

In the opinion of Hodgson Russ LLP, Albany, New York, Bond Counsel, based on existing statutes, regulations, rulings and court decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants described in "Tax Exemption" herein, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Bond Counsel is further of the opinion that interest on the Bonds is not treated as a specific preference item for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest will be included in adjusted current earnings for purposes of calculation the alternative minimum tax on certain corporations. 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).

The Bonds will be designated as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See "TAX EXEMPTION" herein.

\$5,912,058
TOWN OF BETHLEHEM
ALBANY COUNTY, NEW YORK

\$5,912,058 Public Improvement (Serial) Bonds, 2015
(the "Bonds")

CUSIP BASE: #087311

Dated: May 28, 2015

Due: May 15, 2016-2034

MATURITIES

<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>CUSIP</u>	<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>CUSIP</u>
2016	\$ 182,058	1.500%	0.500%	C38	2026	\$ 320,000 *	2.375%	2.300%	D52
2017	255,000	2.000	0.700	C46	2027	325,000 *	2.500	2.500	D60
2018	260,000	2.000	1.000	C53	2028	335,000 *	2.600	2.600	D78
2019	265,000	2.000	1.200	C61	2029	345,000 *	2.750	2.700	D86
2020	270,000	2.000	1.350	C79	2030	355,000 *	3.000	2.750	D94
2021	280,000	2.000	1.500	C87	2031	365,000 *	3.000	2.900	E28
2022	285,000	2.000	1.650	C95	2032	375,000 *	3.000	3.000	E36
2023	295,000	2.000	1.750	D29	2033	390,000 *	3.000	3.100	E44
2024	305,000 *	2.000	1.870	D37	2034	395,000 *	3.000	3.200	E51
2025	310,000 *	2.125	2.000	D45					

* The Bonds maturing in the years 2024 and beyond are subject to redemption prior to maturity as described herein under the heading "THE BONDS - Optional Redemption".

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, subject to applicable statutory limitations. See "THE BONDS – Nature of Obligation" and "TAX INFORMATION – 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, New York, New York ("DTC"), 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 each or integral multiples thereof, except for one necessary odd denomination maturing May 15, 2016. Purchasers will not receive certificates representing their ownership interest in the Bonds. Interest on the Bonds will be payable on May 15, 2016 and semi-annually thereafter on November 15 and May 15 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. It is anticipated that the Bonds will be available for delivery through the facilities of DTC in Jersey City, New Jersey, on or about May 28, 2015.

ROOSEVELT & CROSS, INC. AND ASSOCIATES

May 13, 2015

THIS REVISED COVER SUPPLEMENTS THE OFFICIAL STATEMENT OF THE TOWN DATED MAY 4, 2015 RELATING TO THE OBLIGATIONS THEREOF DESCRIBED THEREIN AND HEREIN BY INCLUDING CERTAIN INFORMATION OMITTED FROM SUCH OFFICIAL STATEMENT IN ACCORDANCE WITH SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12. OTHER THAN AS SET FORTH ON THE REVISED COVER, THE REVISION OF THE "MISCELLANEOUS" SECTION AND REVISION OF "APPENDIX – B" THERE HAVE BEEN NO REVISIONS TO SAID OFFICIAL STATEMENT.

TOWN OF BETHLEHEM

TOWN OFFICIALS

TOWN BOARD

JOHN CLARKSON

Town Supervisor

JOANN DAWSON

BILL REINHARDT

JULIE SASSO

JEFFREY KUHN

* * * * *

ADMINISTRATION

MICHAEL E. COHEN

Town Comptroller

NANCI MOQUIN

Town Clerk

RICHARD WEBSTER

Interim Tax Receiver

BRENT MEREDITH

Superintendent of Highways

GEORGE KANSAS

Commissioner of Public Works

JAMES POTTER, ESQ

Town Attorney



FISCAL ADVISORS & MARKETING, INC.

Town Financial Advisor



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 the Town of Bethlehem.

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OFFICIAL STATEMENT
of the
TOWN OF BETHLEHEM
ALBANY COUNTY, NEW YORK

Relating To
\$5,912,058 Public Improvement (Serial) Bonds, 2015

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 \$5,912,058 principal amount of Public Improvement (Serial) Bonds, 2015 (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.

THE BONDS

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, subject to applicable statutory limitations. See "THE BONDS – Nature of Obligation" and "TAX INFORMATION - Tax Levy Limitation Law" herein.

The Bonds will be dated May 28, 2015 and will mature in the principal amounts and on the dates as set forth on the cover page. The Bonds are subject to redemption prior to maturity as described under the heading "THE BONDS – Optional Redemption." The "Record Date" of the Bonds will be the last business day of the calendar month preceding each 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, except for one necessary odd denomination maturing May 15, 2016. Purchasers will not receive certificates representing their ownership interest in the Bonds. Interest on the Bonds will be payable on May 15, 2016 and semi-annually thereafter on November 15 and May 15 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.

Optional Redemption

The Bonds maturing on or before May 15, 2023 shall not be subject to redemption prior to maturity. The Bonds maturing on or after May 15, 2024 shall be subject to redemption prior to maturity as a whole or in part (and by lot if less than all of a maturity is to be redeemed) at the option of the Town on May 15, 2023 or on any date thereafter at par (100.0%), plus accrued interest to the date of redemption.

If less than all of the Bonds of any maturity are to be redeemed, the particular Bonds of such maturity to be redeemed shall be selected by the Town by lot in any customary manner of selection as determined by the Town Comptroller. Notice of such call for redemption shall be given by mailing such notice to the registered holders not more than sixty (60) days nor less than thirty (30) days prior to such date. Notice of redemption having been given as aforesaid, the Bonds so called for redemption shall, on the date for redemption set forth in such call for redemption, become due and payable, together with interest to such redemption date, and interest shall cease to be paid thereon after such redemption date.

Purpose of Issue

The Bonds are being issued pursuant to the Constitution and statutes of the State of New York, including among others, Town Law, the Local Finance Law and various bond resolutions authorizing the issuance of serial bonds for the following purposes:

<u>Authorization Date and Purpose of Issue</u>	<u>BAN Amount Outstanding</u>	<u>Paydown</u>	<u>Bond Amount</u>
5/12/2010 – Paving	520,000	65,000	455,000
5/12/2010 – Equipment for Sewer/Water Districts	399,667	36,333	363,334
3/23/2011 – Improvements to Town Hall	305,000	44,000	261,000
4/13/2011 – Equipment Acquisition	241,500	34,500	207,000
4/13/2011 – Paving	585,000	65,000	520,000
4/13/2011 – Acquisition of One-Ton Asphalt Roller	6,000	3,000	3,000
3/28/2012 – Paving	497,500	49,750	447,750
3/28/2012 – Equipment Acquisition	259,134	19,933	239,201
8/22/2012 – Improvements to Water District No. 1	964,460	24,737	939,723
8/22/2012 – Improvements to Town Sewer Districts	1,399,017	46,801	1,352,216
3/27/2013 – Paving	396,917	36,083	360,834
3/27/2013 – Equipment Acquisition	294,000	21,000	273,000
5/14/2014 – Equipment Acquisition	525,000	35,000	490,000
Totals	\$6,393,195	\$481,137	\$5,912,058

The proceeds of the Bonds together with \$481,137 available funds will redeem \$6,393,195 bond anticipation notes outstanding and issued for the abovementioned purposes.

Nature of Obligation

Each of the Bonds when duly issued and paid for will constitute a contract between the Town and the holder thereof.

Holders of any series of notes or bonds of the Town may bring an action or commence a proceeding in accordance with the civil practice law and rules to enforce the rights of the holders of such series of notes or bonds.

The Bonds will be general obligations of the Town and will contain a pledge of the faith and credit of the Town for the payment of the principal thereof and the interest thereon as required by the Constitution and laws of the State. For the payment of such principal and interest, the Town has power and statutory authorization to levy ad valorem taxes on all real property within the Town subject to such taxation by the Town, subject to applicable statutory limitations.

Although the State Legislature is restricted by Article VIII, Section 12 of the State Constitution from imposing limitations on the power to raise taxes to pay “interest on or principal of indebtedness theretofore contracted” prior to the effective date of any such legislation, the New York State Legislature may from time to time impose additional limitations or requirements on the ability to increase a real property tax levy or on the methodology, exclusions or other restrictions of various aspects of real property taxation (as well as on the ability to issue new indebtedness). On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor (the “Tax Levy Limitation Law”). The Tax Levy Limitation Law applies to local governments and school districts in the State (with certain exceptions) and imposes additional procedural requirements on the ability of municipalities and school districts to levy certain year-to-year increases in real property taxes.

Under the Constitution of the State, the Town is required to pledge its faith and credit for the payment of the principal of and interest on the Bonds and is required to raise real estate taxes, and without specification, other revenues, if such levy is necessary to repay such indebtedness. While the Tax Levy Limitation Law imposes a statutory limitation on the Town’s power to increase its annual tax levy with the amount of such increase limited by the formulas set forth in the Tax Levy Limitation Law, it also provides the procedural method to surmount that limitation. See “TAX INFORMATION - Tax Levy Limitation Law” herein.

The Constitutionally-mandated general obligation pledge of municipalities and school districts in New York State has been interpreted by the Court of Appeals, the State’s highest court, in Flushing National Bank v. Municipal Assistance Corporation for the City of New York, 40 N.Y.2d 731 (1976), as follows:

“A pledge of the city’s faith and credit is both a commitment to pay and a commitment of the city’s revenue generating powers to produce the funds to pay. Hence, an obligation containing a pledge of the City’s “faith and credit” is secured by a promise both to pay and to use in good faith the city’s general revenue powers to produce sufficient funds to pay the principal and interest of the obligation as it becomes due. That is why both words, “faith” and “credit” are used and they are not tautological. That is what the words say and this is what the courts have held they mean. So, too, although the Legislature is given the duty to restrict municipalities in order to prevent abuses in taxation, assessment, and in contracting of indebtedness, it may not constrict the City’s power to levy taxes on real estate for the payment of interest on or principal of indebtedness previously contracted. While phrased in permissive language, these provisions, when read together with the requirement of the pledge and faith and credit, express a constitutional imperative: debt obligations must be paid, even if tax limits be exceeded”.

In addition, the Court of Appeals in the Flushing National Bank (1976) case has held that the payment of debt service on outstanding general obligation bonds and notes takes precedence over fiscal emergencies and the police power of political subdivisions in New York State.

The pledge has generally been understood as a promise to levy property taxes without limitation as to rate or amount to the extent necessary to cover debt service due to language in Article VIII Section 10 of the Constitution which provides an exclusion for debt service from Constitutional limitations on the amount of a real property tax levy, insuring the availability of the levy of property tax revenues to pay debt service. As the Flushing National Bank (1976) Court noted, the term “faith and credit” in its context is “not qualified in any way”. Indeed, in Flushing National Bank v. Municipal Assistance Corp., 40 N.Y.2d 1088 (1977) the Court of Appeals described the pledge as a direct constitutional mandate. In Quirk v. Municipal Assistance Corp., 41 N.Y.2d 644 (1977), the Court of Appeals stated that, while holders of general obligation debt did not have a right to particular revenues such as sales tax, “with respect to traditional real estate tax levies, the bondholders are constitutionally protected against an attempt by the State to deprive the city of those revenues to meet its obligations.” According to the Court in Quirk, the State Constitution “requires the city to raise real estate taxes, and without specification other revenues, if such a levy be necessary to repay indebtedness.”

In addition, the Constitution of the State requires that every county, city, town, village, and school district in the State provide annually by appropriation for the payment of all interest and principal on its serial bonds and certain other obligations, and that, if at any time the respective appropriating authorities shall fail to make such appropriation, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. In the event that an appropriating authority were to make an appropriation for debt service and then decline to expend it for that purpose, this provision would not apply. However, the Constitution of the State does also provide that the fiscal officer of any county, city, town, village, or school district may be required to set apart and apply such first revenues at the suit of any holder of any such obligations.

In Quirk v. Municipal Assistance Corp., the Court of Appeals described this as a “first lien” on revenues, but one that does not give holders a right to any particular revenues. It should thus be noted that the pledge of the faith and credit of a political subdivision in New York State is a pledge of an issuer of a general obligation bond or note to use its general revenue powers, including, but not limited to, its property tax levy to pay debt service on such obligations, but that such pledge may not be interpreted by a court of competent jurisdiction to include a constitutional or statutory lien upon any particular revenues.

While the courts in New York State have historically been protective of the rights of holders of general obligation debt of political subdivisions, it is not possible to predict what a future court might hold.

BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. 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 and will be deposited with DTC.

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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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, as the case may be, on DTC's records. The ownership interest of each actual purchaser of each Bond or Note ("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 Town may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, bond certificates will 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 (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, except for one necessary odd denomination maturing May 15, 2016. Principal of the Bonds when due will be payable upon presentation at the office of a bank or trust company located and authorized to do business in the State as a fiscal agent bank to be named by the purchaser if the purchaser requests certificated bonds or the Town upon termination of the book-entry-only system. Interest on the Bonds will be payable on May 15, 2016 and semi-annually thereafter on November 15 and May 15 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 the last business 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 Comptroller authorizing the sale of the Bonds and fixing the details thereof and in accordance with the Local Finance Law. The fiscal agent shall not be obligated to make any such transfer or exchange of Bonds between the last business day of the calendar month preceding an interest payment date and such interest payment date.

THE TOWN

General Information

The Town of Bethlehem was incorporated in 1793. It has a land area of 52 square miles 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. One volunteer ambulance company provides 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, SUNY Polytechnic Institute, 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
2013 (estimated)	N/A	306,945	19,651,127

Sources: U.S. Census.

Wealth and Income Indicators

Per capita income statistics are available for the County and State. Listed below are select figures from the 1990 Census Reports, 2006-2010 and 2009-2013 American Community Survey 5 Year Estimates.

	<u>Per Capita Income</u>			<u>Median Family Income</u>		
	<u>2000</u>	<u>2006-2010</u>	<u>2009-2013</u>	<u>2000</u>	<u>2006-2010</u>	<u>2009-2013</u>
Town of:						
Bethlehem	\$ 21,564	\$ 31,492	\$ 42,066	\$ 54,029	\$ 77,211	\$ 109,610
County of:						
Albany	16,363	23,345	32,328	41,670	56,724	81,846
State of:						
New York	16,501	23,389	32,382	39,741	51,691	70,670

Note: 2010-2014 American Community Survey estimates are not available as of the date of this Official Statement.

Source: U.S. Census Bureau, 2000 census, 2006-2010 and 2009-2013 American Community Survey data.

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
Ravena-Coeymans-Selkirk Central School	Public School	600
Berkshire Bank - Delmar	Financial Institution	600
Farm Family Insurance	Insurance	570
SABIC (formerly General Electric Plastics Mfg.)	Plastics Manufacturing	550
Callanan Industries, Inc.	Paving and Construction Co	500
Walmart	Shopping Center	460
Owens Corning	Fiberglass Manufacturing	365
National Grid	Utility	300

Source: Town officials.

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 information 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>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Albany County	4.9%	6.8%	7.1%	7.2%	7.3%	6.3%	4.9%
New York State	5.4%	8.3%	8.6%	8.3%	8.5%	7.7%	6.3%

	<u>Monthly Figures</u>											
	<u>2014</u>				<u>2015</u>							
	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sep</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>
Albany County	4.8%	4.9%	5.2%	4.9%	4.7%	4.4%	4.4%	4.2%	5.2%	4.8%	4.3%	N/A
New York State	6.2%	6.2%	6.5%	6.1%	5.8%	5.7%	5.7%	5.6%	6.5%	6.4%	5.8%	N/A

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

Construction Activity

The following table sets forth the number of building permits which were issued within the Town for the years 2010 through 2014:

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<u>Residential:</u>					
One Family	34	26	34	35	53
Two Family	0	0	0	0	0
Additions/Alterations	143	138	99	235	322
Town Houses	0	0	0	0	0
Apartments	4 (22 units)	18 (93 units)	11 (86 units)	11(82 units)	24units
Commercial & Industrial	9	13	13	17	9
<u>Non-Residential:</u>					
Additions/Alterations	28	94	94	165	134
Misc., Pools & Sheds	607	506	504	410	413

Source: Town officials.

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 2015 budget was adopted on November 12, 2014.

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 2015 fiscal year, approximately 6.9% 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 213 full-time employees, of which 46 are represented by the collective bargaining units listed below. 167 employees are not represented by any bargaining unit. Currently the Town is in negotiations for all three bargaining units.

<u>Employees</u>	<u>Union Representation</u>	<u>Contract Expiration Date</u>
27	Bethlehem Police Benevolent Association	December 31, 2014 ⁽¹⁾
10	AFL-CIO Council 66	December 31, 2014 ⁽¹⁾
9	AFL-CIO Council 82	December 31, 2014 ⁽¹⁾

⁽¹⁾ Currently under negotiation.

Pension Payments

Substantially all employees of the Town are members of the New York State and Local Employees' Retirement System ("ERS"). The ERS together with the New York State and Local Police and Fire Retirement System ("PFRS") are generally also known as the "Retirement Systems". The ERS and PFRS together are generally also known as the "Common Retirement Fund". The Retirement Systems are cost-sharing multiple public employer retirement systems. 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 Systems offer 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 Systems. The Retirement Systems are non-contributory with respect to members hired prior to July 27, 1976. All members hired on or after July 27, 1976 and before April 2, 2012, with less than ten years' service, must contribute 3% of gross annual salary toward the cost of retirement programs.

On December 10, 2009, then Governor Paterson signed into law pension reform legislation that will provide (according to a Division of the Budget analysis) more than \$35 billion in long-term savings to State taxpayers over the next thirty years. The legislation creates 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 employees to continue contributing 3% of their salaries toward pension costs so long as they accumulate additional pension credits.
- 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 Andrew Cuomo signed into law the new Tier VI pension program, effective for new ERS employees hired after April 1, 2012. The Tier VI legislation provides for increased employee contribution rates of between 3% and 6%, an increase in the retirement age from 62 years to 63 years, a readjustment of the pension multiplier, and a change in the time period for final average salary calculation from 3 years to 5 years. Tier VI employees will vest in the system after ten years of employment and will continue to make employee contributions throughout employment.

The Town’s contributions to ERS and PFRS since 2007, including the 2015 budgeted amount, are as follows:

<u>Year</u>	<u>ERS</u>	<u>PFRS</u>
2010	\$ 826,029	\$ 511,982
2011	1,636,058	794,736
2012	1,763,202	857,536
2013	2,039,148	1,015,448
2014	2,004,451	742,441
2015 (Budgeted)	1,912,075	931,113

Historical Trends and Contribution Rates: 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 to 15% to 20% of payroll 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.

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.

Stable Rate Pension Contribution Option: The Enacted 2013-14 State Budget includes a provision that provides local governments, including the Town, with the option to “lock-in” long-term, stable rate pension contributions for a period of years determined by the State Comptroller and ERS and PFRS. For 2014 and 2015 the rate is 12.0% for ERS and 20% for PFRS; the rates applicable to 2016 and thereafter are subject to adjustment. The pension contribution rates under this program would reduce near-term payments for employers, but will require higher than normal contributions in later years.

The Town pays its pension payments in full in December and does not amortize any portion of the contributions. It has no intention to do so in the foreseeable future

A chart of average ERS and PFRS rates (2010 to 2015) is shown below:

<u>Year</u>	<u>ERS</u>	<u>PFRS</u>
2010	7.4%	15.1%
2011	11.9	18.2
2012	16.3	21.6
2013	18.9	25.8
2014	20.9	28.9
2015	20.1	27.6
2016	18.2	24.7

The investment of monies and assumptions underlying same, of the Retirement Systems covering the Town's employees is not subject to the direction of the Town. Thus, it is not possible to predict, control or prepare for future unfunded accrued actuarial liabilities of the Retirement Systems ("UAALs"). The UAAL is the difference between total actuarially accrued liabilities and actuarially calculated assets available for the payment of such benefits. The UAAL is based on assumptions as to retirement age, mortality, projected salary increases attributed to inflation, across-the-board raises and merit raises, increases in retirement benefits, cost-of-living adjustments, valuation of current assets, investment return and other matters. Such UAALs could be substantial in the future, requiring significantly increased contributions from the Town which could affect other budgetary matters. Concerned investors should contact the Retirement Systems administrative staff for further information on the latest actuarial valuations of the Retirement Systems.

While the Town is aware of the potential negative impact on its budget and will take the appropriate steps to budget accordingly for the increase, there can be no assurance that its financial position will not be negatively impacted.

Other Post-Employment Benefits

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 will require 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.

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 have not set aside any 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.

Actuarial Valuation will be required every 2 years for OPEB plans with more than 200 members, every 3 years if there are less than 200 members.

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 \$603,946 in 2013 for 132 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.

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, 2014 and is attached hereto as APPENDIX - C to this Official Statement. Certain other financial information can also be found in APPENDIX - A1 - A3 attached hereto.

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.

New York State Comptroller Reports of Examination

The State Comptroller's office, i.e., the Department of Audit and Control, periodically performs a compliance review to ascertain whether the Town has complied with the requirements of various State and Federal statutes. These audits can be found on the Office of the State Comptroller website.

There are no audit reports of the Town that have been completed in the last five fiscal years, nor are there any audits currently in progress.

Fiscal Stress Monitoring System

The New York State Comptroller has reported that New York State's school districts and municipalities are facing significant fiscal challenges. As a result, the Office of the State Comptroller has developed a Fiscal Stress Monitoring System (“FSMS”) to provide independent, objectively measured and quantifiable information to school district and municipal officials, taxpayers and policy makers regarding the various levels of fiscal stress under which the State's school districts and municipalities are operating.

The fiscal stress scores are based on financial information submitted as part of each school district's ST-3 report filed with the State Education Department annually, and each municipality's annual report filed with the State Comptroller. Using financial indicators that include year-end fund balance, cash position and patterns of operating deficits, the system creates an overall fiscal stress score which classifies whether a school district or municipality is in “significant fiscal stress”, in “moderate fiscal stress,” as “susceptible to fiscal stress” or “no designation”. Entities that do not accumulate the number of points that would place them in a stress category will receive a financial score but will be classified in a category of “no designation.” This classification should not be interpreted to imply that the entity is completely free of fiscal stress conditions. Rather, the entity's financial information, when objectively scored according to the FSMS criteria, did not generate sufficient points to place them in one of the three established stress categories.

The most current applicable report of the State Comptroller for 2013 classified the Town with “No Designation” with a fiscal score of 3.3%.

For additional details regarding the Fiscal Stress Monitoring System visit the State Comptroller's official website.

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.

TAX INFORMATION

Taxable Assessed Valuations

<u>Years Ending December 31:</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Assessed Valuation	\$ 3,178,151,468	\$ 3,176,037,549	\$ 3,346,651,759	\$ 3,364,277,925	\$ 3,607,230,858
New York State Equalization Rate	97.00%	97.00%	98.00%	100.00%	100.00%
Full Valuation	\$ 3,276,444,812	\$ 3,274,265,514	\$ 3,414,950,774	\$ 3,364,277,925	\$ 3,607,230,858

Tax Rate Per \$1,000 (Assessed)

<u>Years Ending December 31:</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
County	\$ 3.25	\$ 3.61	\$ 3.90	\$ 3.96	\$ 3.86
Town	0.66	0.66	0.62	0.62	0.59
Highway	1.25	1.29	1.65	1.70	1.69
Water	0.58	0.58	0.58	0.58	0.50
Sewer	0.31	0.31	0.35	0.35	0.46

Tax Collection Record

<u>Years Ending December 31:</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Tax Levy	\$ 26,273,437	\$ 27,501,308	\$ 30,531,510	\$ 31,031,296	\$ 32,535,415
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 all unpaid taxes plus penalties are due and 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.

Additional Tax Information

Real property in the Town is assessed by the Town. The Town recently completed a reassessment project, and the result was a growth in value of 7.2%, which includes new building projects.

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

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

The assessment roll of the Town is constituted approximately as follows: 71% Agricultural and Residential, 20% Commercial, Industrial, Other and 9% Wholly Exempt.

The total 2015 property tax bill of a \$260,000 average assessed value residential property located in the Town is approximately \$7,300 including County, Fire District, Town, and School District (2014/2015) taxes.

Larger Taxpayers for 2015 Tax Roll

<u>Name</u>	<u>Type</u>	<u>Assessed Value</u>
Selkirk Cogen	Utility	\$ 100,000,000
PSEG	Utility	100,000,000
New York Central Lines LLC	Rail	30,186,259
Niagara Mohawk Power Corporation	Utility	20,846,145
Beverwyck Inc	Senior Living	18,890,900
Owens Corning Fiberglass	Fiberglass Manufacturing	15,350,000
Mansions At Delmar Investors	Apartments	15,300,000
Bethlehem Assoc. LLC	Retail	13,800,000
Bethlehem Terrace Associates	Apartments	12,000,000
West Yard Owner LP	Warehousing	11,675,000

The larger taxpayers listed above have a total taxable assessed valuation of \$338,048,304 which represents 9.4% of the Town's total tax base. As of the date of this Official Statement, the Town does not currently have any pending or outstanding tax certioraris that are known to have a material impact on the Town. Beverwyck and Owens Corning have both filed tax certs however the results is not expected to have a material impact on the Town.

Source: Town Tax Rolls.

Tax Levy Limitation Law

On June 24, 2011, Chapter 97 of the Laws of 2011 was signed into law by the Governor (the "Tax Levy Limitation Law"). The Tax Levy Limitation Law applies to virtually all local governments, including school districts (with the exception of New York City, Yonkers, Syracuse, Rochester and Buffalo, the latter four of which are indirectly affected by applicability to their respective city). It also applies to independent special districts and to town and county improvement districts as part of their parent municipalities tax levies.

The Tax Levy Limitation Law restricts, among other things, the amount of real property taxes (including assessments of certain special improvement districts) that may be levied by or on behalf of a municipality in a particular year, beginning with fiscal years commencing on or after January 1, 2012. It expires on June 15, 2016 unless other legislation is extended. Pursuant to the Tax Levy Limitation Law, the tax levy of a municipality cannot increase by more than the lesser of (i) two percent (2%) or (ii) the annual increase in the consumer price index ("CPI"), over the amount of the prior year's tax levy. Certain adjustments would be permitted for taxable real property full valuation increases due to changes in physical or quantity growth in the real property base as defined in Section 1220 of the Real Property Tax Law. A municipality may exceed the tax levy limitation for the coming fiscal year only if the governing body of such municipality first enacts, by at least a sixty percent vote of the total voting strength of the board, a local law (resolution in the case of fire districts and certain special districts) to override such limitation for such coming fiscal year only. There are exceptions to the tax levy limitation provided in the Tax Levy Limitation Law, including expenditures made on account of certain tort settlements and certain increases in the average actuarial contribution rates of the New York State and Local Employees' Retirement System, the Police and Fire Retirement System, and the Teachers' Retirement System. Municipalities are also permitted to carry forward a certain portion of their unused levy limitation from a prior year. Each municipality prior to adoption of each fiscal year budget must submit for review to the State Comptroller any information that is necessary in the calculation of its tax levy for each 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 debt of municipalities or such debt incurred after the effective date of the Tax Levy Limitation Law (June 24, 2011).

While the Tax Levy Limitation Law may constrict an issuer's power to levy real property taxes for the payment of debt service on debt contracted after the effective date of said Tax Levy Limitation Law, it is clear that no statute is able (1) to limit an issuer's pledge of its faith and credit to the payment of any of its general obligation indebtedness or (2) to limit an issuer's levy of real property taxes to pay debt service on general obligation debt contracted prior to the effective date of the Tax Levy Limitation Law. Whether the Constitution grants a municipality authority to treat debt service payments as a constitutional exception to such statutory tax levy limitation outside of any statutorily determined tax levy amount is not clear.

Real Property Tax Rebate

Chapter 59 of the Laws of 2014 ("Chapter 59"), a newly adopted State budget bill includes provisions which provide a refundable personal income tax credit to real property taxpayers in school districts and certain municipal units of government. Real property owners in school districts are eligible for this credit in the 2014 and 2015 taxable years of those property owners. Real property taxpayers in certain other municipal units of government are eligible for this credit in the 2015 and 2016 taxable years of those real property taxpayers. The eligibility of real property taxpayers for the tax credit in each year depends on such jurisdiction's compliance with the provisions of the Tax Levy Limitation Law. School districts budgets must comply in their 2014-2015 and 2015-2016 fiscal years. Other municipal units of government must have their budgets in compliance for their 2015 and 2016 fiscal years. Such budgets must be within the tax cap limits set by the Tax Levy Limitation Law for the real property taxpayers to be eligible for this personal income tax credit. The affected jurisdictions include counties, cities (other than any city with a population of one million or more and its counties), towns, villages, school districts (other than the dependent school districts of New York City, Buffalo, Rochester, Syracuse and Yonkers, the latter four of which are indirectly affected by applicability to their respective city) and independent special districts.

Certain additional restrictions on the amount of the personal income tax credit are set forth in Chapter 59 in order for the tax cap to qualify as one which will provide the tax credit benefit to such real property taxpayers. The refundable personal income tax credit amount is increased in the second year if compliance occurs in both taxable years.

For the second taxable year of the program, the refundable personal income tax credit for real property taxpayers is additionally contingent upon adoption by the school district or municipal unit of a state approved "government efficiency plan" which demonstrates "three year savings and efficiencies of at least one per cent per year from shared services, cooperation agreements and/or mergers or efficiencies".

Municipalities, school districts and independent special districts must provide certification of compliance with the requirements of the new provisions to certain state officials in order to render their real property taxpayers eligible for the personal income tax credit.

While the provisions of Chapter 59 do not directly further restrict the taxing power of the affected municipalities, school districts and special districts, they do provide an incentive for such tax levies to remain within the tax cap limits established by the Tax Levy Limitation Law. The implications of this for future tax levies and for operations and services of the Town are uncertain at this time.

The Town's Tax Levy remained under the Tax Cap in 2014 by \$313,698.

The Town Tax Levy remained under the Tax Cap and 2015 by \$261,381.

The Town's carryover for 2016 is expected to be approximately \$197,000.

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 School District is not authorized to expend money, or
- (2) There has not been substantial compliance with the provisions of law which should have been complied within 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>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Bonds	\$ 18,745,000	\$ 17,640,000	\$ 16,040,000	\$ 15,000,000	\$ 14,005,000
Bond Anticipation Notes	1,505,000	2,900,000	3,475,500	5,029,317	6,393,195
Installment Loan	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Totals	<u>\$ 20,250,000</u>	<u>\$ 20,540,000</u>	<u>\$ 19,515,500</u>	<u>\$ 20,029,317</u>	<u>\$ 20,398,195</u>

Details of Outstanding Indebtedness

The following table sets forth the indebtedness of the Town evidenced by serial bonds and bond anticipation notes as of May 1, 2015.

<u>Bonds</u>	<u>Maturity</u>	<u>Amount</u>	
	2015-2037	\$ 13,155,000	
<u>Bond Anticipation Notes</u> ⁽¹⁾			
Highway Paving 2010	BAN1	August 2, 2015	520,000
Highway Paving 2011	BAN2	August 2, 2015	585,000
Highway Paving 2012	BAN1	August 2, 2015	497,500
Highway Paving 2013	BAN2	August 2, 2015	396,917
Equipment Acquisition	BAN1	August 2, 2015	259,134
Equipment Acquisition	BAN2	August 2, 2015	6,000
Equipment Acquisition	BAN2	August 2, 2015	241,500
Equipment Acquisition	BAN2	August 2, 2015	294,000
Equipment Acquisition	BAN2	August 2, 2015	305,950
Town Hall Improvement	BAN2	August 2, 2015	305,000
NS Water Main	BAN2	August 2, 2015	964,460
Water	BAN1	August 2, 2015	110,000
Sewer	BAN1	August 2, 2015	289,667
Compost Loader	BAN2	August 2, 2015	219,050
Sewer Pump Station	BAN2	August 2, 2015	145,000
Sewer Pump Station	BAN2	August 2, 2015	<u>1,254,017</u>
	Total Bond Anticipation Notes		<u>\$ 6,393,195</u>
	Total Debt		<u>\$ 19,548,195</u>

⁽¹⁾ The proceeds of the Bonds together with \$481,137 available funds will redeem \$6,393,195 bond anticipation notes outstanding and issued for the abovementioned purposes.

Debt Statement Summary

Summary of Indebtedness, Debt Limit and Net Debt-Contracting Margin as of May 1, 2015:

Five-Year Average Full Valuation of Taxable Real Property	\$ 3,387,433,977
Debt Limit - 7% thereof.....	237,120,378

Inclusions:

Bonds.....	\$ 13,155,000
Bond Anticipation Notes	<u>6,393,195</u>
Total Inclusions.....	\$ 19,548,195

Exclusions:

Water Debt ⁽¹⁾	\$ 7,923,860
Sewer Debt ⁽²⁾	1,399,017
Appropriations ⁽³⁾	<u>550,299</u>
Total Exclusions.....	<u>\$ 9,873,176</u>

Total Net Indebtedness	<u>\$ 9,675,019</u>
Net Debt-Contracting Margin.....	<u>\$ 227,445,359</u>
The percent of debt contracting power exhausted is	4.08%

The issuance of the Bonds will decrease the Net Indebtedness of the Town by \$446,400.

- ⁽¹⁾ Water indebtedness is automatically excluded pursuant to the provisions of Article VIII, section 5B of the New York State Constitution.
- ⁽²⁾ Sewer Indebtedness excluded pursuant to Section 136.00 of the Local Finance Law.
- ⁽³⁾ 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.

Cash Flow Borrowings

The Town has not found it necessary to borrow revenue or tax anticipation notes in the recent past and does not anticipate having to borrow such in the foreseeable future.

Authorized But Unissued Debt

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

- \$5,600,000 spending authorized for North Bethlehem Sewer Improvements. \$3,000,000 is being funded through grants and \$2,600,000 through low interest financing from NYS Environmental Facilities Corporation. Presently, the Town anticipates the grant funded portion of the project to be completed at the end of 2015 and the debt portion to begin in 2016.
- \$200,000 for sidewalk construction and improvements along Feura Bush Road between Wemple Road and Glemont Plaza. However, this project has been paid for instead with \$10,000 in grant funding, \$90,000 of operating funds and \$100,000 of Capital Reserves, and therefore will not result in bonding. An additional \$250,000 for Feura Bush Road sidewalks from Elsmere Avenue to Elm Avenue was approved for bonding. However, the Town presently believes that it will be paid through a mix of grant and capital reserve funding to complete this project.
- \$645,000 highway improvements to Meads Lane/Van Dyke intersection and Borthwick Avenue was approved for bonding. \$475,000 of this project was paid with Capital Reserve funds the balance of the project was paid with Contractor contributions. Additionally, the project is expected to be completed under budget, and therefore, the need for bonding appears to have been eliminated.

The Town has no other projects authorized at this time.

Capital Plan Summary

The Town has a Capital Plan Projection which covers five 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.

Fund		<u>Proposed</u> <u>2015</u>	<u>Proposed</u> <u>2016</u>	<u>Proposed</u> <u>2017</u>	<u>Proposed</u> <u>2018</u>	<u>Proposed</u> <u>2019</u>	Total Program
General	Operating	\$256,700	\$216,660	\$177,362	\$128,109	\$133,896	\$912,726
	Capital Reserve	1,160,000	145,000	125,000	25,000	25,000	1,480,000
	Debt Borrowing	0	2,125,000	227,000	26,000	0	2,378,000
	Grant	775,000	1,121,000	0	6,250	0	1,902,250
	Total	\$2,191,700	\$3,607,660	\$529,362	\$185,359	\$158,896	\$6,672,976
Highway Fund	Operating	\$237,000	\$280,000	\$380,000	\$473,000	\$473,000	\$1,843,000
	Capital Reserve	730,000	170,000	85,000	0	0	985,000
	Debt Borrowing	320,000	700,000	1,085,000	905,000	420,000	3,430,000
	Grant	317,000	317,000	317,000	317,000	317,000	1,585,000
	Total	\$1,604,000	\$1,467,000	\$1,867,000	\$1,695,000	\$1,210,000	\$7,843,000
Water Fund	Operating	\$541,500	\$371,000	\$186,000	\$196,000	\$206,000	\$1,500,500
	Capital Reserve	1,649,000	75,000	0	0	0	1,724,000
	Debt Borrowing	1,750,000	4,560,000	4,615,000	2,240,000	2,265,000	15,430,000
	Grant	0	0	0	0	0	0
	Total	\$3,940,500	\$5,006,000	\$4,801,000	\$2,436,000	\$2,471,000	\$18,654,500
Sewer Fund	Operating	\$113,500	\$10,000	\$10,000	\$10,000	\$10,000	153,500
	Capital Reserve	1,125,000	200,000	50,000	150,000	0	1,525,000
	Debt Borrowing	500,000	2,980,000	1,700,000	500,000	1,500,000	7,180,000
	Grant	1,475,000	0	0	0	0	1,475,000
	Total	\$3,213,500	\$3,190,000	\$1,760,000	\$660,000	\$1,510,000	\$10,333,500
Total All Funds		\$10,949,700	\$13,270,660	\$8,957,362	\$4,976,359	\$5,349,896	\$43,503,976

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>Municipality</u>	<u>Status of Debt as of</u>	<u>Gross Indebtedness</u> ⁽¹⁾	<u>Estimated Exclusions</u>	<u>Net Indebtedness</u>	<u>Town Share</u>	<u>Applicable Indebtedness</u>
County of:						
Albany	11/4/2014 ⁽⁴⁾	\$244,474,771	\$ 16,285,000 ⁽²⁾	\$ 228,189,771	14.78%	\$ 33,726,448
School District:						
Bethlehem CSD	7/8/2014 ⁽⁴⁾	83,395,000	57,459,155 ⁽³⁾	25,935,845	92.35%	23,951,753
Ravena-Coeymans-Selkirk	6/30/2014 ⁽⁴⁾	12,651,133	8,590,119 ⁽³⁾	4,061,014	39.55%	1,606,131
Guilderland CSD	6/26/2014 ⁽⁴⁾	48,396,800	31,361,126 ⁽³⁾	17,035,674	6.09%	1,037,473
					Total:	<u>\$ 60,321,804</u>

Notes:

- ⁽¹⁾ Outstanding bonds and bond anticipation notes. Not adjusted to include subsequent bond or note sales, if any
- ⁽²⁾ Water and sewer debt and appropriations.
- ⁽³⁾ Estimated State building aid based on current aid ratio.

Sources of information:

- ⁽⁴⁾ Most recent available official statement of the municipality obtained from EMMA.

Debt Ratios

The following table sets forth certain ratios relating to the District's indebtedness as of May 1, 2015.

	<u>Amount</u>	<u>Per Capita</u> ^(a)	<u>Percentage of Full Value</u> ^(b)
Gross Indebtedness (see "Debt Statement Summary").....	\$ 19,548,195	\$ 580.82	0.54%
Net Indebtedness (see "Debt Statement Summary")	9,675,019	287.47	0.27%
Gross Plus Net Overlapping Indebtedness ^(c)	79,869,999	2,373.13	2.21%
Net Plus Net Overlapping Indebtedness ^(c)	69,996,999	2,079.78	1.94%

- ^(a) The Town's 2010 estimated population is 33,656. (See "Population Trends" herein.)
- ^(b) The Town's full valuation of taxable real estate for 2015 is \$3,607,230,858. (See "Taxable Assessed Valuations" herein.)
- ^(c) See "Debt Statement Summary" herein.
- ^(d) The Town's estimated applicable share of net underlying indebtedness is \$60,321,804. (See "Estimated Overlapping Indebtedness" herein.)

SPECIAL PROVISIONS AFFECTING REMEDIES UPON DEFAULT

General Municipal Law Contract Creditors' Provision

Each Bond and Note when duly issued and paid for will constitute a contract between the Town and the holder thereof. Under current law, provision is made for contract creditors of the Town to enforce payments upon such contracts, if necessary, through court action. 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 on an amount adjudged due to a creditor shall not exceed nine per centum per annum from the date due to the date of payment. 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 and interest on the Bonds.

Execution/Attachment of Municipal Property

As a general rule, property and funds of a municipal corporation serving the public welfare and interest have not been judicially subjected to execution or attachment to satisfy a judgment, although judicial mandates have been issued to officials to appropriate and pay judgments out of certain funds or the proceeds of a tax levy. 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.

Authority to File For Municipal Bankruptcy

The Federal Bankruptcy Code allows public bodies, such as the Town, 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 or its emergency control board to file a petition under any provision of Federal bankruptcy law for the composition or adjustment of municipal indebtedness.

The State has consented that any municipality in the State may file a petition with the United States District Court or court of bankruptcy under any provision of the laws of the United States, now or hereafter in effect, for the composition or adjustment of municipal indebtedness. Subject to such State consent, under the United States Constitution, Congress has jurisdiction over such matters and has enacted amendments to the existing federal bankruptcy statute, being Chapter 9 thereof, generally to the effect and with the purpose of affording municipal corporations, under certain circumstances, with easier access to judicially approved adjustment of debt including judicial control over identifiable and unidentifiable creditors.

No current state law purports to create any priority for holders of the Bonds should the Town be under the jurisdiction of any court, pursuant to the laws of the United States, now or hereafter in effect, for the composition or adjustment of municipal indebtedness.

The rights of the owners of Bonds to receive interest and principal from the Town could be adversely affected by the restructuring of the Town's debt under Chapter 9 of the Federal Bankruptcy Code. No assurance can be given that any priority of holders of debt obligations issued by the Town (including the Bonds) to payment from monies retained in any debt service fund or from other cash resources would be recognized if a petition were filed by or on behalf of the Town under the Federal Bankruptcy Code or pursuant to other subsequently enacted laws relating to creditors' rights; such monies might, under such circumstances, be paid to satisfy the claims of all creditors generally.

Under the Federal Bankruptcy Code, a petition may be filed in the Federal Bankruptcy court by a municipality which is insolvent or unable to meet its debts as they mature. Generally, the filing of such a petition operates as a stay of any proceeding to enforce a claim against the municipality. The Federal Bankruptcy Code also requires that a plan be filed for the adjustment of the municipality's debt, which may modify or alter the rights of creditors and which could be secured. Any plan of adjustment confirmed by the court must be approved by the requisite number of creditors. If confirmed by the bankruptcy court, the plan would be binding upon all creditors affected by it.

State Debt Moratorium Law

There are separate State law provisions regarding debt service moratoriums enacted into law in 1975.

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 obligations.

As a result of the Court of Appeals decision in Flushing National Bank v. Municipal Assistance Corporation for the City of New York, 40 N.Y.2d 731 (1976), 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.

Right of Municipality or State to Declare a Municipal Financial Emergency and Stay Claims Under State Debt Moratorium Law. The State Legislature is authorized to declare by special act that a state of financial emergency exists in any county, city, town or village. (The provision does not by its terms apply to school districts or fire districts.) In addition, the State Legislature may authorize by special act establishment of an “emergency financial control board” for any county, city, town or village upon determination that such a state of financial emergency exists. Thereafter, unless such special act provides otherwise, a voluntary petition to stay claims may be filed by any such municipality (or by its emergency financial control board in the event said board requests the municipality to petition and the municipality fails to do so within five days thereafter). A petition filed in supreme court in the county in which the municipality is located in accordance with the requirements of Title 6-A of the Local Finance Law (“Title 6-A”) effectively prohibits the doing of any act for ninety days in the payment of claims, against the municipality including payment of debt service on outstanding indebtedness.

This includes staying the commencement or continuation of any court proceedings seeking payment of debt service due, the assessment, levy or collection of taxes by or for the municipality or the application of any funds, property, receivables or revenues of the municipality to the payment of debt service. The stay can be vacated under certain circumstances with provisions for the payment of amounts due or overdue upon a demand for payment in accordance with the statutory provisions set forth therein. The filing of a petition may be accompanied with a proposed repayment plan which upon court order approving the plan, may extend any stay in the payment of claims against the municipality for such “additional period of time as is required to carry out fully all the terms and provisions of the plan with respect to those creditors who accept the plan or any benefits thereunder.” Court approval is conditioned, after a hearing, upon certain findings as provided in Title 6-A.

A proposed plan can be modified prior to court approval or disapproval. After approval, modification is not permissible without court order after a hearing. If not approved, the proposed plan must be amended within ten days or else the stay is vacated and claims including debt service due or overdue must be paid. It is at the discretion of the court to permit additional filings of amended plans and continuation of any stay during such time. A stay may be vacated or modified by the court upon motion of any creditor if the court finds after a hearing, that the municipality has failed to comply with a material provision of an accepted repayment plan or that due to a “material change in circumstances” the repayment plan is no longer in compliance with statutory requirements.

Once an approved repayment plan has been completed, the court, after a hearing upon motion of any creditor, or a motion of the municipality or its emergency financial control board, will enter an order vacating any stay then in effect and enjoining of creditors who accepted the plan or any benefits thereunder from commencing or continuing any court action, proceeding or other act described in Title 6-A relating to any debt included in the plan.

Title 6-A requires notice to all creditors of each material step in the proceedings. Court determinations adverse to the municipality or its financial emergency control board are appealable as of right to the appellate division in the judicial department in which the court is located and thereafter, if necessary, to the Court of Appeals. Such appeals stay the judgment or appealed from and all other actions, special proceedings or acts within the scope of Section 85.30 of Title 6-A pending the hearing and determination of the appeals.

Whether Title 6-A is valid under the Constitutional provisions regarding the payment of debt service is not known. However, based upon the decision in the Flushing National Bank case described above, its validity is subject to doubt.

While the State Legislature has from time to time adopted legislation in response to a municipal fiscal emergency and established public benefit corporations with a broad range of financial control and oversight powers to oversee such municipalities, generally such legislation has provided that the provisions of Title 6-A are not applicable during any period of time that such a public benefit corporation has outstanding indebtedness issued on behalf of such municipality.

Fiscal Stress and State Emergency Financial Control Boards. Pursuant to Article IX Section 2(b)(2) of the State Constitution, any local government in the State may request the intervention of the State in its “property, affairs and government” by a two-thirds vote of the total membership of its legislative body or on request of its chief executive officer concurred in by a majority of such membership. This has resulted in the adoption of special acts for the establishment of public benefit corporations with varying degrees of authority to control the finances (including debt issuance) of the cities of Buffalo, Troy and Yonkers and the County of Nassau. The specific authority, powers and composition of the financial control boards established by these acts varies based upon circumstances and needs. Generally, the State legislature has granted such boards the power to approve or disapprove budget and financial plans and to issue debt on behalf of the municipality, as well as to impose wage and/or hiring freezes and approve collective bargaining agreements in certain cases. Implementation is left to the discretion of the board of the public benefit corporation. Such a State financial control board was first established for New York City in 1975. In addition, on a certificate of necessity of the governor reciting facts which in the judgment of governor constitute an emergency requiring enactment of such laws, with the concurrences of two-thirds of the members elected in each house of the State legislature the State is authorized to intervene in the “property, affairs and governments” of local government units. This occurred in the case of the County of Erie in 2005. The authority of the State to intervene in the financial affairs of local government is further supported by Article VIII, Section 12 of the Constitution which declares it to be the duty of the State legislature to restrict, subject to other provisions of the Constitution, the power of taxation, assessment, borrowing money and contracting indebtedness and loaning the credit of counties, cities, towns and villages so as to prevent abuses in taxation and assessment and in contracting indebtedness by them.

In 2013, the State established a new state advisory board to assist counties, cities, towns and villages in financial distress. The Financial Restructuring Board for Local Governments (the “FRB”), is authorized to conduct a comprehensive review of the finances and operations of any such municipality deemed by the FRB to be fiscally eligible for its services upon request by resolution of the municipal legislative body and concurrence of its chief executive. The FRB is authorized to make recommendations for, but cannot compel improvement of fiscal stability, management and delivery of municipal services, including shared services opportunities and is authorized to offer grants and/or loans of up to \$5,000,000 through a Local Government Performance and Efficiency Program to undertake certain recommendations. If a municipality agrees to undertake the FRB recommendations, it will be automatically bound to fulfill the terms in order to receive the aid.

The FRB is also authorized to serve as an alternative arbitration panel for binding arbitration.

Although from time to time, there have been proposals for the creation of a statewide financial control board with broad authority over local governments in the State, the FRB does not have emergency financial control board powers to intervene such as the public benefit corporations established by special acts as described above.

Several municipalities in the State are presently working with the FRB. The Town has not requested FRB assistance nor does it reasonably expect to do so in the foreseeable future. School districts and fire districts are not eligible for FRB assistance.

Constitutional Non-Appropriation Provision

There is in the Constitution of the State, Article VIII, Section 2, the following provision relating to the annual appropriation of monies for the payment of due principal of and interest on indebtedness of every county, city, town, village and school district in the State: “If at any time the respective appropriating authorities shall fail to make such appropriations, a sufficient sum shall be set apart from the first revenues thereafter received and shall be applied to such purposes. The fiscal officer of any county, city, town, village or school district may be required to set aside and apply such revenues as aforesaid at the suit of any holder of obligations issued for any such indebtedness.” This constitutes a specific non-exclusive constitutional remedy against a defaulting municipality or school district; however, it does not apply in a context in which monies have been appropriated for debt service but the appropriating authorities decline to use such monies to pay debt service. However, Article VIII, Section 2 of the Constitution of the State also provides that the fiscal officer of any county, city, town, village or school district may be required to set apart and apply such revenues at the suit of any holder of any obligations of indebtedness issued with the pledge of the faith of the credit of such political subdivision. See “General Municipal Law Contract Creditors’ Provision” herein.

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

Default Litigation

In prior years, certain events and legislation affecting a holder's remedies upon default have resulted in litigation. While courts of final jurisdiction have upheld and sustained the rights of bondholders, such courts might hold that future events including financial crises as they may occur in the State and in political subdivisions of the State require the exercise by the State or its political subdivisions of emergency and police powers to assure the continuation of essential public services prior to the payment of debt service. See "Nature of Obligation" and "State Debt Moratorium Law" herein.

No Past Due Debt

No principal of or interest on Town indebtedness is past due. The Town has never defaulted in the payment of the principal of and interest on any indebtedness.

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,

- (i) 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, during each fiscal year in which the Bonds are outstanding, (i) certain annual financial information and operating data for the preceding fiscal year in a form generally consistent with the information contained or cross-referenced in the Final Official Statement dated May 13, 2015 of the Town relating to the Bonds under the headings "THE TOWN", "TAX INFORMATION", "STATUS OF INDEBTEDNESS", "LITIGATION" and all Appendices (other than any related to bond insurance) by the end of the sixth month following the end of each succeeding fiscal year, commencing with the fiscal year ending December 31, 2014, and (ii) a copy of the audited financial statement, if any, (prepared in accordance with accounting principles generally accepted in the United States of America in effect at the time of the audit) for the preceding fiscal year, commencing with the fiscal year ending December 31, 2014; such 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 an audited financial statement is not available at that time, within sixty days following receipt by the Town of its audited financial statement for the preceding fiscal year, but, in any event, not later than the last business day of each such succeeding fiscal year; and provided further, in the event that the audited financial statement for any fiscal year is not available by the end of the sixth month following the end of any such succeeding fiscal year, unaudited financial statements in the form provided to the State, if available, will be provided no later than said date; provided however, that provision of unaudited financial statements in any year shall be further conditioned upon a determination by the Town of whether such provision is compliant with the requirements of federal securities laws including Rule 10b-5 of the Securities Exchange Act of 1934 and Rule 17(a)(2) of the Securities Act of 1933;
- (ii) within 10 business days after the occurrence of such event, notice of the occurrence of any of the following events with respect to the Bonds, to EMMA or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule:
 - (a) principal and interest payment delinquencies
 - (b) non-payment related defaults; if material
 - (c) unscheduled draws on debt service reserves reflecting financial difficulties
 - (d) 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 of 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; if material
 - (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; and
- (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.

For the purposes of the event identified in (l) of this section, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

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 EMMA or any other entity designated or authorized by the Commission to receive reports pursuant to the Rule, notice of its failure to provide the aforescribed annual financial information and operating data and such audited financial statement, if any, on or before the date specified.

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.

Historical Continuing Disclosure Compliance

The Town has in the previous five years complied, in all material respects, with any previous undertakings pursuant to the Rule; however, the Town did not file in a timely manner its audited financial report for fiscal year ending December 31, 2011. The audited financial report for fiscal year ending 2011 was due within 60 days of its completion date of July 11, 2012, but was not filed to EMMA until October 17, 2012.

The Town on occasion did not file in a timely manner certain material event notices relating to rating changes of the various insurers of certain outstanding bonds of the Town. The underlying rating of the Town was not affected by such bond insurer rating changes.

MARKET AND RISK FACTORS

There are various forms of risk associated with investing in the Bonds. The following is a discussion of certain events that could affect the risk of investing in the Bonds. In addition to the events cited herein, there are other potential risk factors that an investor must consider. In order to make an informed investment decision, an investor should be thoroughly familiar with the entire Official Statement, including its appendices, as well as all areas of potential investment risk.

The financial and economic 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 State and in other jurisdictions, 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 and revenues 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 some 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").

There are a number of general factors which could have a detrimental effect on the ability of the Town to continue to generate revenues, particularly property taxes. For instance, the termination of a major commercial enterprise or an unexpected increase in tax certiorari proceedings could result in a significant reduction in the assessed valuation of taxable real property in the Town. Unforeseen developments could also result in substantial increases in Town expenditures, thus placing strain on the Town's financial condition. These factors may have an effect on the market price of the Bonds.

If a holder elects to sell his investment prior to its scheduled maturity date, market access or price risk may be incurred. If and when a holder of any of the Bonds should elect to sell a Bond prior to its maturity, there can be no assurance that a market shall have been established, maintained and be in existence for the purchase and sale of any of the Bonds. Recent global financial crises have included limited periods of significant disruption. In addition, the price and principal value of the Bonds is dependent on the prevailing level of interest rates; if interest rates rise, the price of a bond or note will decline, causing the bondholder or noteholder to incur a potential capital loss if such bond or note is sold prior to its maturity.

Amendments to U.S. Internal Revenue Code could reduce or eliminate the favorable tax treatment granted to municipal debt, including the Bonds and other debt issued by the Town. Any such future legislation would have an adverse effect on the market value of the Bonds (See "TAX EXEMPTION" herein).

The Tax Levy Limitation Law, which imposes a tax levy limitation upon municipalities, school districts and fire districts in the State, including the Town and continuing technical and constitutional issues raised by its enactment and implementation could have an impact upon the finances and operations of the Town and hence upon the market price of the Bonds. See "TAX INFORMATION - Tax Levy Limitation Law" herein.

TAX EXEMPTION

The Bonds

In the opinion of Hodgson Russ LLP, Albany, New York, Bond Counsel, under existing law, interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes, assuming compliance with certain covenants and the accuracy of certain representations. Further, (a) the Town or another Person, by failing to comply with the requirements contained in the Internal Revenue Code of 1986, as amended (the "Code"), may cause interest on the Bonds to become subject to federal income taxation from the date of issuance thereof, (b) interest on the Bonds is not an "item of tax preference" for purposes of the individual and corporate alternative minimum taxes imposed by the Code, and (c) 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, Bond Counsel 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, 148 and 149 of the Code and the regulations thereunder (collectively, the “Tax Requirements”). In the opinion of Bond Counsel, the Tax Compliance Certificate establishes requirements and procedures, compliance with which will satisfy the Tax Requirements.

In the Tax Compliance Certificate, 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.

Bonds Bank Qualified

The Bonds will be designated as “qualified tax-exempt obligations” pursuant to Section 265(b)(3) of the Code.

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 Note 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, 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, 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 (Subject to certain recently enacted statutory limitations imposed by Chapter 97 of the 2011 Laws of New York), without limitation as to rate or amount, 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. Moreover, interest on the Bonds is not an "item of tax preference" for purposes of the individual and corporate alternative minimum taxes imposed by the Code. However, interest on the Bonds is includable in the "adjusted current earnings" of a corporate owner of the Bonds and 75% of the interest on the Bonds is thus includable in the tax base for computing a corporation's liability with respect to the 20% alternative minimum tax. Moreover, interest on the Bonds may be subject to a branch profits tax of up to 30% when owned by certain foreign corporations. Furthermore, interest on the Bonds may be subject to a tax at ordinary income rates when owned by "S Corporations" in certain cases. 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. Bond Counsel will express no opinion regarding other federal income tax consequences arising with respect to the Bonds.

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.

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.

RATING

Standard & Poor's has assigned their rating of "AA+" with a Stable outlook to the Bonds. No application was made to any other rating agency for the purpose of obtaining an additional rating on 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

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 such website is included by specific reference or constitutes a part of this Official Statement. Fiscal Advisors & Marketing, Inc. has prepared such website information for convenience, but no decisions should be made in reliance upon that information. Typographical or other errors may have occurred in converting original source documents to digital format, and neither the Town nor Fiscal Advisors & Marketing, Inc. assumes any liability or responsibility for errors or omissions on such website. Further, Fiscal Advisors & Marketing, Inc. and the Town disclaim 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 the website. Fiscal Advisors & Marketing, Inc. and the Town also assumes no liability or responsibility for any errors or omissions or for any updates to dated website information.

Statements in the Official Statement, and the documents included by specific reference, that are not historical facts are “forward-looking statements”, within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and as defined in the Private Securities Litigation Reform Act of 1995, which involve a number of risks and uncertainties, and which are based on the Town management’s beliefs as well as assumptions made by, and information currently available to, the Town’s management and staff. Because the statements are based on expectations about future events and economic performance and are not statements of fact, actual results may differ materially from those projected. Important factors that could cause future results to differ include legislative and regulatory changes; changes in the economy, and other factors discussed in this and other documents that the Town’s files with the repositories. When used in Town documents or oral presentation, the words “anticipate”, “believe”, “intend”, “plan”, “foresee”, “likely”, “estimate”, “expect”, “objective”, “projection”, “forecast”, “goal”, “will”, or “should”, or similar words or phrases are intended to identify forward-looking statements.

To the extent 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 holder of the Bonds.

Hodgson Russ LLP, Albany, New York, Bond Counsel to the Town, expresses no opinion as to the accuracy or completeness of information in any documents prepared by or on behalf of the Town for use in connection with the offer and sale of the Bonds, including but not limited to, the financial or statistical information in this Official Statement.

References herein to the Constitution of the State and various State and federal laws are only brief outlines of certain provisions thereof and do not purport to summarize or describe all of such provisions.

Concurrently with the delivery of the Bonds, the Town will furnish a certificate to the effect that as of the date of the Official Statement, the Official Statement did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading, subject to limitation as to information in the Official Statement obtained from sources other than the Town, as to which no representation can be made.

The Official Statement is submitted only in connection with the sale of the Bonds by the Town and may not be reproduced or used in whole or in part for any other purpose.

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 such website is included by specific reference or constitutes a part of this Official Statement. Fiscal Advisors & Marketing, Inc. has prepared such website information for convenience, but no decisions should be made in reliance upon that information. Typographical or other errors may have occurred in converting original source documents to digital format, and neither the Town nor Fiscal Advisors & Marketing, Inc. assumes any liability or responsibility for errors or omissions on such website. Further, Fiscal Advisors & Marketing, Inc. and the Town disclaim 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 the website. Fiscal Advisors & Marketing, Inc. and the Town 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 of the Town of Bethlehem, New York.

TOWN OF BETHLEHEM

Dated: May 13, 2015

/s/ JOHN CLARKSON
Town Supervisor

GENERAL FUND

Balance Sheets

Fiscal Years Ending December 31:	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
ASSETS					
Cash	\$ 771,110	\$ 1,270,114	\$ 2,578,299	\$ 3,577,349	\$ 3,723,319
Restricted Assets	-	-	-	-	-
Accounts Receivable	285,628	183,772	228,913	318,499	200,924
Due from Other Funds	-	-	-	-	-
Due From Other Governments	2,959,366	3,514,086	4,449,121	4,105,730	4,164,270
State and Federal Aid Receivable	145,740	157,583	5,012	8,337	19,465
Prepaid Expenses	1,355,846	500,642	497,557	441,646	529,463
Inventories	59,959	75,029	89,116	85,049	86,984
TOTAL ASSETS	<u>\$ 5,577,649</u>	<u>\$ 5,701,226</u>	<u>\$ 7,848,018</u>	<u>\$ 8,536,610</u>	<u>\$ 8,724,425</u>
LIABILITES AND FUND EQUITY					
Accounts Payable	\$ 362,490	\$ 334,288	\$ 219,426	\$ 834,151	\$ 315,386
Accrued Liabilities	421,711	468,599	722,292	471,166	502,784
Due to Other Funds	144,316	241,325	338,929	395,463	491,909
Due to Other Governments	659,386	609,718	579,988	431,708	426,583
Deferred Revenues	250,830	495,418	1,262,673	811,595	1,062,423
TOTAL LIABILITIES	<u>1,838,733</u>	<u>2,149,348</u>	<u>3,123,308</u>	<u>2,944,083</u>	<u>2,799,085</u>
FUND EQUITY					
Reserved	\$ 111,930	\$ 575,671	\$ 586,673	\$ 526,695	\$ 616,447
Unreserved:					
Appropriated	130,196	159,528	921,211	952,870	2,178,177
Unappropriated	3,496,790	2,816,679	3,216,826	4,112,962	3,130,716
TOTAL FUND EQUITY	<u>3,738,916</u>	<u>3,551,878</u>	<u>4,724,710</u>	<u>5,592,527</u>	<u>5,925,340</u>
TOTAL LIABILITES and FUND EQUITY	<u>\$ 5,577,649</u>	<u>\$ 5,701,226</u>	<u>\$ 7,848,018</u>	<u>\$ 8,536,610</u>	<u>\$ 8,724,425</u>

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

GENERAL FUND

Revenues, Expenditures and Changes in Fund Balance

Fiscal Years Ending December 31:	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
REVENUES					
Real Property Taxes	\$ 1,393,000	\$ 2,056,672	\$ 2,078,649	\$ 2,078,649	\$ 2,080,612
Real Property Tax Items	483,468	684,528	700,374	700,530	100,685
Non Property Tax Items	9,814,812	10,152,027	10,807,725	11,137,003	11,268,471
Departmental Income	1,431,267	1,535,634	1,640,781	1,759,484	1,711,402
Intergovernmental Charges	45,000	34,500	-	75,000	50,000
Use of Money & Property	83,135	83,320	91,169	99,335	87,569
Licenses and Permits	12,789	12,711	40,912	35,271	35,624
Fines and Forfeitures	533,559	500,567	496,517	431,863	375,012
Sale of Property and Compensation for Loss	127,144	118,346	208,169	189,575	239,844
Miscellaneous	223,366	33,213	68,219	14,988	43,358
Interfund Revenues	32,834	33,167	237	-	-
Revenues from State Sources	1,377,471	1,183,048	1,521,173	1,435,673	1,547,014
Revenues from Federal Sources	75,045	68,810	61,524	326,887	519,112
Total Revenues	\$ 15,632,890	\$ 16,496,543	\$ 17,715,449	\$ 18,284,258	\$ 18,058,703
EXPENDITURES					
General Government Support	\$ 4,011,499	\$ 4,150,204	\$ 3,599,216	\$ 3,329,381	\$ 3,837,551
Education	14,076	1,192	15,455	11,640	158
Public Safety	7,289,493	7,552,432	6,084,461	5,719,074	5,982,069
Health	7,102	4,117	1,539	1,466	1,496
Transportation	602,669	609,564	561,516	555,781	549,380
Economic Assistance and Opportunity	592,783	545,346	441,663	470,254	436,061
Culture and Recreation	1,923,341	1,853,220	1,518,065	1,605,141	1,280,170
Home and Community Services	1,448,549	1,551,555	1,288,103	1,604,601	1,167,607
Employee Benefits	243,905	364,636	4,104,093	4,328,754	4,253,389
Debt Service	315,471	266,448	291,345	373,555	336,626
Total Expenditures	\$ 16,448,888	\$ 16,898,714	\$ 17,905,456	\$ 17,999,647	\$ 17,844,507
Excess of Revenues Over (Under) Expenditures	(815,998)	(402,171)	(190,007)	284,611	214,196
Other Financing Sources (Uses):					
Other Budgetary Purposes	-	-	-	-	-
Operating Transfers In	250,000	250,000	923,709	908,016	653,621
Operating Transfers Out	-	(11,000)	(18,000)	(19,795)	-
Total Other Financing	250,000	239,000	905,709	888,221	653,621
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(565,998)	(163,171)	715,702	1,172,832	867,817
FUND BALANCE					
Fund Balance - Beginning of Year	4,468,085	3,902,087	3,738,916	3,551,878	4,724,710
Prior Period Adjustments (net)	-	-	(902,740) ⁽¹⁾	-	-
Fund Balance - End of Year	\$ 3,902,087	# \$ 3,738,916	# \$ 3,551,878	\$ 4,724,710	\$ 5,592,527

(1) 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.

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

GENERAL FUND

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

Fiscal Years Ending December 31:	2014		2015
	Final Budget	Actual	Adopted Budget
REVENUES			
Real Property Taxes	\$ 2,078,649	\$ 2,087,183	\$ 2,111,291
Real Property Tax Items	102,643	96,206	89,900
Non Property Tax Items	11,429,560	11,749,150	11,670,140
Departmental Income	1,532,362	1,426,972	1,467,440
Intergovernmental Charges	123,450	80,000	117,200
Use of Money & Property	92,000	92,814	93,000
Licenses and Permits	36,315	41,583	36,740
Fines and Forfeitures	385,000	426,268	410,000
Sale of Property and Compensation for Loss	179,550	114,181	109,800
Miscellaneous	398,622	59,642	425,895
Interfund Revenues	-	-	-
Revenues from State Sources	1,950,088	1,486,423	1,232,638
Revenues from Federal Sources	24,600	72,344	48,750
Total Revenues	<u>\$ 18,332,839</u>	<u>\$ 17,732,766</u>	<u>\$ 17,812,794</u>
EXPENDITURES			
General Government Support	\$ 3,936,821	\$ 3,687,158	\$ 3,576,839
Education	-	-	-
Public Safety	5,962,899	5,825,481	5,718,006
Health	1,530	1,477	1,530
Transportation	607,636	588,318	565,122
Economic Assistance and Opportunity	453,999	428,437	463,521
Culture and Recreation	1,299,437	1,281,870	1,330,297
Home and Community Services	1,252,546	1,089,076	1,254,987
Employee Benefits	4,679,289	4,571,046	4,576,290
Debt Service	310,512	310,506	326,202
Total Expenditures	<u>\$ 18,504,669</u>	<u>\$ 17,783,369</u>	<u>\$ 17,812,794</u>
Excess of Revenues Over (Under) Expenditures	<u>(171,830)</u>	<u>(50,603)</u>	<u>-</u>
Other Financing Sources (Uses):			
Other Budgetary Purposes	(67,997)	-	-
Operating Transfers In	-	399,316	-
Operating Transfers Out	-	(15,900)	-
Total Other Financing	<u>(67,997)</u>	<u>383,416</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(239,827)</u>	<u>332,813</u>	<u>-</u>
FUND BALANCE			
Fund Balance - Beginning of Year	239,827	5,592,527	-
Prior Period Adjustments (net)	-	-	-
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ 5,925,340</u>	<u>\$ -</u>

Source: 2014 Audited Financial Report and 2015 Budget (unaudited) of the Town. This Appendix is not itself audited.

CHANGES IN FUND EQUITY

Fiscal Years Ending December 31:	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<u>HIGHWAY FUND - TOWN WIDE</u>					
Fund Equity - Beginning of Year	\$ 1,703,174	\$ 2,441,625	\$ 2,011,648	\$ 2,377,099	\$ 2,385,249
Prior Period Adjustments (net)		(237,975)	-	-	-
Revenues & Other Sources	5,910,180	6,225,445	6,522,983	6,641,722	6,723,496
Expenditures & Other Uses	5,171,729	6,417,447	6,157,532	6,633,572	6,216,357
Fund Equity - End of Year	\$ 2,441,625	\$ 2,011,648	\$ 2,377,099	\$ 2,385,249	\$ 2,892,388
<u>WATER FUND</u>					
Fund Equity - Beginning of Year	\$ 2,761,169	\$ 3,371,573	\$ 3,118,884	\$ 3,898,238	\$ 3,471,508
Prior Period Adjustments (net)	-	(147,653)	-	-	-
Revenues & Other Sources	8,830,928	8,749,414	9,461,471	9,482,271	9,277,540
Expenditures & Other Uses	8,220,524	8,854,450	8,682,117	9,909,001	9,055,954
Fund Equity - End of Year	\$ 3,371,573	\$ 3,118,884	\$ 3,898,238	\$ 3,471,508	\$ 3,693,094
<u>SEWER FUND</u>					
Fund Equity - Beginning of Year	\$ 2,113,442	\$ 2,226,292	\$ 1,253,842	\$ 1,999,359	\$ 1,970,383
Prior Period Adjustments (net)	-	(104,388)	-	-	-
Revenues & Other Sources	3,906,223	4,010,726	4,679,283	4,316,864	4,877,873
Expenditures & Other Uses	3,793,373	4,878,788	3,933,766	4,345,840	3,690,301
Fund Equity - End of Year	\$ 2,226,292	\$ 1,253,842	\$ 1,999,359	\$ 1,970,383	\$ 3,157,955
<u>CAPITAL PROJECTS FUND</u>					
Fund Equity - Beginning of Year	\$ 6,392,369	\$ 3,976,585	\$ 2,638,258	\$ 1,772,013	\$ 2,680,517
Prior Period Adjustments (net)	-	-	-	-	-
Revenues & Other Sources	596,823	287,955	492,791	3,616,493	1,710,680
Expenditures & Other Uses	3,012,607	1,626,282	1,359,036	2,707,989	5,888,269
Fund Equity - End of Year	\$ 3,976,585	\$ 2,638,258	\$ 1,772,013	\$ 2,680,517	\$ (1,497,072)

Source: Annual financial report update documents (unaudited) of the Town. This Appendix is not itself audited.

BONDED INDEBTEDNESS

Fiscal Year Ending December 31st	Excluding this Issue			Principal of the Bonds	Total Principal All Issues
	Principal	Interest	Total		
2015	\$ 1,040,000	\$ 591,950.00	\$ 1,631,950.00	-	1,040,000
2016	1,075,000	549,637.50	1,624,637.50	182,058	1,257,058
2017	1,125,000	504,925.00	1,629,925.00	255,000	1,380,000
2018	1,170,000	458,000.00	1,628,000.00	260,000	1,430,000
2019	985,000	411,225.00	1,396,225.00	265,000	1,250,000
2020	1,030,000	363,225.00	1,393,225.00	270,000	1,300,000
2021	1,080,000	313,025.00	1,393,025.00	280,000	1,360,000
2022	1,135,000	260,425.00	1,395,425.00	285,000	1,420,000
2023	265,000	228,225.00	493,225.00	295,000	560,000
2024	275,000	217,625.00	492,625.00	305,000	580,000
2025	285,000	206,625.00	491,625.00	310,000	595,000
2026	300,000	195,225.00	495,225.00	320,000	620,000
2027	310,000	183,225.00	493,225.00	325,000	635,000
2028	325,000	170,825.00	495,825.00	335,000	660,000
2029	340,000	157,825.00	497,825.00	345,000	685,000
2030	350,000	144,225.00	494,225.00	355,000	705,000
2031	365,000	129,787.50	494,787.50	365,000	730,000
2032	380,000	114,275.00	494,275.00	375,000	755,000
2033	400,000	97,650.00	497,650.00	390,000	790,000
2034	415,000	79,650.00	494,650.00	395,000	810,000
2035	435,000	60,975.00	495,975.00	-	435,000
2036	450,000	41,400.00	491,400.00	-	450,000
2037	470,000	21,150.00	491,150.00	-	470,000
TOTALS	\$ 14,005,000	\$ 5,501,100.00	\$ 19,506,100.00	\$ 5,912,058	\$ 19,917,058

TOWN OF BETHLEHEM

ALBANY COUNTY, NEW YORK

AUDITED FINANCIAL STATEMENTS

FISCAL YEAR ENDED DECEMBER 31, 2014

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

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TOWN OF BETHLEHEM, NEW YORK
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 DECEMBER 31, 2014

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, 2014. This document should be read in conjunction with the Town's financial statements.

Financial Highlights

Relative to recent years passed, the Town experienced very little in the way of change in 2014. The most noteworthy was the expiration in September of the 20 year old Selkirk Cogen water purchase agreement which guaranteed a minimum annual water purchase at a reduced rate. This single sale represented between 25%-33% of the total volume sold by the Town. While the expiration was originally projected to be beneficial to the Town, based on a conversation to the industrial rate table, it has not, due to a recent change in the Selkirk Cogen business model, as well as the timing of their temporary plant shutdowns at the end of the year. Despite this setback with the Water Fund, the Town experienced a net surplus in all four major operating funds: General, Highway, Water and Sewer Funds.

	<u>General</u>	<u>Highway</u>	<u>Water</u>	<u>Sewer</u>
Final Budgeted Revenues and Transfers	\$18,332,839	\$ 6,401,372	\$ 9,550,449	\$ 4,447,288
Final Budgeted Expenses and Transfers	<u>18,572,666</u>	<u>6,445,723</u>	<u>9,923,318</u>	<u>5,078,502</u>
Budgeted Surplus (Shortfall)	<u>\$ (239,827)</u>	<u>\$ (44,351)</u>	<u>\$ (372,869)</u>	<u>\$ (631,214)</u>
Actual Revenues and Transfers	\$18,132,082	\$ 6,723,496	\$ 9,277,540	\$ 4,877,873
Actual Expenses and Transfers	<u>17,783,369</u>	<u>6,216,357</u>	<u>9,055,954</u>	<u>3,690,301</u>
Operating Surplus	348,713	507,139	221,586	1,187,572
Capital Fund Transfer	<u>(15,900)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Surplus (Deficit)	332,813	507,139	221,586	1,187,572
Total Fund Balance, December 31, 2013	<u>5,592,527</u>	<u>2,385,249</u>	<u>3,471,508</u>	<u>1,970,383</u>
Total Fund Balance, December 31, 2014	<u>\$ 5,925,340</u>	<u>\$ 2,892,388</u>	<u>\$ 3,693,094</u>	<u>\$ 3,157,955</u>
Nonspendable Fund Balance	\$ 616,447	\$ 644,534	\$ 93,194	\$ 57,434
Assigned Appropriated Fund Balance	245,980	147,029	436,425	944,226
Assigned Appropriated for Retirement	672,197	307,780	126,088	-
Assigned Appropriated for Capital	1,260,000	475,000	910,000	895,983
Assigned Appropriated for Contingency	-	1,318,045	2,127,387	1,260,312
Unassigned for Contingency	<u>3,130,716</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balance	<u>\$ 5,925,340</u>	<u>\$ 2,892,388</u>	<u>\$ 3,693,094</u>	<u>\$ 3,157,955</u>

Major program changes, enhancements and other areas of note implemented in 2014 include:

- The Town transferred the responsibility for collection of Bethlehem Central and Ravena Coeyman Selkirk school taxes to the individual taxing districts. This provides a dual benefit:
 - Opportunity to reduce the number of employees required to staff the tax receiving function;
 - Provide an opportunity for the school districts to consolidate their tax receiving through BOCES, allowing them to obtain reimbursement for some portion of the cost, which cannot occur when collections are made through the offices of the multiple towns they occupy;
- Physically and functionally combined the offices of the Tax Receiver and Town Clerk to create administrative efficiencies and sharing of services;

Financial Highlights (Continued)

- Received the first two payments of the Local Government Performance and Efficiency Program (LGPEP) Award, totaling \$517,000. The town utilized and/or allocated these funds, as well as a third \$258,000 payment to be received in 2015, for EMS Consolidation Transaction Funding, Internal Efficiency/Productivity Programs, Town Hall Security, Town Sidewalks, Traffic Calming Initiatives, Park Services Master Plan, Street Tree and Open Space Programs;
- Exercised provisions of the Town's 2012 fund balance policy to supplement balances in the Town's General and Highway Capital Project Reserve Funds for the first time since 2006/2007, providing funding alternatives for infrastructure repair and replacement needs, and reducing our reliance on borrowing.
- Completed and implemented a town-wide reassessment project to ensure equitable and defensible assessments, particularly for the commercial sector where there were known problems. The result was a lower share of property taxes paid by the residential sector and lower tax bills, than would have been calculated without the project, for nearly three quarters of residential properties.
- The Town received funds from the Federal Emergency Management Agency (FEMA) and State Emergency Management Office (SEMO) relating to damage from Hurricane Irene in the amount of \$1.1 million. The related expenditures were primarily booked in 2012 and 2013. Matching revenues in those years were not booked because, consistent with governmental accounting rules, the Town recorded revenues when they were both "measurements and available." While the revenue was generally "measurable", the Town did not receive the funds within 60 days of the 2013 year end, and therefore, could not consider it to be "available" in a prior year.
- In 2014, the Town modified its revenue recognition policy to allow for bookkeeping of grant revenues when all eligibility requirements for the funding has been satisfied; provided there is a reasonable expectation of receipt of that grant funding. As of year-end, the cumulative remaining nonguaranteed reimbursements of previously expended funds total \$1.1 million. Because there are numerous expenditures which continue to be in dispute, and the Town cannot get representatives of FEMA or SEMO to qualify a future reimbursement figure, the full \$1.1 million remains in deferred revenue on the balance sheet.

General Items of Note for All Funds

Fringe Benefits

The Town employed an average of 214 full time employees in 2014, as well as total of 262 part time and seasonal employees throughout the year.

The following schedule provides comparative detail on aggregated fringe benefit costs for current employees (excluding other postemployment benefit costs):

<u>Fringe Benefits</u>	<u>2014 Actual</u>	<u>2013 Actual</u>
Social Security	\$ 1,103,616	\$ 1,086,441
Health and Dental Insurance	2,310,812	2,253,951
Retirement Systems	2,978,975	2,814,426
Workers' Compensation Insurance	744,824	596,197
Life and Short-Term Disability Insurance	49,355	47,419
Total	<u>\$ 7,187,582</u>	<u>\$ 6,798,434</u>

General Items of Note for All Funds (Continued)

Fringe Benefits (Continued)

Overall, fringe benefits for current employees increased by \$389,000, or 5.72%, of which NYS retirement system expenditures represented an increase of \$165,000, or 5.85%, from the prior year. This difference stems primarily from prior year billings and modifications in both the current and prior years. The 2013 billing period included prior period adjustments, which decreased the state billing by (\$357,000), based on Town attrition from 2011, 2012 and 2013; while 2014 billing period included prior adjustments which increased billing by \$34,000, based on corrections to the state estimates. Beyond retirement, workers compensation costs increased by \$149,000, or 24.9% from the prior year. This was primarily due to increases in our claims experience (i.e. incurred losses) which cover the years 2008 through 2012. The positive news is that the 2014 claims experience was one of our lowest ever (19 times lower than 2009 and 23 times lower than 2010), which will factor into calculations for 5 years beginning 2016. Lastly, health and dental insurance costs increased \$57,000, or 2.52% from the prior year. This was due mostly to a net rate increase of 3.80%, but shifts slightly lower due to changes in employee elections.

Post Retirement Benefits

Retired employees that have met certain eligibility requirements are entitled to receive certain health care benefits for themselves 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 (including spouses), by expensing the annual insurance premiums. The postretirement expense was \$640,000 for 2014 and \$604,000 for 2013 resulting in a 6.0% comparative increase.

GASB 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions" requires the employer to recognize the future value of retiree benefits as a liability in the period in which the benefits are earned, which would significantly increase the reported obligations for the Town.

Interest Income

A summary of the budgeted interest income compared to actual for 2014 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	\$ 7,000	\$ 7,799	\$ 799
Highway	8,000	4,432	(3,568)
Water	8,000	1,393	(6,607)
Sewer	4,000	1,936	(2,064)
Capital	-	1,355	1,355
Total	<u>\$ 27,000</u>	<u>\$ 16,915</u>	<u>\$ (10,085)</u>

The interest earnings for 2014 were equal to \$16,915, a 46% decrease from the 2013 earnings of \$31,497. This is consistent with the decrease in the average rate earned on investments in 2014 which was 0.05% compared to an average rate of 0.12% for 2013.

General Items of Note for All Funds (Continued)

Interest Income (Continued)

In addition to the interest earnings received in cash, the Town receives a number of services from our financial banking institutions at no additional cost, utilizing accumulated non cash credits (also known as “compensating balances”). The Town received, from Key Bank, an average compensating balance rate of .75% (down from 1.0% in 2013), in addition to the interest paid in cash. The Town utilized these credits to pay for services such as: 1) “lockbox”, which receives, deposits, processes and provides an electronic upload to our billing system for water and sewer usage and tax payments; free return envelopes for lockbox payments; 2) “positive pay”, which matches checks written by the Town against an electronic file provided to the bank to prevent fraudulent checks from being drawn against the Town’s checking accounts; reconciliation services, which provides for a verification process on current checks outstanding; 3) debt blocks, which prevent unauthorized ACH activity (unless expressly granted), free checks and deposit slips; and 4) free credit card processing for Parks and Recreation activities. While it is difficult to assign a monetary value to the majority of the services provided, the lockbox services, which were implemented in 2012, have allowed the Town to absorb the attrition from one full time receiving position, saving approximately \$185,000 over the past 3 years. In addition, the bank provides return envelopes free of charge resulting in approximately \$6,000 in annual savings.

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>2014</u>	<u>2013</u>
Serial Bonds	\$ 14,005,000	\$ 15,000,000
Compensated Absences	311,833	238,491
Landfill Closure and Post Closure	100,000	100,000
Judgments and Claims	110,000	131,000
Total Long-Term Debt	<u>\$ 14,526,833</u>	<u>\$ 15,469,491</u>

Items of Note for the General Fund

Total revenues decreased \$581,000, or 3.1%, from \$18.7 million in 2013 to \$18.1 in 2014. The primary driver of this change was the reduction of (\$388,000) in FEMA and SEMO funds received in 2013 for Hurricane Irene expenditures in prior years [the nature of these transactions are described above under Financial Highlights]. Another major driver of the change in revenue was the removal of an annual (\$275,000) tax levy, previously layered onto the Ambulance Fund and transferred to the General Fund. This was replaced in 2014 by \$175,000 in Local Government Performance and Efficiency Program (“LGPEP”) Funds from New York State, and will be removed completely in 2015 through consolidation efficiencies and outside revenues billed directly by the ambulance company. The net decrease to Grant Fund revenues relating to ambulance restructuring is (\$100,000). Other significant revenue issues which affected the overall change include Mortgage Tax Revenue which decreased by (\$311,000), or (23.8%), due primarily to a rising mortgage interest rates, and Sales Tax Revenues, which increased \$458,000, or 4.3%, due primarily to a weak 4th quarter in 2013, and strong 4th quarter in 2014. Tax Collection Fees were down (\$103,000), or (81.9%) due primarily to a loss of late fee charges from school taxing. This will be offset annually by a reduction in personnel in the receiving department beginning 2015. Lastly, Safety Inspection fees were down (\$86,000), or (26.3%), due to higher than usual revenues in 2013, as well as the reduction of one full time Building Inspector.

Items of Note for the General Fund (Continued)

Total operating expenditures decreased \$62,000, or .4%, from \$17.84 million in 2013 to \$17.78 million in 2014. Major changes include a decrease of (\$239,000), or (61.7%), in the Assessor's department relating to the expenditure of the majority of costs for the town wide reassessment in 2013. The expenditure of \$84,000 in 2014 for Kronos, a timekeeping system which is expected to enhance efficiencies. A reduction shifting of personnel in Public Works administrative staffing totaling (\$115,000), or (16.2%), and Building Department staffing totaling (\$172,000), or (41%), of prior year costs. The dispatching office purchased a replacement radio system totaling \$160,000 in 2014. Lastly, Police Department benefits increased \$169,000 primarily due to a 2013 New York State PFRS credit for \$200,000 representing prior year attrition in the department. In 2014, the state determined it overcorrected the 2013 bill and added an additional \$62,000 to the 2014 invoice. Further, affecting benefits in Police, as well as Salaries, relate to a long term 207c employee who retired at the end of 2013. This change represented a shift of approximately \$225,000 in salary and benefits.

From 2006 through 2013, the Town has not transferred any operating fund balance into the General Fund Capital Project Reserve Funds. However, in 2014, in accordance with the Fund Balance Policy adopted in 2012, the Town transferred \$1.1 million from the General Fund unassigned fund balance to the General Capital Reserve, and \$170,000 to the General Fund Parks Reserve, to help cover infrastructure and equipment costs identified through the multi-year capital planning process. These funds remain in the operating fund, however, they will be held separately within the fund balance until they are expended.

In 2014, the Town obtained Bond Anticipation Notes in the amount of \$219,000 for a Compost Loader for the Town's transfer station. Additionally, the Town refinanced Bond Anticipation Notes from 2011 relating to a Town Hall Improvement Project in the amount of \$305,000. All related equipment expenditures including corresponding liabilities are accounted for in the General Capital Reserve Project Fund.

Items of Note for the Highway Fund

Total revenue increased \$81,000, or 1.23%, from \$6.6 million in 2013 to \$6.7 million in 2014. This was primarily due to the Town allocating the entire property tax levy of \$203,000 to this fund, which was done to aid in its recovery and correction of a 2009 decision to shift some annual operating expenses to borrowing. This process is ongoing, and is expected to be completely reversed by 2018. Additionally, Interfund revenues decreased (\$481,000), or (97.1%), as the Town shifted away from charging the Highway Fund for employee time and benefits, and then interfund billing other Town funds through revenues, by requiring employees to charge time directly to the department in which they performed services. Lastly, the Town received \$266,000 in FEMA funds in 2014 relating to prior years Hurricane Irene expenditures. The Town received no FEMA or SEMO revenues in 2013.

Total expenditures decreased (\$417,000), or (6.3%), from to \$6.6 million in 2013 to \$6.2 million in 2014. This was due primarily to a decrease in charging to the Highway Fund relating to employee salaries and benefits of (\$282,000) and (\$5,000), respectively. As noted above in the Revenue discussion, the Highway Fund previously charged their own Fund for employee time, and then generated revenue by sharing employees and billing for their time. Additionally, in 2013 there was \$370,000 in spending on projects relating to Hurricane Irene, however, in 2014, the spending was less than \$3,000; a net decrease of (\$367,000). Lastly, there was increased spending on asphalt and concrete costs relating to paving projects, by \$281,000.

Items of Note for the Highway Fund (Continued)

From 2007 through 2013, the Town had not transferred any operating fund balance into the Highway Fund Capital Project Reserve Funds. However, in 2014, in accordance with the Fund Balance Policy adopted in 2012, the Town transferred \$475,000 from the Highway Fund assigned/unappropriated fund balance to the General Capital Reserve, to help cover infrastructure and equipment costs identified through the multi-year capital planning process. These funds remain in the operating fund, however, they will be held separately within the fund balance until they are expended.

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 is in the midst of a workout plan to preserve structural balance by managing the size of the workforce relative to the seasonal operating needs of the department as well as reduction of annual borrowings for annual roadway paving purchases. However, the growth in roads and sidewalks from new development continues to place service and cost pressures on the department. In 2014, the Town obtained Bond Anticipation Notes in the amount of \$306,000 for highway vehicles. Further, the Town refinanced Bond Anticipation Notes (short term bonds) for asphalt purchases from 2010 through 2013 in the amount of \$2 million, while committing to fund these costs in the future through operating fund revenues and capital reserve. Additional refinancing for miscellaneous equipment and vehicles totaled \$801,000 for purchases beginning in 2011.

All related paving and equipment expenditures including corresponding liabilities are accounted for in the Highway Capital Reserve Fund.

Items of Note for the Water Fund

The Water Fund is largely funded with user charges and is 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.

The Water Fund's operating revenue decreased (\$205,000), or (2.2%), from \$9.5 million to \$9.3 million in 2014. This change was due to primarily to two factors, water sales and FEMA revenues. Water sales were off dramatically; a reduction of (\$475,000), or (6.9%), from 2013 due predominately to the September 2014 expiration of the Selkirk Cogen "take or pay" agreement which had required the Company to pay for a minimum amount of water; whether they used it or not. Overall sales to Selkirk Cogen, as a standalone, was down (\$508,000) from 2013. Their usage is based on their ability to sell energy to "the market", which differs from prior years when they were under contract to sell directly to specific utility companies, also the Town has no history outside of the minimum purchase agreement, and therefore we can't predict their future ongoing usage. The second factor, which partially offsets the decrease is water sales, was an increase in FEMA and SEMO reimbursements of prior years' Hurricane Irene expenditures totaling \$266,000.

The Water Fund's operating expenditures increased \$853,000 due primarily to the Town's contract with the City of Albany. The Town's annual cost went up \$27,000 per month and the Town paid \$197,000 in water usage charges from prior years. The total annual change from this expenditure was \$519,000.

From 2008 through 2012, the Town had not transferred any operating fund balance into the Water Capital Project Reserve Fund. However, in 2014, in accordance with the Fund Balance Policy adopted in 2012, the Town transferred \$910,000 from the water fund operating fund balance to help cover infrastructure and equipment costs identified through the multi-year capital planning process. This transfer follows a transfer in 2013 of \$1.75 million, for a two year total of \$2.7 million. These funds remain in the operating fund, however, they will be held separately within the fund balance until they are expended.

Items of Note for the Water Fund (Continued)

In 2014, the Town did not require additional financing for projects relating to the Water Fund. However, the Town refinanced two Bond Anticipation Notes totaling \$1.1 million for a combination of equipment purchased in 2010 and a transmission main project which had begun in 2013. All related equipment expenditures including corresponding liabilities are accounted for in the Water Capital Reserve Project Fund.

Items of Note for the Sewer Fund

The Sewer Fund is largely funded with user charges and is somewhat easier, than the General and Highway Funds, to bring to a self-sustaining financial position, even considering the longer-term and sizeable infrastructure construction and maintenance costs for these funds.

The Sewer Fund's operating revenue increased by \$561,000, or 13.0%, from \$4.3 million to \$4.9 million, relating to FEMA and SEMO reimbursements of prior years Hurricane Irene expenditures. FEMA reimbursements totaled \$380,000 in 2014, while SEMO reimbursements totaled \$126,000. Although, sewer usage charges are typically calculated based on water usage, and water usage is down, sewer usage charges are flat because Selkirk Cogen, the source of our water revenue decrease is not on the Town's sewer system.

The Sewer Fund's operating expenditures decreased by \$655,000, or 15.1%, from \$4.3 million in 2013 to \$3.7 million in 2014. This relates primarily to projects in 2013 related to Hurricane Irene. Total 2013 spending on Hurricane Irene related projects totaled \$469,000, while 2014 expenditures totaled less than \$200.

From 2008 through 2012, the Town had not transferred any operating fund balance into the Sewer Capital Project Reserve Fund. However, in 2014, in accordance with the Fund Balance Policy adopted in 2012, the Town transferred \$896,000 from the sewer fund operating fund balance to help cover infrastructure and equipment costs identified through the multi-year capital planning process. This transfer follows a transfer in 2013 of \$165,000, for a two year total of \$1.1 million. These funds remain in the operating fund, however, they will be held separately within the fund balance until they are expended.

In 2014, the Town obtained Bond Anticipation Notes in the amount of \$1.3 million for a Sewer Pump Station projects which began in 2013. The Town borrowed \$150,000 to begin the project in 2013, and refinanced \$145,000 in the current year. Additionally, the Town refinanced Bond Anticipation Notes from 2010 in the amount of \$290,000 relating to equipment acquisition in that year. All related equipment expenditures including corresponding liabilities are accounted for in the Sewer Capital Reserve Project Fund.

Analysis of Fund Balances

In 2012, 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 2014, along with a calculation showing where the fund balances are as compared to this policy:

TOWN OF BETHLEHEM, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
DECEMBER 31, 2014

Analysis of Fund Balances (Continued)

The projected 2014 levels for the operating funds indicate sufficient net assets to fund currently budgetary requirements. Consistent with policy, balances held above the ceiling of 20% will be moved to the appropriate capital reserve accounts.

	<u>General</u>	<u>Highway</u>	<u>Water</u>	<u>Sewer</u>
Fund Balance, December 31, 2014	\$ 5,925,340	\$ 2,892,388	\$ 3,693,094	\$ 3,157,955
Less: 2015 Use of Fund Balance				
Prior Year Encumbrances	245,980	147,029	436,425	944,226
Retirement Contribution Reserve	672,197	307,780	126,088	-
Capital Reserve Appropriation	1,260,000	475,000	910,000	895,983
Nonspendable Fund Balance	616,447	644,534	93,194	57,434
Infrastructure Reserve	-	309,534	229,161	354,882
Projected Balance, December 31, 2015	<u>\$ 3,130,716</u>	<u>\$ 1,008,511</u>	<u>\$ 1,898,226</u>	<u>\$ 905,430</u>
2015 Budgeted Appropriations	<u>\$17,812,794</u>	<u>\$6,726,323</u>	<u>\$9,491,129</u>	<u>\$ 4,527,144</u>
Percent of Appropriations	18%	15%	20%	20%
Floor - 7% of Budgeted Appropriations	\$ 1,246,896	\$ 470,843	\$ 664,379	\$ 316,900
Optimal - 15% of Budgeted Appropriations	\$ 2,671,919	\$ 1,008,948	\$ 1,423,669	\$ 679,072
Ceiling - 20% of Budgeted Appropriations	\$ 3,562,559	\$ 1,345,265	\$ 1,898,226	\$ 905,430

Contacting the Town's Financial Management

This financial report is designed to provide a general overview of the Town's finances 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.

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NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying regulatory basis financial statements of the Town of Bethlehem, New York (the "Town") as of and for the year ended December 31, 2014, as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the regulatory basis financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the regulatory basis financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the regulatory basis financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the regulatory basis financial statements.

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

Basis for Adverse 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 described in Note 1 to the financial statements. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis of Adverse Opinion" paragraph, the financial statements referred to above do not present fairly the financial position of the Town of Bethlehem, New York, as of December 31, 2014, or the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion

As described in Note 1, 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. Additionally, as described in Note 1, the Town does not maintain historical general fixed asset records which should be included to conform with accounting principles prescribed by the New York State Office of the State Comptroller. The amounts that should be recorded in the general fixed asset account group are not known.

Qualified Opinion on Regulatory Basis of Accounting

In our opinion, except for the effect of the matter described in the "Basis for Qualified Opinion" paragraph, 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, 2014, and the results of its operations for the year then ended in accordance with accounting principles prescribed by the New York State Office of the State Comptroller.

Other Matters

Other Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1-8 be presented to supplement the regulatory basis financial statements. Such information, although not a part of the regulatory basis financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the regulatory basis 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 regulatory basis financial statements, and other knowledge we obtained during our audit of the regulatory basis financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Town of Bethlehem, New York's regulatory basis financial statements. The accompanying schedule of expenditures of federal awards on page 41 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the regulatory basis financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the regulatory basis 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 regulatory basis financial statements or to the regulatory basis financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the regulatory basis financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2015 on our consideration of the Town of Bethlehem, New York's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Bethlehem, New York's internal control over financial reporting and compliance.



CUSACK & COMPANY, CPA'S LLC

Latham, New York
April 14, 2015

TOWN OF BETHLEHEM, NEW YORK
GENERAL FUND
REGULATORY BASIS BALANCE SHEET
DECEMBER 31, 2014

Assets

Cash	\$ 3,723,319
Other receivables	200,924
State and federal receivables	19,465
Due from other governments	4,164,270
Inventory	86,984
Prepaid expenses	<u>529,463</u>

Total Assets \$ 8,724,425

Liabilities

Accounts payable	\$ 315,386
Accrued liabilities	502,784
Due to other governments	426,583
Due to other funds	491,909
Unearned revenues	<u>311,545</u>

Total Liabilities 2,048,207

Deferred Inflows of Resources

750,878

Fund Balance

Nonspendable	616,447
Assigned	2,178,177
Unassigned	<u>3,130,716</u>

Total Fund Balance 5,925,340

Total Liabilities, Deferred Inflows of Resources
and Fund Balance

\$ 8,724,425

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, 2014

	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Variance</u>
Revenues				
Real property tax	\$ 2,078,649	\$ 2,087,183	\$ -	\$ 8,534
Real property tax items	102,643	96,206	-	(6,437)
Non-property tax items	11,429,560	11,749,150	-	319,590
Departmental income	1,532,362	1,426,972	-	(105,390)
Intergovernmental charges	123,450	80,000	-	(43,450)
Use of money and property	92,000	92,814	-	814
Licenses and permits	36,315	41,583	-	5,268
Fines and forfeitures	385,000	426,268	-	41,268
Sales of property and compensation for loss	179,550	114,181	-	(65,369)
Miscellaneous local sources	398,622	59,642	-	(338,980)
State aid	1,950,088	1,486,423	-	(463,665)
Federal aid	24,600	72,344	-	47,744
Total Revenues	<u>18,332,839</u>	<u>17,732,766</u>	<u>-</u>	<u>(600,073)</u>
Expenditures				
General government support	3,936,821	3,687,158	102,494	147,169
Public safety	5,962,899	5,825,481	36,716	100,702
Health	1,530	1,477	-	53
Transportation	607,636	588,318	4,078	15,240
Economic assistance and opportunity	453,999	428,437	641	24,921
Culture and recreation	1,299,437	1,281,870	17,563	4
Home and community services	1,252,546	1,089,076	84,488	78,982
Employee benefits	4,679,289	4,571,046	-	108,243
Debt service (principal and interest)	310,512	310,506	-	6
Total Expenditures	<u>18,504,669</u>	<u>17,783,369</u>	<u>245,980</u>	<u>475,320</u>
Other Financing Sources and Uses				
Operating transfers in	-	399,316	-	399,316
Operating transfers out	(67,997)	(15,900)	-	52,097
Total Other Financing Sources and Uses	<u>(67,997)</u>	<u>383,416</u>	<u>-</u>	<u>451,413</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources and Uses				
	<u>\$ (239,827)</u>	<u>332,813</u>	<u>\$ (245,980)</u>	<u>\$ 326,660</u>
Fund Balance - January 1, 2014		<u>5,592,527</u>		
Fund Balance - December 31, 2014		<u>\$ 5,925,340</u>		

TOWN OF BETHLEHEM, NEW YORK
HIGHWAY FUND

Regulatory Basis Balance Sheet
December 31, 2014

Assets		
Cash	\$	2,762,042
Other receivables		29,365
Due from other governments		191,966
Inventories		517,024
Prepaid expenses		127,510
Total Assets	<u>\$</u>	<u>3,627,907</u>
Liabilities		
Accounts payable	\$	434,251
Accrued liabilities		136,804
Unearned revenue		73
Total Liabilities	<u>\$</u>	<u>571,128</u>
Deferred Inflows of Resources		<u>164,391</u>
Fund Balance		
Nonspendable		644,534
Assigned		2,247,854
Total Fund Balance	<u>\$</u>	<u>2,892,388</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$</u>	<u>3,627,907</u>

Regulatory Basis Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2014

	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Variance</u>
Revenues				
Real property tax	\$ 5,720,620	\$ 5,743,807	\$ -	\$ 23,187
Real property tax items	239,550	232,061	-	(7,489)
Use of money and property	8,000	4,432	-	(3,568)
Intergovernmental charges	6,000	8,065	-	2,065
Sales of property and compensation for loss	25,200	57,348	-	32,148
Miscellaneous local sources	-	29,021	-	29,021
Interfund revenues	32,000	14,400	-	(17,600)
State aid	327,000	434,767	-	107,767
Federal aid	-	199,595	-	199,595
Total Revenues	<u>6,358,370</u>	<u>6,723,496</u>	<u>-</u>	<u>365,126</u>
Expenditures				
Transportation	4,406,862	4,213,792	147,029	46,041
Employee benefits	1,721,243	1,689,394	-	31,849
Debt service	313,225	313,171	-	54
Total Expenditures	<u>6,441,330</u>	<u>6,216,357</u>	<u>147,029</u>	<u>77,944</u>
Other Financing Sources and Uses				
Operating transfers in	43,002	-	-	(43,002)
Operating transfers out	(4,393)	-	-	4,393
Total Other Financing Sources and Uses	<u>38,609</u>	<u>-</u>	<u>-</u>	<u>(38,609)</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Uses				
	<u>\$ (44,351)</u>	507,139	<u>\$ (147,029)</u>	<u>\$ 404,461</u>
Fund Balance - January 1, 2014		<u>2,385,249</u>		
Fund Balance - December 31, 2014		<u>\$ 2,892,388</u>		

TOWN OF BETHLEHEM, NEW YORK
WATER FUND

Regulatory Basis Balance Sheet
December 31, 2014

Assets	
Cash	\$ 2,581,601
Other receivables	1,647,843
Due from other governments	498,216
Inventories	11,415
Prepaid expenses	81,779
Total Assets	<u>\$ 4,820,854</u>
Liabilities	
Accounts payable	\$ 453,084
Accrued liabilities	106,914
Unearned revenues	650
Total Liabilities	<u>560,648</u>
Deferred Inflows of Resources	<u>567,112</u>
Fund Balance	
Nonspendable	93,194
Assigned	<u>3,599,900</u>
Total Fund Balance	<u>3,693,094</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 4,820,854</u>

Regulatory Basis Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Variance</u>
Revenues				
Real property tax	\$ 2,012,748	\$ 2,012,736	\$ -	\$ (12)
Departmental income	7,212,600	6,776,044	-	(436,556)
Use of money and property	183,000	220,695	-	37,695
Sale of property and compensation for loss	21,000	17,850	-	(3,150)
State aid	-	62,554	-	62,554
Federal aid	-	187,661	-	187,661
Total Revenues	<u>9,429,348</u>	<u>9,277,540</u>	<u>-</u>	<u>(151,808)</u>
Expenditures				
Home and community services	7,641,961	6,841,284	436,425	364,252
Employee benefits	987,970	937,814	-	50,156
Debt service (principal and interest)	1,064,877	1,048,346	-	16,531
Total Expenditures	<u>9,694,808</u>	<u>8,827,444</u>	<u>436,425</u>	<u>430,939</u>
Other Financing Sources and Uses				
Operating transfers in	121,101	-	-	(121,101)
Operating transfers out	(228,510)	(228,510)	-	-
Total Other Financing Sources and Uses	<u>(107,409)</u>	<u>(228,510)</u>	<u>-</u>	<u>(121,101)</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Uses				
	<u>\$ (372,869)</u>	221,586	<u>\$ (436,425)</u>	<u>\$ 158,030</u>
Fund Balance - January 1, 2014		<u>3,471,508</u>		
Fund Balance - December 31, 2014		<u>\$ 3,693,094</u>		

TOWN OF BETHLEHEM, NEW YORK
SEWER FUND

Regulatory Basis Balance Sheet
December 31, 2014

Assets	
Cash	\$ 2,741,961
Other receivables	799,852
Due from other governments	314,836
Prepaid expenses	57,434
Total Assets	<u>\$ 3,914,083</u>
Liabilities	
Accounts payable	\$ 129,505
Accrued liabilities	68,730
Unearned revenues	189,743
Total Liabilities	<u>387,978</u>
Deferred Inflows of Resources	<u>368,150</u>
Fund Balance	
Nonspendable	57,434
Assigned	3,100,521
Total Fund Balance	<u>3,157,955</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 3,914,083</u>

Regulatory Basis Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2014

	Final Budget	Actual	Encumbrances	Variance
Revenues				
Real property tax	\$ 1,627,234	\$ 1,627,150	\$ -	\$ (84)
Departmental income	2,781,000	2,736,153	-	(44,847)
Use of money and property	4,000	1,936	-	(2,064)
Sale of property and compensation for loss	5,000	6,629	-	1,629
State aid	-	126,501	-	126,501
Federal aid	-	379,504	-	379,504
Total Revenue	<u>4,417,234</u>	<u>4,877,873</u>	<u>-</u>	<u>460,639</u>
Expenditures				
Home and community services	3,846,383	2,522,781	944,226	379,376
Employee benefits	631,304	610,360	-	20,944
Debt service (principal and interest)	428,030	386,354	-	41,676
Total Expenditures	<u>4,905,717</u>	<u>3,519,495</u>	<u>944,226</u>	<u>441,996</u>
Other Financing Sources and Uses				
Operating transfers in	15,027	-	-	(15,027)
Operating transfers out	(172,785)	(170,806)	-	1,979
Total Other Financing Sources and Uses	<u>(157,758)</u>	<u>(170,806)</u>	<u>-</u>	<u>(13,048)</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Uses				
	<u>\$ (646,241)</u>	1,187,572	<u>\$ (944,226)</u>	<u>\$ 889,587</u>
Fund Balance - January 1, 2014		<u>1,970,383</u>		
Fund Balance - December 31, 2014		<u>\$ 3,157,955</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, 2014

	<u>Actual</u>
Revenues	
Real property taxes and tax items	\$ 1,205,676
Total Revenues	<u>1,205,676</u>
Expenditures	
Health	<u>1,205,676</u>
Total Expenditures	<u>1,205,676</u>
Excess of Revenues Over Expenditures	-
Fund Balance - January 1, 2014	<u>-</u>
Fund Balance - December 31, 2014	<u><u>\$ -</u></u>

TOWN OF BETHLEHEM, NEW YORK
SPECIAL GRANT FUND

Regulatory Basis Balance Sheet
December 31, 2014

Assets	
Cash	\$ 10,596
Total Assets	<u>\$ 10,596</u>
Liabilities	
Accounts payable	\$ 2
Other liabilities	6,162
Deferred revenues	<u>4,432</u>
Total Liabilities	<u>10,596</u>
Fund Balance	
Assigned	<u>-</u>
Total Fund Balance	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 10,596</u>

Regulatory Basis Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2014

	<u>Actual</u>
Revenues	
Use of money and property	\$ 3
Federal aid	<u>300,121</u>
Total Revenues	<u>300,124</u>
Expenditures	
Home and community services	<u>300,124</u>
Total Expenditures	<u>300,124</u>
Excess of Revenues Over Expenditures	-
Fund Balance - January 1, 2014	<u>-</u>
Fund Balance - December 31, 2014	<u>\$ -</u>

TOWN OF BETHLEHEM, NEW YORK
CAPITAL PROJECTS FUND

Regulatory Basis Balance Sheet
December 31, 2014

Assets	
Cash	\$ 4,982,337
Due from other governments	1,202,236
Total Assets	<u>\$ 6,184,573</u>
Liabilities	
Accounts payable and retainage	\$ 1,288,452
Notes payable	6,393,193
Total Liabilities	<u>7,681,645</u>
Fund Deficit	
Unassigned	<u>(1,497,072)</u>
Total Fund Deficit	<u>(1,497,072)</u>
Total Liabilities and Fund Balance	<u>\$ 6,184,573</u>

Regulatory Basis Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit)
For the Year Ended December 31, 2014

	<u>Actual</u>
Revenues	
Use of money and property	\$ 1,355
State aid	818,660
Federal aid	447,315
Miscellaneous income	23,113
Total Revenues	<u>1,290,443</u>
Expenditures	
General government support	567,961
Transportation	1,345,109
Culture and recreation	66,410
Home and community services	2,908,789
Total Expenditures	<u>4,888,269</u>
Other Financing Sources	
Operating transfers in	15,900
Bond anticipation notes redeemed	404,337
Total Other Financing Sources	<u>420,237</u>
Deficiency of Revenues Over Expenditures and Other Financing Sources	(3,177,589)
Fund Balance - January 1, 2014	<u>1,680,517</u>
Fund Deficit - December 31, 2014	<u>\$ (1,497,072)</u>

TOWN OF BETHLEHEM, NEW YORK
AGENCY FUND

Regulatory Basis Balance Sheet
December 31, 2014

Assets	
Cash	\$ 113,265
Accounts receivable	9,383
Due from other funds	<u>491,909</u>
Total Assets	<u><u>\$ 614,557</u></u>
Liabilities	
Agency liabilities	<u>\$ 614,557</u>
Total Liabilities	<u><u>\$ 614,557</u></u>

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

Regulatory Basis Balance Sheet
December 31, 2014
(Unaudited)

Assets	
Land	\$ 1,965,316
Improvements other than buildings	10,255,081
Buildings	25,192,128
Machinery and equipment	21,749,578
Infrastructure	<u>21,710,742</u>
	<u>\$ 80,872,845</u>
Investment in Fixed Assets	<u>\$ 80,872,845</u>

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

Regulatory Basis Balance Sheet
December 31, 2014

Assets	
Provisions to be made in future budgets	\$ 14,526,833
Total Assets	<u>\$ 14,526,833</u>
Liabilities	
Landfill closure and post closure costs	\$ 100,000
Judgments and claims payable	110,000
Compensated absences	311,833
Bonds payable	<u>14,005,000</u>
Total Liabilities	<u>\$ 14,526,833</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. 61. 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 61.

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)

e. Accounts Groups (Continued)

- 2) The Non-Current Governmental Liabilities Account Group - used to account for all long-term debt and other long-term liabilities 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 to be used to pay liabilities of the current period. The Town uses 60 days to measure availability.

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, unless it has not been received within 60 days after the fiscal year has ended.

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.

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

The Town does not maintain historical records of general fixed assets; 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 non-current governmental liabilities 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 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 current practice which recognizes expense on a pay-as-you-go basis. The Town has not adopted GASB 45.

OPEB costs recognized as incurred was \$639,976 in 2014 for 132 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. A separate independent audit is performed on these funds annually.

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 \$16,912,871 (excluding \$2,250 in petty cash) and the bank balance was \$17,528,882. The insured and collateral status of the year-end bank balance was as follows:

Covered by federal deposit insurance	\$ 4,549,424
Collateralized with securities held by a third party custodian for the benefit of the Town pursuant to three-party custody agreement	<u>12,979,458</u>
Total	<u>\$ 17,528,882</u>

3. PREPAID RETIREMENT SYSTEMS

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 \$753,316 as of December 31, 2014. The balance at December 31, 2014 consists of:

<u>Fund</u>	<u>Amount</u>
General	492,806
Highway	127,510
Water	78,266
Sewer	54,734
Total	<u>\$ 753,316</u>

4. CAPITAL ASSETS (UNAUDITED)

Capital asset activity for the year ended December 31, 2014 was as follows:

	<u>Balance</u> <u>1/1/14</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/14</u>
Land	\$ 1,874,465	\$ 94,351	\$ (3,500)	\$ 1,965,316
Improvements	10,148,713	106,368	-	10,255,081
Buildings	25,192,128	-	-	25,192,128
Machinery and Equipment	20,740,565	1,734,000	(724,987)	21,749,578
Infrastructure	19,748,825	1,961,917	-	21,710,742
Total	<u>\$ 77,704,696</u>	<u>\$ 3,896,636</u>	<u>\$ (728,487)</u>	<u>\$ 80,872,845</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.

5. SHORT-TERM DEBT (CONTINUED)

BAN's outstanding at December 31, 2014 are as follows:

<u>Fund</u>	<u>Description</u>	<u>Interest Rate</u>	<u>Amount</u>
Highway/Water/Sewer General/Highway	Road Paving and Equipment Town Hall Improvements, Road Paving and Equipment	0.66%	\$ 919,665
Highway	Road Paving and Equipment	0.60%	1,137,500
Highway/Water/Sewer	Road Paving and Equipment	0.66%	756,634
General/Highway/Sewer	Equipment	0.60%	1,800,377
			<u>1,779,017</u>
			<u>\$ 6,393,193</u>

6. NON-CURRENT GOVERNMENTAL LIABILITIES

The following is a summary of changes in long-term debt outstanding at December 31, 2014:

	<u>Payable</u> <u>1/1/14</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Other Net</u> <u>Increase</u> <u>(Decrease)</u>	<u>Payable</u> <u>12/31/14</u>
Serial Bonds (a)	\$ 15,000,000	\$ -	\$ (995,000)	\$ -	\$ 14,005,000
Judgments and Claims (b)	131,000	-	-	(21,000)	110,000
Post Closure Landfill Monitoring (c)	100,000	-	-	-	100,000
Compensated Absences (d)	238,491	-	-	73,342	311,833
Total	<u>\$ 15,469,491</u>	<u>\$ -</u>	<u>\$ (995,000)</u>	<u>\$ 52,342</u>	<u>\$ 14,526,833</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, 2014:

<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, 2014</u>
General	2008	\$ 1,880,000	4.50%	2018	\$ 860,000
General, Water and Sewer	2009	7,958,000	3.25%	2037	7,120,000
Water	2012	<u>6,715,000</u>	4.20%	2022	<u>6,025,000</u>
Total Outstanding		<u>\$ 16,553,000</u>			<u>\$ 14,005,000</u>

The following is a schedule of principal and interest payments for future debt service requirements as of December 31, 2014:

	<u>Principal</u>	<u>Interest</u>
2015	\$ 1,040,000	\$ 591,950
2016	1,075,000	549,638
2017	1,125,000	504,925
2018	1,170,000	458,000
2019	985,000	411,225
2020-2024	3,785,000	1,382,525
2025-2029	1,560,000	925,725
2030-2034	1,910,000	565,587
2035-2037	<u>1,355,000</u>	<u>123,525</u>
Total	<u>\$ 14,005,000</u>	<u>\$ 5,513,100</u>

Serial bonds have been authorized in the amount of \$2,600,000 for the completion of the \$5,600,000 interceptor sewer project, \$170,000 for various highway improvements to Meads Lane and Van Dyke Road, and \$100,000 for sidewalk improvements on Fuera Bush Road, but have not been issued as of December 31, 2014.

At December 31, 2014 the total outstanding serial bonds and BANs aggregated \$20,398,196. Of this amount \$9,972,938 was subject to the constitutional debt limit and represented approximately 4.4% of the debt limit.

6. NON-CURRENT GOVERNMENTAL LIABILITIES (CONTINUED)

(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 \$1,000 to \$110,000. 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.

(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.

7. UNEARNED REVENUES

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

Unearned revenues consist of the following:

7. UNEARNED REVENUES (CONTINUED)

General Fund:	
Customer Deposits	\$ 50,862
Other	<u>260,683</u>
Total General Fund	<u><u>\$ 311,545</u></u>
Special Grant Fund:	
Federal Aid	<u><u>\$ 4,432</u></u>
Highway Fund:	
Customer Deposits	<u><u>\$ 73</u></u>
Water Fund:	
Customer Deposits	<u><u>\$ 650</u></u>
Sewer Fund:	
Customer Deposits	<u><u>\$ 189,743</u></u>

8. DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources arises when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both recognition criteria are met, the deferred inflows of resources is reduced and revenue is recognized.

Deferred inflows of resources consists of the following:

General Fund:	
Federal and State Grants	<u><u>\$ 750,878</u></u>
Highway Fund:	
Federal and State Grants	<u><u>\$ 164,391</u></u>
Water Fund:	
Federal and State Grants	\$ 308,285
Departmental Income	<u>258,827</u>
	<u><u>\$ 567,112</u></u>
Sewer Fund:	
Federal and State Grants	\$ 189,843
Department Income	<u>178,307</u>
	<u><u>\$ 368,150</u></u>

9. INTERFUND RECEIVABLES AND PAYABLES/INTERFUND TRANSFERS

Interfund receivables, payables and transfers at December 31, 2014 were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>	<u>Operating Transfer-In</u>	<u>Operating Transfers-Out</u>
General	\$ -	\$ 491,909	\$ 399,316	\$ 15,900
Capital Projects	-	-	15,900	-
Sewer Districts	-	-	-	170,806
Water Districts	-	-	-	228,510
Agency	491,909	-	-	-
Total	<u>\$ 491,909</u>	<u>\$ 491,909</u>	<u>\$ 415,216</u>	<u>\$ 415,216</u>

10. PENSION PLANS

The Town of Bethlehem participates in the New York State and Local Employees' Retirement System (ERS), the New York State and Local Police and Fire Retirement System (PFRS), 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

ERS and PFRS provide 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

ERS and PFRS are 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, employees who joined between January 1, 2011 and April 1, 2012, who generally contribute 3% of their salary for the entire length of service, and employees who joined after April 1, 2012 who contribute between 3% and 6% of their earned wages for the entire length of their career. 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.

10. PENSION PLANS (CONTINUED)

Funding Policies (Continued)

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 2015 would be based on the pension value as of March 31, 2014).

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.

The pension expense due in February 2015 was prepaid in December 2014, in order to receive the discount offered by the State Retirement System and resulted in a savings to the Town of \$27,739 as of December 31, 2014. 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>
2014	\$ 1,999,424	\$ 979,551
2013	\$ 2,003,731	\$ 810,693
2012	\$ 1,963,971	\$ 975,970

11. FUND EQUITY

The Town has 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, 2014.

11. FUND EQUITY (CONTINUED)

- **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.

Fund balances are detailed as follows:

	<u>General Fund</u>	<u>Highway Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>
Nonspendable				
Inventory	\$ 86,984	\$ 517,024	\$ 11,415	\$ -
Prepaid expenses	<u>529,463</u>	<u>127,510</u>	<u>81,779</u>	<u>57,434</u>
	<u>616,447</u>	<u>644,534</u>	<u>93,194</u>	<u>57,434</u>
Assigned				
Encumbrances	245,980	147,029	436,425	944,226
Capital Reserve	1,260,000	475,000	910,000	895,983
Retirement contribution	672,197	307,780	126,088	-
Highway Fund	-	1,318,045	-	-
Water Fund	-	-	2,127,387	-
Sewer Fund	-	-	-	1,260,312
	<u>2,178,177</u>	<u>2,247,854</u>	<u>3,599,900</u>	<u>3,100,521</u>
Unassigned				
	<u>3,130,716</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balance	<u>\$ 5,925,340</u>	<u>\$ 2,892,388</u>	<u>\$ 3,693,094</u>	<u>\$ 3,157,955</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	\$ 126,730
Recreational facilities	134,501
Fire tower and additions and improvements	54,598
Highway equipment	370,086
Reconstruction of water facilities	2,579,480
Reconstruction of sewer facilities	<u>1,335,570</u>
Subtotal	4,600,963
Less BAN’s outstanding as of December 31, 2014	<u>(6,393,193)</u>
Total GML Section 6-C	<u>\$ (1,792,230)</u>

11. FUND EQUITY (CONTINUED)

Capital Reserves (Continued)

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, 2014, the balance of the reserve was \$189,196.

Total Capital Reserves Under GML Sections 6-C and 6-O \$ (1,603,034)

The Town has a fund balance policy that provides guidance for minimum, maximum and optimal levels at which the operating fund reserves should be held. These percentages of fund balance to appropriations are set at 7%, 20% and 15%, respectively. As of December 31, 2014, all funds were at maximum. To the extent that fund balances exceed the maximum, per policy, the balances are classified 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.

12. 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 17 years lapsed as of December 31, 2014. The current estimated liability for post closure care costs of the landfill for the remaining 13 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 June 30, 2014. 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.

13. 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 2014. There was no reduction in insurance coverage during 2014. An estimate of liability is recorded at December 31, 2014 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.

14. SUBSEQUENT EVENTS

Management has evaluated subsequent events or transactions as to any potential material impact on operations or financial position occurring through April 14, 2015, the date the financial statements were available to be issued. No such events or transactions were identified.

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

TOWN OF BETHLEHEM, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014

<u>Federal Grantor/Pass-Through Grantor/Program Title Expenditures</u>	<u>Project Number</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>300,121</u>
<u>U.S. Department of Transportation</u>			
Passed Through State of New York:			
State and Community Highway Safety	-	20.600	37,679
Metropolitan Transportation Planning	-	20.505	<u>447,315</u>
			<u>484,994</u>
<u>U.S. Department of Homeland Security</u>			
Passed Through NYS Division of Homeland Security and Emergency Services:			
Disaster Grants - Public Assistance	001-06354-000	97.036	<u>776,760</u>
<u>U.S. Department of Justice</u>			
Direct:			
Equitable Sharing Program	-	16.922	<u>24,665</u>
Total Federal Awards			<u>\$ 1,586,540</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	\$ 72,344
Highway Fund	199,595
Water Fund	187,661
Sewer Fund	379,504
Special Grant	300,121
Capital Projects	<u>447,315</u>
Federal Awards Per Schedule of Expenditures of Federal Awards	<u>\$ 1,586,540</u>

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

Town of Bethlehem, New York, 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the regulatory basis financial statements of the Town of Bethlehem, New York, as of and for the year ended December 31, 2014, and the related notes to the regulatory basis financial statements, and have issued our report thereon dated April 14, 2015.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Bethlehem, New York's regulatory basis financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of regulatory basis 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*.

Purpose of this Report

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

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
April 14, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Bethlehem, New York's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town of Bethlehem, New York's major federal programs for the year ended December 31, 2014. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Bethlehem, New York's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Bethlehem, New York's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Bethlehem, New York complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

Report on 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 types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Bethlehem, New York's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 of Bethlehem, New York's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of the 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance to be material weaknesses. However, material weaknesses may exist that have not been identified.

The propose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



CUSACK & COMPANY, CPA'S LLC

Latham, New York
April 14, 2015

TOWN OF BETHLEHEM, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 DECEMBER 31, 2014

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued:	Modified	
Internal control over financial reporting:		
Material weakness(es) identified?	_____ yes	___ <u>x</u> ___ no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ yes	___ <u>x</u> ___ none reported
Noncompliance material to financial statements noted?	_____ yes	___ <u>x</u> ___ no

FEDERAL AWARDS

Internal control over major programs:		
Material weakness(es) identified?	_____ yes	___ <u>x</u> ___ no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____ yes	___ <u>x</u> ___ 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	___ <u>x</u> ___ no

Identification of major programs.

<u>CFDA NUMBER(S)</u>	<u>NAME OF FEDERAL PROGRAM OR CLUSTER</u>
97.036	Disaster Grants - Public Assistance
14.871	Section 8 Housing Choice Vouchers
20.505	Metropolitan Transportation Planning

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

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

SECTION II - FINANCIAL STATEMENT FINDINGS

There were no findings for the year ended December 31, 2014.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings for the year ended December 31, 2014.

SECTION IV - RESOLUTION OF PRIOR YEAR FINDINGS

There were no findings for the year ended December 31, 2013.