	115,204
Deferred revenue	<u>196,959</u>
Total Liabilities	<u><u>449,314</u></u>
Fund Balance	
Nonspendable:	514,476
Assigned	<u>1,497,172</u>
Total Fund Balance	<u><u>2,011,648</u></u>
Total Liabilities and Fund Balance	<u><u>\$ 2,460,962</u></u>

Regulatory Basis Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2011

	<u>Modified</u> <u>Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Variance</u>
Revenues				
Real property tax	\$ 3,973,588	\$ 3,973,588	\$ -	\$ -
Real property tax items	1,311,427	1,317,973	-	6,546
Use of money and property	22,540	10,875	-	(11,665)
Intergovernmental charges	13,000	16,096	-	3,096
Sales of property and compensation for loss	12,700	63,425	-	50,725
Miscellaneous local sources	-	6,711	-	6,711
Interfund revenues	380,000	516,473	-	136,473
State aid	250,000	248,892	-	(1,108)
Federal aid	<u>-</u>	<u>71,412</u>	<u>-</u>	<u>71,412</u>
Total Revenues	<u><u>5,963,255</u></u>	<u><u>6,225,445</u></u>	<u><u>-</u></u>	<u><u>262,190</u></u>
Expenditures				
Transportation	5,823,852	4,454,363	-	1,369,489
Employee benefits	1,639,385	1,639,385	-	-
Debt service	<u>113,926</u>	<u>59,078</u>	<u>-</u>	<u>54,848</u>
Total Expenditures	<u><u>7,577,163</u></u>	<u><u>6,152,826</u></u>	<u><u>-</u></u>	<u><u>1,424,337</u></u>
Other Financing Sources and Uses				
Bond Proceeds	1,140,000	-	-	(1,140,000)
Operating transfers out	<u>(278,550)</u>	<u>(264,621)</u>	<u>-</u>	<u>13,929</u>
Total Other Financing Sources and Uses	<u><u>861,450</u></u>	<u><u>(264,621)</u></u>	<u><u>-</u></u>	<u><u>(1,126,071)</u></u>
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources and Uses				
	<u><u>\$ (752,458)</u></u>	(192,002)	<u><u>\$ -</u></u>	<u><u>\$ 560,456</u></u>
Cumulative Effect of Changes in Accounting Principle				
		(237,975)		
		<u>2,441,625</u>		
Fund Balance - January 1, 2011		<u><u>\$ 2,011,648</u></u>		
Fund Balance - December 31, 2011				

TOWN OF BETHLEHEM, NEW YORK
WATER FUND

Regulatory Basis Balance Sheet
December 31, 2011

Assets	
Cash	\$ 1,470,249
Other receivables	2,051,650
Due from other governments	642,274
Inventories	10,170
Prepaid expenses	<u>77,278</u>
Total Assets	<u><u>\$ 4,251,621</u></u>
Liabilities	
Accounts payable	\$ 370,602
Accrued liabilities	104,822
Deferred revenues	<u>657,313</u>
Total Liabilities	<u><u>1,132,737</u></u>
Fund Balance	
Nonspendable	87,448
Assigned	<u>3,031,436</u>
Total Fund Balance	<u><u>3,118,884</u></u>
Total Liabilities and Fund Balance	<u><u>\$ 4,251,621</u></u>

Regulatory Basis Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2011

	<u>Modified Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Variance</u>
Revenues				
Real property tax	\$ 1,945,194	\$ 1,945,194	\$ -	\$ -
Departmental income	6,701,905	6,628,908	-	(72,997)
Use of money and property	146,000	131,708	-	(14,292)
Sale of property and compensation for loss	20,000	36,937	-	16,937
Miscellaneous local sources	600	2,257	-	1,657
Interfund revenues	<u>-</u>	<u>4,410</u>	<u>-</u>	<u>4,410</u>
Total Revenues	<u><u>8,813,699</u></u>	<u><u>8,749,414</u></u>	<u><u>-</u></u>	<u><u>(64,285)</u></u>
Expenditures				
Home and community services	7,244,565	6,507,779	239,311	497,475
Employee benefits	881,724	869,291	-	12,433
Debt service (principal and interest)	<u>1,266,826</u>	<u>1,266,819</u>	<u>-</u>	<u>7</u>
Total Expenditures	<u><u>9,393,115</u></u>	<u><u>8,643,889</u></u>	<u><u>239,311</u></u>	<u><u>509,915</u></u>
Other Financing Uses				
Operating transfers out	<u>(210,561)</u>	<u>(210,561)</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Uses				
	<u><u>\$ (789,977)</u></u>	<u><u>(105,036)</u></u>	<u><u>\$ (239,311)</u></u>	<u><u>\$ 445,630</u></u>
Cumulative Effect of Change in Accounting Principle				
		(147,653)		
Fund Balance - January 1, 2011				
		<u><u>3,371,573</u></u>		
Fund Balance - December 31, 2011				
		<u><u>\$ 3,118,884</u></u>		

TOWN OF BETHLEHEM, NEW YORK
SEWER FUND

Regulatory Basis Balance Sheet
December 31, 2011

Assets	
Cash	\$ 718,541
Other receivables	689,026
Due from other governments	508,718
Prepaid expenses	<u>55,085</u>
Total Assets	<u>\$ 1,971,370</u>
Liabilities	
Accounts payable	\$ 71,940
Accrued liabilities	86,692
Deferred revenues	<u>558,896</u>
Total Liabilities	<u>717,528</u>
Fund Balance	
Unspendable	
Assigned	55,085
Total Fund Balance	<u>1,198,757</u>
Total Liabilities and Fund Balance	<u>1,253,842</u>
	<u>\$ 1,971,370</u>

Regulatory Basis Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2011

	<u>Modified</u> <u>Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Variance</u>
Revenues				
Real property tax	\$ 1,527,234	\$ 1,527,234	\$ -	\$ -
Departmental income	2,605,881	2,466,038	-	(139,843)
Use of money and property	15,950	12,859	-	(3,091)
Sale of property and compensation for loss	-	2,631	-	2,631
Miscellaneous local sources	-	1,524	-	1,524
Federal aid	-	440	-	440
Total Revenue	<u>4,149,065</u>	<u>4,010,726</u>	<u>-</u>	<u>(138,339)</u>
Expenditures				
Home and community services	3,957,740	3,559,654	182,017	216,069
Employee benefits	555,227	548,247	-	6,980
Debt service (principal and interest)	<u>685,181</u>	<u>597,360</u>	<u>-</u>	<u>87,821</u>
Total Expenditures	<u>5,198,148</u>	<u>4,705,261</u>	<u>182,017</u>	<u>310,870</u>
Other Financing Uses				
Operating transfers out	<u>(173,527)</u>	<u>(173,527)</u>	<u>-</u>	<u>-</u>
Total Other Financing Uses	<u>(173,527)</u>	<u>(173,527)</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Uses				
	<u>\$ (1,222,610)</u>	(868,062)	<u>\$ (182,017)</u>	<u>\$ 172,531</u>
Cumulative Effect of Change in Accounting Principle		(104,388)		
Fund Balance - January 1, 2011		<u>2,226,292</u>		
Fund Balance - December 31, 2011		<u>\$ 1,253,842</u>		

TOWN OF BETHLEHEM, NEW YORK
AMBULANCE FUND

Regulatory Basis Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2011

	<u>Actual</u>
Revenues	
Real property taxes and tax items	\$ 1,462,491
Total Revenues	<u>1,462,491</u>
Expenditures	
Health	<u>1,187,491</u>
Total Expenditures	<u>1,187,491</u>
Other Financing Uses	
Operating transfer out	<u>(275,000)</u>
Excess of Revenues Over Expenditures	-
Fund Balance - January 1, 2011	<u>-</u>
Fund Balance - December 31, 2011	<u><u>\$ -</u></u>

TOWN OF BETHLEHEM, NEW YORK
SPECIAL GRANT FUND

Regulatory Basis Balance Sheet
December 31, 2011

Assets	
Cash	\$ 55,643
Total Assets	<u>\$ 55,643</u>
Liabilities	
Other liabilities	\$ 19,732
Deferred revenues	<u>35,911</u>
Total Liabilities	<u>55,643</u>
Fund Balance	
Unreserved:	
Unassigned	<u>-</u>
Total Fund Balance	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 55,643</u>

Regulatory Basis Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2011

	<u>Actual</u>
Revenues	
Use of money and property	\$ 50
Federal aid	<u>325,133</u>
Total Revenues	<u>325,183</u>
Expenditures	
Home and community services	<u>325,183</u>
Total Expenditures	<u>325,183</u>
Excess of Revenues Over Expenditures	
Fund Balance - January 1, 2011	<u>-</u>
Fund Balance - December 31, 2011	<u>\$ -</u>

TOWN OF BETHLEHEM, NEW YORK
CAPITAL PROJECTS FUND

Regulatory Basis Balance Sheet
December 31, 2011

Assets	
Cash	\$ 3,151,301
Cash - restricted	2,532,348
Total Assets	<u>\$ 5,683,649</u>
Liabilities	
Accounts payable and retainage	\$ 145,391
Notes payable	2,900,000
Total Liabilities	<u>3,045,391</u>
Fund Balance	
Reserved	2,532,348
Assigned	105,910
Total Fund Balance	<u>2,638,258</u>
Total Liabilities and Fund Balance	<u>\$ 5,683,649</u>

Regulatory Basis Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit)
For the Year Ended December 31, 2011

	<u>Actual</u>
Revenues	
Use of money and property	\$ 8,335
Miscellaneous local sources	329
Federal aid	46,291
	<u>54,955</u>
Other Financing Sources	
Operating transfers	18,000
Bond anticipation notes redeemed	1,505,000
Total Revenues and Other Financing Sources	<u>1,577,955</u>
Expenditures	
General government support	405,334
Public safety	53,832
Transportation	978,899
Culture and recreation	3,351
Home and community services	184,866
Debt service	1,290,000
Total Expenditures	<u>2,916,282</u>
Excess of Expenditures Over Revenues and Other Financing Sources	(1,338,327)
Fund Balance - January 1, 2011	<u>3,976,585</u>
Fund Balance - December 31, 2011	<u>\$ 2,638,258</u>

TOWN OF BETHLEHEM, NEW YORK
AGENCY FUND

Regulatory Basis Balance Sheet
December 31, 2011

Assets	
Cash	\$ 163,633
Due from other funds	<u>241,325</u>
Total Assets	<u><u>\$ 404,958</u></u>
Liabilities	
Agency liabilities	<u>\$ 404,958</u>
Total Liabilities	<u><u>\$ 404,958</u></u>

TOWN OF BETHLEHEM, NEW YORK
NON-CURRENT GOVERNMENTAL ASSETS ACCOUNT GROUP

Regulatory Basis Balance Sheet
December 31, 2011

Assets	
Land	\$ 18,74,465
Improvements other than buildings	8,599,827
Buildings	24,985,055
Machinery and equipment	19,656,911
Infrastructure	<u>10,520,530</u>
	<u>\$ 65,636,788</u>
Investment in Fixed Assets	<u>\$ 65,636,788</u>

TOWN OF BETHLEHEM, NEW YORK
NON-CURRENT GOVERNMENTAL LIABILITIES ACCOUNT GROUP

Regulatory Basis Balance Sheet
December 31, 2011

Assets	
Provisions to be made in future budgets	\$ 18,553,373
Total Assets	<u>\$ 18,553,373</u>
Liabilities	
Landfill closure and post closure costs	\$ 100,000
Judgments and claims payable	60,000
Compensated absences	253,845
Workers' Compensation	499,528
Bonds payable	<u>17,640,000</u>
Total Liabilities	<u>\$ 18,553,373</u>

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Bethlehem, New York (“the Town”) have been prepared in conformity with accounting principles prescribed by the New York State Office of the State Comptroller for complying with Article 3, Section 30 of General Municipal Law in which every municipal corporation is required to make an annual financial report. (Annual Update Document or “AUD”). The most significant difference between this regulatory basis of accounting and generally accepted accounting principles (“GAAP”) is that Government Accounting Standards Board (“GASB”) Statement 34 “Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments” need not be implemented to meet the requirements of General Municipal Law. GASB 34 requires significant changes including:

- Government-Wide Reporting
- Focus on Major Funds
- Changes in Budgetary Reporting
- Full Accrual Accounting Including Depreciation
- Management’s Discussion and Analysis
- Capitalization of Infrastructure Assets

Management has considered the costs and benefits of adopting GASB 34 and determined that preparing the financial statements utilizing another comprehensive basis of accounting as opposed to GAAP makes fiscal sense for the Town.

Although the AUD does not require the reporting of modified budget information, a budget to actual comparison has been included in these financial statements for each applicable fund.

The following is a summary of significant accounting policies:

A. Financial Reporting Entity

The Town of Bethlehem, New York, primary government, 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Continued)

The financial reporting entity includes all funds, account groups, functions and organizations over which the Town Officials exercise oversight responsibility. Oversight responsibility is determined on the basis of financial interdependency, selection of governing authority, designation of management, and ability to significantly influence operations and accountability for fiscal matters.

The reporting entity of the Town is based upon criteria set forth by GASB Statement No. 14, *The Financial Reporting Entity*. As required by OSC guidelines, the AUD of the reporting entity includes the Town (the primary government) and its blended component units. The Town has determined it has no blended component units based on the criteria set forth in GASB Statement 14.

B. Basis of Presentation

The accounts of the Town are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for within a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The following fund types and account groups are used.

Governmental Fund Types

Governmental funds are those through which most governmental functions of the Town are financed. The acquisition, use and balances of the Town's expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus of the governmental funds is upon determination of financial position and changes in financial position. The following are the Town's governmental fund types:

- a. General Fund - To account for all unrestricted resources except for those required to be accounted for in another fund. It operates within the financial limits of an annual budget adopted by the Town Board.
- b. Special Revenue Funds - To account for the proceeds of special revenue resources other than major capital projects or to finance specified activities as required by law or administrative regulations. Funds operate within the financial limits of an annual budget adopted by the Town Board and consist of the following:
 - 1) Highway Fund - Used to account for the revenues and expenditures for repairs and improvements to town highways; purchase, repair, maintenance and storage of highway machinery; tools and equipment, pursuant to Section 133 of the Highway Law; controlling weeds and brush along highway and snow removal for highways.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

Governmental Fund Types (Continued)

- b. Special Revenue Funds (Continued)
 - 2) Water District Fund - The Town has water a district used to account for the revenues and expenditures associated with providing water treatment and transportation.
 - 3) Sewer District Fund - The Town has three operating sewer districts used to account for the revenues and expenditures associated with providing sewage treatment services.
 - 4) Ambulance District Funds - There are three ambulance districts throughout the Town. Each district levies taxes on property owners within the District. Expenditures are made for providing ambulance service and advanced life support.
 - 5) Special Grant Fund - Used to account for funds received from the federal government to operate a public housing program for eligible low-income families and the elderly through an authorized public housing agency and other grant funds.
- c. Capital Projects Fund - used to account for financial resources to be used for the acquisition or construction of major capital facilities.
- d. Fiduciary Funds
 - 1) Agency Fund - Agency funds are used to account for money (and/or property) received and held in the capacity of trustee, custodian or agent.
- e. Accounts Groups

Account groups are used to establish accounting control and accountability for general fixed assets and general long-term debt. The two account groups are not “funds.” They are concerned with measurement of financial position and not results of operations.

 - 1) The Non-Current Governmental Assets Account Group - used to account for land, buildings, improvements other than buildings, and equipment utilized for general government purposes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

Governmental Fund Types (Continued)

- 2) The Non-Current Governmental Liabilities Account Group - used to account for all long-term debt except for short-term obligations. Also included are the estimated compensated absences liability of the Town.

C. Basis of Accounting/Measurement Focus

Basis of accounting refers to when revenues and expenditures/expenses and the related assets and liabilities are recognized in various funds and account groups. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus. Measurement focus is the determination of what should be measured, i.e. expenditures or expenses.

1. Governmental Funds - The modified accrual basis of accounting is followed by the governmental funds. Under this basis of accounting, revenues are recorded when susceptible to accrual, i.e. both measurable and available. Available means collectible within the current period or soon enough thereafter, within 60 days, to be used to pay liabilities of the current period.

Material revenue sources considered susceptible to accrual include real property taxes, State and Federal aid, sales tax and certain use charges in the special revenue funds. For those types of revenue sources, such as grants, where expenditures are the prime factors for determining eligibility, revenues are recognized when the expenditure is made.

Expenditures are recorded when the fund liability is incurred except that:

- a. Expenditures for prepaid expenses or inventory-type items are recognized at the time of the disbursement.
- b. Principal and interest on indebtedness are recognized as an expenditure when due.
- c. Compensated absences, such as vacation and sick leave which vest or accumulate, are charged as an expenditure when paid.
- d. Pension costs are recognized as an expenditure for the period billed.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Property Taxes and Collections

Town real property taxes and special district charges are levied together with Albany County property taxes annually no later than January 1 and become a lien on January 1. The Town is responsible for collecting Town and County real property taxes assessed and billed in January until May 1, at which time settlement proceedings take place wherein the Town receives full credit for its entire tax levy and the County becomes the collecting and enforcement agent for unpaid taxes.

E. General Budget Policies

1. The Town employs the following budgetary procedures:
 - a. No later than September 30, the Budget Officer submits a tentative budget for the fiscal year commencing the following January 1. The tentative budget includes proposed expenditures and the proposed means of financing for all funds of the Town except for the Special Grant Fund. Capital projects are budgeted for the start of each project.
 - b. After public hearings are conducted to obtain taxpayer comments, but no later than November 20, the Town Board adopts the budget.
 - c. All revisions that alter an appropriation of any department or fund must be approved by the Town Board.
2. Budget Basis of Accounting - Budgets are adopted annually on a basis generally consistent with OSC guidelines. Appropriations authorized for the current year are increased by the amount of encumbrances carried forward from the prior year.
3. 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 overexpenditure 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Property, Plant and Equipment - General

Fixed assets purchased for general governmental purposes are recorded as expenditures in the governmental funds and are capitalized at cost in the Non-Current Governmental Assets Accounts Group. Contributed fixed assets are recorded at fair market value at the date received.

Fixed assets consisting of certain infrastructure type improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage and lighting systems, have not been capitalized. Such assets normally are immovable and of value only to the Town. Therefore, the purpose of stewardship for capital expenditures can be satisfied without recording these assets.

No depreciation has been provided on non-current governmental assets, nor has interest been capitalized.

The Town does not maintain adequate subsidiary records of general fixed assets to substantiate the balances, therefore; fixed assets are not accounted for at cost or an estimate of cost as required by OSC.

G. Vacation and Compensatory Time

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 recorded in the general long-term debt account group 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 general long-term debt account group.

H. Other Postemployment Benefits (“OPEB”)

In addition to providing pension benefits, the Town also provides certain health care benefits for retired employees and their dependents. Substantially all of the Town employees may become eligible for those benefits if they reach normal retirement age while working for the Town.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Other Postemployment Benefits ("OPEB") (Continued)

Effective for the year ended December 31, 2008, Governmental Accounting Standards Board Statement No. 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions" ("GASB 45") requires the Town to recognize the cost of pension benefits to be reflected in the financial statements in the periods in which the exchange occurs rather than in the periods when the benefits are paid. GASB 45 requires the services of an actuary to calculate current OPEB costs and to amortize prior service costs over a period not to exceed thirty years. The expense recognized under this policy would be significantly larger than prior practice which recognized expense on a pay-as-you-go basis.

OPEB costs recognized as incurred was approximately \$626,000 in 2011 for 141 retirees.

I. Retirement Plans

The Town provides retirement benefits for its employees through contributions to the New York State and Local Police and Fire Retirement System, the New York State and Local Employees' Retirement System and the Public Employees' Group Life Insurance Plan. These systems provide various plans and options, some of which require employee contributions.

J. 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.

K. Self-Insurance

Workers' Compensation Section 207-C

The Town has retained a portion of the liability to cover losses under Section 207-C of the General Municipal Law for police officers. Certain employees are entitled to their full pay when out on leave. The Town is required to cover any amount of losses not reimbursed by Workers' Compensation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Estimates

The preparation of the regulatory basis financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from these estimates.

2. CASH, CASH RESTRICTED AND RESERVED FUND BALANCE

Cash and Investment

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 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 amount of the Town's (the primary government) deposits was \$11,079,988 (excluding \$2,250 in petty cash) and the bank balance was \$11,283,925. The insured and collateral status of the year-end bank balance was as follows:

Covered by federal deposit insurance	\$ 1,732,586
Collateralized with securities held by a third party custodian for the benefit of the Town pursuant to three-party custody agreement	<u>9,551,339</u>
Total	<u>\$ 11,283,925</u>

Investments at December 31, 2011 consist of money market accounts and bank certificates of deposit.

3. PREPAID EXPENSES

The Town elected to prepay its required contributions to the New York State and Local Employees' Retirement System, the New York State Local Police and Fire Retirement Systems, and the Public Employees' Group Life Insurance Plan. The prepayment is equal to \$653,969 as of December 31, 2011. The balance at December 31, 2011 consists of:

<u>Fund</u>	<u>Amount</u>
General	\$ 500,642
Highway	111,524
Water	77,278
Sewer	55,085
Total	<u>\$ 744,529</u>

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011 was as follows:

	<u>Balance</u> <u>1/1/11</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/11</u>
Land	\$ 1,871,149	\$ 3,316	\$ -	\$ 1,874,465
Improvements	8,184,787	415,040	-	8,599,827
Buildings	24,856,775	128,280	-	24,985,055
Machinery and Equipment	18,324,152	1,856,851	(524,092)	19,656,911
Infrastructure	<u>9,887,908</u>	<u>632,622</u>	<u>-</u>	<u>10,520,530</u>
Total	<u>\$ 63,124,771</u>	<u>\$ 3,036,109</u>	<u>\$ (524,092)</u>	<u>\$ 65,636,788</u>

5. SHORT-TERM DEBT

Liabilities for bond anticipation notes ("BANs") for construction are accounted for in the capital projects fund. Principal payments on any outstanding BANs that the Town has must be made annually. State law requires that BANs issued for capital purposes be converted to long-term obligations within five years after the original issue date. However, BANs issued for assessable improvement projects may be renewed for period's equivalent to the maximum life of the permanent financing, provided that stipulated annual reductions of principal are made.

TOWN OF BETHLEHEM, NEW YORK
 NOTES TO REGULATORY BASIS FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2011

5. SHORT-TERM DEBT (CONTINUED)

<u>Fund</u>	<u>Description</u>	<u>Rate</u>	<u>Interest Amount</u>
General	Police Vehicle	1.79	\$ 53,333
Highway	Road Paving	1.79	728,000
Water/Sewer	Equipment	1.79	508,667
General	Town Hall Improvements	1.68	470,000
Highway	Road Paving	1.68	780,000
Highway	Equipment	1.68	360,000
			<u>\$ 2,900,000</u>

6. NON-CURRENT GOVERNMENTAL LIABILITIES

The following is a summary of changes in long-term debt outstanding at December 31, 2011:

	<u>Payable 1/1/11</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Other Net Increase (Decrease)</u>	<u>Payable 12/31/11</u>
Serial Bonds (a)	\$ 18,745,000	\$ -	\$ (1,105,000)	\$ -	\$ 17,640,000
Judgments and Claims (b)	70,000	-	-	(10,000)	60,000
Post Closure Landfill Monitoring (c)	100,000	-	-	-	100,000
Compensated Absences (d)	296,475	-	-	(42,630)	253,845
Workers' Compensation (e)	1,499,740	-	-	(1,000,212)	499,528
Total	<u>\$ 20,711,215</u>	<u>\$ -</u>	<u>\$ (1,105,000)</u>	<u>\$ (1,052,842)</u>	<u>\$ 18,553,373</u>

(a) Serial Bonds

The Town borrows money in order to acquire land or 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 capital assets. The provision to be made in future budgets for capital indebtedness represents the amount, exclusive of interest, authorized to be collected in future years from taxpayers and others for liquidation of the long-term liabilities.

6. NON-CURRENT GOVERNMENTAL LIABILITIES (CONTINUED)

(a) Serial Bonds (Continued)

The following is a summary of serial bonds outstanding at December 31, 2011:

<u>Description by Fund(s)</u>	<u>Original Date Issued</u>	<u>Original Amount</u>	<u>Rate (%)</u>	<u>Date Final Maturity</u>	<u>Outstanding at December 31, 2011</u>
Water	2004	\$ 12,105,000	5.00	2022	\$ 8,595,000
General	2008	1,880,000	4.50	2018	1,405,000
General, Water and Sewer	2009	<u>7,985,000</u>	3.25	2037	<u>7,640,000</u>
Total Outstanding		<u>\$ 21,970,000</u>			<u>\$ 17,640,000</u>

The following is a schedule of principal and interest payments for future debt service requirements as of December 31, 2011:

	<u>Principal</u>	<u>Interest</u>
2012	\$ 930,000	\$ 822,375
2013	975,000	775,525
2014	1,030,000	727,088
2015	1,085,000	675,819
2016	1,135,000	622,588
2017-2021	5,860,000	2,231,744
2022-2026	2,385,000	1,113,763
2027-2031	1,690,000	797,888
2032-2036	2,080,000	393,950
2037	<u>470,000</u>	<u>21,148</u>
Total	<u>\$ 17,640,000</u>	<u>\$ 8,182,888</u>

Serial bonds have been authorized for water improvements, but have not been issued as of December 31, 2001, in the amount \$11,776,000. At December 31, 2011 the total outstanding serial bonds and BANs aggregated \$20,540,000, of this amount \$10,222,854 was subject to the constitutional debt limit and represented approximately 4.36% of the debt limit.

(b) Judgment and Claims

The Town has been named 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 the cases that have a reasonably possible risk of loss is \$10,000 to \$60,000. Provisions for losses for those cases that have a reasonably possible risk of loss for which a range of loss has been estimated is recorded in the non-current governmental liability group of accounts.

6. NON-CURRENT GOVERNMENTAL LIABILITIES (CONTINUED)

(c) Post Closure Landfill Monitoring

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 liability has been partially funded in a capital reserve fund. The current estimated unfunded liability is \$100,000.

(d) Compensated Absences

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

(e) Workers' Compensation Section 207-C

The Town establishes a liability for reported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses. The following represents changes in those aggregate liabilities for the Town:

Unpaid claims and claim adjustment expenses at January 1, 2011	\$ 1,499,740
Decrease in provision for incurred events of prior years	(706,910)
Payments made of claims	<u>(293,302)</u>
Unpaid Claims and Claim Adjustment Expenses at December 31, 2011	<u>\$ 499,528</u>
Unpaid claims and claim adjustment expenses at January 1, 2010	1,637,560
Increase in provision for incurred events of prior years	45,057
Payments made of claims	<u>(182,877)</u>
Unpaid Claims and Claim Expenses at December 31, 2010	<u>\$ 1,499,740</u>

7. DEFERRED REVENUE

Deferred revenues are reported on the balance sheet. Deferred revenue arises when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred revenue also 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, when both recognition criteria are met, or when the Town has legal claim to the resources, the liability for deferred revenue is removed and revenue is recognized.

7. DEFERRED REVENUE (CONTINUED)

Deferred revenue consists of the following:

General Fund:	
Federal and State Grants	\$ 343,277
Customer Deposits	114,613
Other	<u>37,528</u>
Total General Fund	<u><u>\$ 495,418</u></u>
Special Grant Fund:	
Federal Aid	<u><u>\$ 35,911</u></u>
Highway Fund:	
Federal and State Grants	<u><u>\$ 196,959</u></u>
Water Fund:	
Federal and State Grants	\$ 420,755
Departmental Income	<u>236,558</u>
	<u><u>\$ 657,313</u></u>
Sewer Fund:	
Federal and State Grants	\$ 396,141
Department Income	<u>162,755</u>
	<u><u>\$ 558,896</u></u>

8. INTERFUND RECEIVABLES AND PAYABLES/INTERFUND TRANSFERS

Interfund receivables, payables and transfers at December 31, 2011 were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>	<u>Operating Transfer-In</u>	<u>Operating Interfund Transfers-Out</u>
General	\$ -	\$ 241,325	\$ 923,709	\$ 18,000
Highway	-	-	-	264,621
Capital Projects	-	-	18,000	-
Sewer Districts	-	-	-	173,527
Water Districts	-	-	-	210,561
Ambulance	-	-	-	275,000
Agency	<u>241,325</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u><u>\$ 241,325</u></u>	<u><u>\$ 241,325</u></u>	<u><u>\$ 941,709</u></u>	<u><u>\$ 941,709</u></u>

9. PENSION PLANS

The Town of Bethlehem participates in the New York State and Local Employees' Retirement System (ERS) and the Public Employees' Group Life Insurance. The Plans are a cost sharing multiple-employer and public employee retirement system. The System offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability.

Plan Description

The New York State and Local Employees' Retirement 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 serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of its funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany.

Funding Policies

The ERS is noncontributory except for employees who joined the System after July 27, 1976 who contribute 3% of their salary, until such time as they obtain ten years of service credit and employees who joined after January 1, 2010 who generally contribute 3% of their salary for the entire length of service. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

Chapter 49 of the Laws of 2003 of the State of New York was enacted which made the following changes to the Systems:

- Requires minimum contributions by employers of 4.5% of payroll every year, including years in which the investment performance would make a lower contribution possible.
- Changes the cycle of annual billing such that the contributions for a given fiscal year will be based on the value of the pension fund on the prior April 1st (billing due February 2010 would be based on the pension value as of March 31, 2009).

Chapter 260 of the Laws of New York State changed the annual payment due date for employers who participate in the Systems. The December 15 payment due date changed to February 1. The covered salary period (April 1 - March 31) will not change for the calculation.

9. PENSION PLANS (CONTINUED)

Funding Policies (Continued)

The pension expense due in February 2012 was prepaid in December 2011, in order to receive the discount offered by the State Retirement System and resulted in a savings to the Town of \$23,804 as of December 31, 2011. The Town's contributions made to the Systems were equal to 100 percent of the contributions required for each year. The contributions in the current and two preceding years were:

	<u>ERS</u>	<u>PFRS</u>
2011	\$ 1,763,202	\$ 857,536
2010	\$ 1,254,182	\$ 606,334
2009	\$ 888,320	\$ 486,107

10. FUND EQUITY

As of December 31, 2011, the Town implemented GASB 54 "Fund Balance Reporting and Governmental Fund Type Definitions."

GASB 54 defines five categories of fund balance as follows:

- **Nonspendable** fund balance includes amounts that cannot be spent because they are either not in spendable form or contractually required to be maintained intact.
- **Restricted** fund balance includes amounts restricted when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.
- **Committed** fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town Board. The Town had no committed fund balances at December 31, 2011.
- **Assigned** fund balance includes amounts that are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. Assigned fund balances include funds that are legally mandated to be accounted for separately as well as amounts that have been contractually obligated by the Town or designated by the Town for ensuing year's budget.
- **Unassigned** fund balance represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the fund.

10. FUND EQUITY (CONTINUED)

Fund balances are detailed as follows:

	<u>General Fund</u>	<u>Highway Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>
Nonspendable				
Inventory	\$ 75,029	\$ 402,952	\$ 10,170	\$ -
Prepaid Expenses	<u>500,642</u>	<u>111,524</u>	<u>77,278</u>	<u>55,085</u>
	<u>575,671</u>	<u>514,476</u>	<u>87,448</u>	<u>55,085</u>
Assigned				
Encumbrances	47,279	-	239,311	182,017
Subsequent Years Budget	112,249	248,614	344,166	263,756
Highway Fund	-	1,248,558	-	-
Water Fund	-	-	2,447,959	-
Sewer Fund	-	-	-	752,984
	<u>159,528</u>	<u>1,497,172</u>	<u>3,031,436</u>	<u>1,198,757</u>
Unassigned	<u>2,816,679</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,551,878</u>	<u>\$ 2,011,648</u>	<u>\$ 3,118,884</u>	<u>\$ 1,253,842</u>

Capital Reserves

Established pursuant to General Municipal Law (GML), Section 6-C, to establish a capital reserve fund for:

Capital Projects Fund:

Improvements and equipment	\$ 106,975
Recreational facilities	504,232
Fire tower and additions and improvements	32,440
Highway equipment	(1,216,897)
Reconstruction of water facilities	1,811,315
Reconstruction of sewer facilities	117,827
Pump station	<u>988,187</u>
Total GML Section 6-C	<u>\$ 2,344,079</u>

Established pursuant to GML, Section 6-O, to establish a solid waste management facility reserve fund for the purpose of paying for closure or post-closure care costs for the general fund - Town-wide. At December 31, 2011, the balance of the reserve was \$188,269.

Total Capital Reserves Under GML Sections 6-C and 6-O	<u>\$ 2,532,348</u>
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10. FUND EQUITY (CONTINUED)

The Town has a fund balance policy which in effect requires a minimum fund balance of 20% of budgeted expenditures in the general and special revenue funds. At December 31, 2011, the general fund did not meet the minimum and was at 15.5% of budgeted expenditures. Any balances in excess of the minimum fund balance (for the special revenue funds only) are classed as capital 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. The Comptroller has the authority to deviate from this policy if it is in the best interest of the Town.

11. COMMITMENTS AND CONTINGENCIES

The Town of Bethlehem has completed closure of the North Street landfill, in accordance with an Order of Consent issued by the Department of Environmental Conservation (DEC) on November 18, 1993. The Town is required to monitor the site for 30 years, with 15 years lapsed as of December 31, 2011. The current estimated liability for post closure care costs of the landfill for the remaining 15 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. The liability has been funded in a capital reserve fund.

The Town has an Order on Consent issued by the New York State Department of Environmental Conservation (DEC), which requires completion of reconstruction and repairs to the wastewater collection system for an area in South Bethlehem. The sand filter treatment system has exhibited an inability to effectively treat the waste to the new permit standards. DEC will not close out the consent order until the sand filter has been replaced and, in accordance with the Order on Consent, this replacement must be completed by December 31, 2013. The Town received a grant through NYS CDBG-R in the amount of \$467,383 which fully supports the project 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 2014, the contract's minimum quantities increased from 365 million gallons per year (MGY) to 450 MGY, resulting in a significant increase in expense.

In 2008, a petition for reduction of assessment was filed by Bronco Development Group, based on their attempt to change the status of their free standing buildings to a classification of condominium. The Town's position is that the property owner did not obtain proper authorizations prior to the Town's assessment date. The Courts, however, have denied all motions filed by both the Town and by Bronco Development, leaving open the question of the validity of the condominium.

12. RISK MANAGEMENT

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 non-current governmental liability group of accounts by any material amounts during 2011. There was no reduction in insurance coverage during 2011. An estimate of liability is recorded at December 31, 2011 for outstanding claims or for any potential claims incurred but not reported as of that date in the non-current government liability group of accounts.

13. CUMULATIVE EFFECT ON CHANGE IN ACCOUNTING PRINCIPLE

In 2011, the Town instituted a change in accounting policy for pension expense. Prior to 2011, pension costs were recognized as an expenditure when due. In 2011, the recognition of pension costs was for the period billed. As a result the cumulative effect of a change in accounting Principle of \$1,392,756 was recorded in 2011 as a reduction of fund balance. The reductions by fund were: General Fund \$902,740, Highway Fund \$237,975, Water Fund \$147,653 and Sewer Fund \$104,388.

14. SUBSEQUENT EVENTS

Management has evaluated subsequent events or transactions as to any potential material impact on operations or financial position occurring through July 11, 2012, the date the financial statements were available to be issued.

**ADDITIONAL REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS
AND OMB CIRCULAR A-133**

TOWN OF BETHLEHEM, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 DECEMBER 31, 2011

<u>Federal Grantor/Pass-Through Grantor/Program Title Expenditures</u>	<u>CFDA Federal Number</u>	<u>Awards</u>
<u>U.S. Department of Housing and Urban Development</u>		
Direct:		
Section 8 Housing Choice Vouchers	14.871	\$ <u>325,133</u>
<u>Department of Transportation</u>		
Passed Through State of New York:		
Safety Incentive Grants for Use of Seatbelts	20.604	3,320
State and Community Highway Fund	20.600	24,926
Alcohol Traffic Safety and Drunk Driving Prevention	20.601	22,909
Occupant Protection	20.602	3,610
Highway Planning and Construction	20.205	<u>124,902</u>
Total Expenditures of Federal Awards		<u>179,667</u>
Total Federal Assistance		<u>\$ 504,800</u>

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards was prepared on the modified accrual basis of accounting. Grant awards are recorded as revenue when the criteria for earning the revenue is met and are available, generally when the expenditure of grant funds is made. Grant expenditures are recorded when the liability is incurred. The information in this schedule is presented in accordance with requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Relationship to Financial Statements

Federal awards revenue is reported in the Town of Bethlehem, New York's financial statements as follows:

General Fund	\$ 61,524
Highway Fund	71,412
Sewer Fund	440
Special Grant	325,133
Capital Projects	<u>46,291</u>
 Federal Aid Per Schedule of Expenditures of Federal Awards	 <u>\$ 504,800</u>

2. SCOPE OF AUDIT PURSUANT TO OMB CIRCULAR A-133

Town of Bethlehem, the primary government, is an independent municipal corporation. All federal grant operations of the primary government are included in the scope of the single audit.

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

To the Supervisor and
Members of the Town Board
Town of Bethlehem, New York

We have audited the regulatory basis financial statements of the Town of Bethlehem, New York as of and for the year ended December 31, 2011, and have issued our report thereon dated July 11, 2012. 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.

Internal Control Over Financial Reporting

Management of the Town of Bethlehem, New York is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Town of Bethlehem, New York's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Bethlehem's financial statements are free of 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*.

This report is intended solely for the information and use of management, others within the Town, and the Town Board and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Cusack & Company, CPA's LLC". The signature is written in a cursive, flowing style.

CUSACK & COMPANY, CPA'S LLC

Latham, New York
July 11, 2012

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AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
AND
NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

To the Supervisor and
Members of the Town Board
Town of Bethlehem, New York

Compliance

We have audited the compliance of the Town of Bethlehem, New York with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal program for the year ended December 31, 2011. The Town of Bethlehem, New York's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the Town of Bethlehem, New York's management. Our responsibility is to express an opinion on the Town of Bethlehem, New York's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Bethlehem, New York's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town of Bethlehem, New York's compliance with those requirements.

In our opinion, the Town of Bethlehem, New York complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2011.

Internal Control Over Compliance

Management of the Town of Bethlehem, New York is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Bethlehem, New York's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information and use of management, others within the Town, the Town Board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



CUSACK & COMPANY, CPA'S LLC

Latham, New York
July 11, 2012

TOWN OF BETHLEHEM, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 DECEMBER 31, 2011

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Qualified

Internal control over financial reporting:

Material weakness(es) identified?	_____ yes	_____ x no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ yes	_____ x none reported

Noncompliance material to financial statements noted? _____ yes _____ **x** no

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified?	_____ yes	_____ x no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ yes	_____ x none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? _____ yes _____ **x** no

Identification of major programs.

<u>CFDA NUMBER(S)</u>	<u>NAME OF FEDERAL PROGRAM OR CLUSTER</u>
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14.871	Section 8 Housing Choice Vouchers
--------	-----------------------------------

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? _____ **x** yes _____ no

SECTION II - FINANCIAL STATEMENT FINDINGS

1) Accounts Payable Cut-Off

During our audit we noted a significant amount of 2012 expenditures had been incorrectly accrued into 2011.

We recommend that procedures be developed and implemented to insure proper cut-off at year end.

In following up with Town management, we noted procedures have been established to avoid future cut-off issues. The Comptroller's office is working in conjunction with the general ledger software provider to properly roll encumbrances forward and monitor beginning of the year invoices.

TOWN OF BETHLEHEM, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2011

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

2) Time Sheets

During our audit we noted 7 instances in which the employee time sheet was not signed by either the employee or employer.

We recommend Town management improve its quality control over this particular area of the payroll process in order for this control to operate more effectively.

We have followed up with the Director of Human Resources and noted that they believe procedures have been established to avoid future authorization issues. Human Resources has issued a directive to all Town department heads stating that payroll will not be processed for any timesheet that is not authorized by both the employee and their supervisor. Timesheets for 2012 have been reviewed by management and no instances of non-compliance were noted by them.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings for the year ended December 31, 2011.