

OFFICIAL STATEMENT

REFUNDING ISSUE

STANDARD & POOR'S RATING: "AA+" (Stable Outlook)

SERIAL BONDS

See "BOND RATING" herein.

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). 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.

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

\$6,455,000

**TOWN OF BETHLEHEM
ALBANY COUNTY, NEW YORK**



**GENERAL OBLIGATIONS
CUSIP BASE #: 087311**

**\$6,455,000 Public Improvement Refunding (Serial) Bonds, 2016
(referred to herein as the "Bonds")**

Dated: Date of Delivery

Due: December 1, 2016-2037

MATURITIES

Year	Amount	Rate	Yield	CSP	Year	Amount	Rate	Yield	CSP	Year	Amount	Rate	Yield	CSP
2016	\$ 75,000	2.00%	0.77%	E69	2024	\$ 290,000	4.00%	1.60%	F68	2032	\$ 375,000*	3.00%	2.50%	G67
2017	10,000	2.00	0.85	E77	2025	300,000	4.00	1.75	F76	2033	390,000*	3.00	2.55	G75
2018	10,000	4.00	0.95	E85	2026	315,000	3.00	1.95	F84	2034	400,000*	3.00	2.65	G83
2019	240,000	4.00	1.05	E93	2027	325,000*	3.00	2.05	F92	2035	415,000*	3.00	2.70	G91
2020	245,000	4.00	1.15	F27	2028	335,000*	3.00	2.20	G26	2036	420,000*	3.00	2.75	H25
2021	255,000	4.00	1.25	F35	2029	350,000*	3.00	2.30	G34	2037	435,000*	3.00	2.80	H33
2022	270,000	4.00	1.35	F43	2030	355,000*	3.00	2.35	G42					
2023	280,000	4.00	1.45	F50	2031	365,000*	3.00	2.45	G59					

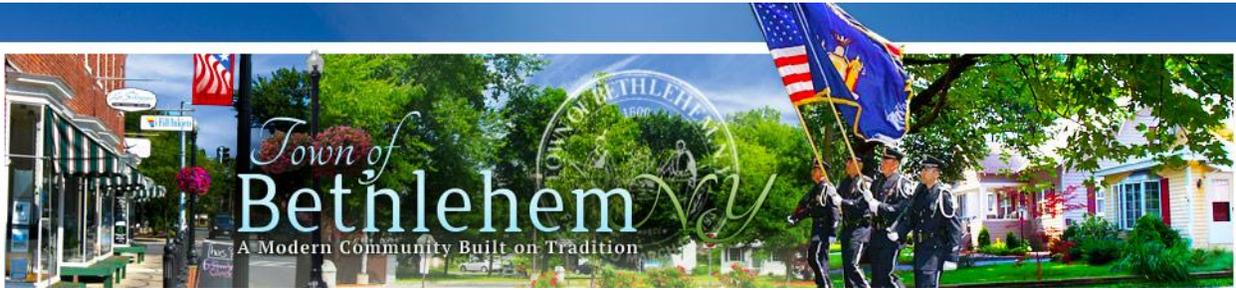
* The Bonds maturing in the years 2027-2037 are subject to redemption prior to maturity as described under the heading "THE BONDS - Optional Redemption."

The Bonds are general obligations of the Town of Bethlehem, Albany County, New York (the "Town"), 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 "TAX LEVY LIMITATION LAW" herein.

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 ("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. Purchasers will not receive certificates representing their ownership interest in the Bonds. Interest on the Bonds will be payable on December 1, 2016 and semi-annually thereafter on June 1 and December 1 in each year until maturity. Principal and interest will be paid by the Town to DTC, which will in turn remit such principal and interest to its Participants, for subsequent distribution to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

The Bonds are offered when, as and if issued and received by the Underwriter and subject to the receipt of the approving legal opinion as to the validity of the Bonds of Hodgson Russ LLP, Bond Counsel, Albany, New York. Certain legal matters will be passed upon for the Underwriter by its Counsel, Trespass & Marquardt, LLP, Syracuse, New York. It is anticipated that the Bonds will be available for delivery through the facilities of DTC located in Jersey City, New Jersey on or about November 8, 2016.

RAYMOND JAMES



TOWN OFFICIALS

TOWN BOARD

JOHN CLARKSON
Town Supervisor

DAVID VAN LUVEN
JOYCE BECKER

JULIE SASSO
DORIS DAVIS

* * * * *

ADMINISTRATION

MICHAEL E. COHEN
Town Comptroller

BRENT MEREDITH
Superintendent of Highways

NANCI MOQUIN
Town Clerk

ALICIA RONEY
Tax Receiver

GEORGE KANSAS
Commissioner of Public Works

JAMES POTTER, ESQ.
Town Attorney

MUNICIPAL ADVISOR



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BOND COUNSEL



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Albany, New York 12207
(518) 465-2333

No dealer, broker, salesman or other person has been authorized by the Town to give any information or to make any representations other than those contained in this Official Statement; and if given or made, such other information or representations must not be relied upon as having been authorized by the Town. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained by the Town from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness. The information 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 since the date thereof.

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

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

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PREPARED WITH THE ASSISTANCE OF



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

Relating to
\$6,455,000 Public Improvement Refunding (Serial) Bonds, 2016

This Official Statement, which includes the cover page and appendices, has been prepared by the Town of Bethlehem, Albany County, New York (the "Town," "County," and "State," respectively), in connection with the sale by the Town of its aggregate principal amount of \$6,455,000 Public Improvement Refunding (Serial) Bonds, 2016 (referred to herein as 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's tax base, revenues, and expenditures, this Official Statement should be read in its entirety.

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 form 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 LEVY LIMITATION LAW" herein.

The Bonds will be dated the date of delivery and will mature in the principal amounts and on the dates as set forth on the cover page. The Bonds are subject to redemption prior to maturity as described herein 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 ("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 or integral multiples thereof. Purchasers will not receive certificates representing their ownership interest in the Bonds. Interest on the Bonds will be payable on December 1, 2016 and semi-annually thereafter on June 1 and December 1 in each year until maturity. Principal and interest will be paid by the Town to DTC, which will in turn remit such principal and interest to its Participants, for subsequent distribution to the Beneficial Owners of the Bonds, as described herein.

Optional Redemption

The Bonds maturing on or before December 1, 2026 shall not be subject to redemption prior to maturity. The Bonds maturing on or after December 1, 2027 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 December 1, 2026 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.

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 in the aggregate principal amount of such issue, 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 is the holding company for DTC, National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its registered subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Town as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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 upon DTC's receipt of funds and corresponding detail information from the Town, on payable dates 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 Cede & Co. (or such other nominee as may be requested by an authorized representative of 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-only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

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

Source: The Depository Trust Company.

THE TOWN CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS OF DTC WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE BONDS (1) PAYMENTS OF PRINCIPAL OF OR INTEREST 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 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. 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 for any single maturity. 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 to be named by the Town upon termination of the book-entry-only system. Interest on the Bonds will be payable December 1, 2016 and semiannually thereafter on June 1 and December 1 in each year until maturity. Such interest will be payable by check drawn on the fiscal agent and mailed to the registered owners of the Bonds, on each interest payment date at the address as shown on the registration books of the fiscal agent as of the fifteenth day of the calendar month preceding each such interest payment date. The 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 Certificate of Determination of the Town Supervisor 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 fifteenth day of the calendar month preceding an interest payment date and such interest payment date.

AUTHORIZATION AND PLAN OF REFUNDING

Authorization and Purpose

The Bonds are being issued pursuant to the Constitution and statutes of the State, including particularly section 90.10 of the Local Finance Law, a refunding bond resolution adopted by the Town Board of the Town on August 24, 2016 (the "Refunding Bond Resolution") and other proceedings and determinations related thereto. The Refunding Bond Resolution authorizes the refunding of all or a portion of the \$6,930,000 outstanding principal amount of the Public Improvement (Serial) Bonds, 2009 originally issued by the Town in the aggregate principal amount of \$7,958,000 (the "Refunded Bonds") and authorizes issuance of the Bonds to provide the funds necessary to effect the refunding of the Refunded Bonds.

The Refunded Bonds were issued pursuant to the Constitution and statutes of the State, including among others, the Town Law, the Local Finance Law and various bond resolutions for the following purposes and amounts:

\$7,958,000 Public Improvement (Serial) Bonds, 2009 – December 1, 2009

<u>Purposes</u>	<u>Amounts</u>
Elm Avenue Pool Improvement	\$ 465,000
Sewer Pump Station Improvements	5,200,000
Sewer Fund/Water Fund Projects	<u>2,293,000</u>
Total:	\$ 7,958,000

The proceeds of the Bonds are intended to be used to purchase a portfolio of non-callable direct obligations of the United States of America (the "Government Obligations") and pay certain costs of issuance related to the Bonds. The principal of and investment income on the portfolio of Government Obligations together with other available cash on deposit in the Escrow Deposit Fund (as hereinafter defined) are expected to be sufficient to pay the maturing principal of and interest on the Refunded Bonds.

All proceeds of the Refunded Bonds have been heretofore expended.

The Refunding Financial Plan

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

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

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

The list of Refunded Bond maturities are set forth below:

\$7,958,000 Public Improvement (Serial) Bonds, 2009 – December 1, 2009
CUSIP BASE: 087311

<u>Due December 1st</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Redemption Date</u>	<u>Redemption Price</u>	<u>CSP</u>
2019	\$ 225,000	4.000%	12/01/2018	100.00%	ZN9
2020	230,000	4.000	12/01/2018	100.00	ZP4
2021	240,000	4.000	12/01/2018	100.00	ZQ2
2022	255,000	4.000	12/01/2018	100.00	ZR0
2023	265,000	4.000	12/01/2018	100.00	ZS8
2024	275,000	4.000	12/01/2018	100.00	ZT6
2025	285,000	4.000	12/01/2018	100.00	ZU3
2026	300,000	4.000	12/01/2018	100.00	ZV1
2027	310,000	4.000	12/01/2018	100.00	ZX9
2028	325,000	4.000	12/01/2018	100.00	ZX7
2029	340,000	4.000	12/01/2018	100.00	ZY5
2030	350,000	4.125	12/01/2018	100.00	ZZ2
2031	365,000	4.250	12/01/2018	100.00	A22
2032	380,000	4.375	12/01/2018	100.00	A30
2033	400,000	4.500	12/01/2018	100.00	A48
2034	415,000	4.500	12/01/2018	100.00	A55
2035	435,000	4.500	12/01/2018	100.00	A63
2036	450,000	4.500	12/01/2018	100.00	A71
2037	470,000	4.500	12/01/2018	100.00	A89
	<u>\$ 6,315,000</u>				

The New York Local Finance Law provides that upon placement in escrow of proceeds of refunding bonds sufficient to provide for the payment of the principal of and interest on the bonds to be refunded by such refunding Bonds, such bonds are no longer counted in computing the Town’s debt for statutory debt limitation purposes.

Verification of Mathematical Computations

Causey Demgen & Moore P.C., a firm of independent public accountants, will deliver to the Town, on or before the settlement date of the Bonds, its attestation report indicating that it has verified, in accordance with standards established by the American Institute of Certified Public Accountants, the information and assertions provided by the Town and its representatives. Included in the scope of its engagement will be a verification of the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash and the maturing principal of and interest on, the Government Obligations listed in the underwriter’s schedules, used to fund the Escrow Deposit Fund to be established by the Escrow Holder to pay, when due, the maturing principal and redemption premium of and interest on the Refunded Bonds; and (b) the mathematical computations supporting the conclusion of Bond Counsel that the Bonds are not “arbitrage bonds” under the Internal Revenue Code of 1986, as amended (the “Code”) and the regulations promulgated thereunder.

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

Sources and Uses of Bond Proceeds

Proceeds of the Bonds are to be applied as follows:

Sources:	Par Amount of the Bonds	\$	6,455,000.00
	Original Issue Premium		<u>496,502.05</u>
	Total	\$	6,951,502.05
Uses:	Deposit to Escrow Fund	\$	6,871,031.99
	Underwriter's Discount		28,567.15
	Costs of Issuance and Contingency		<u>51,902.91</u>
	Total	\$	6,951,502.05

THE TOWN

General Information

The Town of Bethlehem (the “Town”) 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 school 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.

Source: Town officials.

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
Time Warner Cable Bus Class	Cable Company	575
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	300
National Grid	Utility	300

Source: Chamber of Commerce

Population Trends

<u>Year</u>	<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
2014 (estimated)	34,685	308,171	19,746,227
2015 (estimated)	34,898	309,381	19,795,791

Sources: U.S. Census.

Selected 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 2010-2014 American Community Survey 5 Year Estimates.

	<u>Per Capita Income</u>			<u>Median Family Income</u>		
	<u>2000</u>	<u>2006-2010</u>	<u>2010-2014</u>	<u>2000</u>	<u>2006-2010</u>	<u>2010-2014</u>
Town of:						
Bethlehem	\$ 21,564	\$ 31,492	\$ 44,297	\$ 54,029	\$ 77,211	\$ 112,146
County of:						
Albany	16,363	23,345	32,624	41,670	56,724	82,749
State of:						
New York	16,501	23,389	32,829	39,741	51,691	71,419

Note: 2011-2015 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 2010-2014 American Community Survey data.

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 the County and State of New York is included for information purposes only. It should not be implied from the inclusion of such data in this Official Statement that the County or the State is necessarily representative of the Town, or vice versa.

	<u>Annual Average</u>						
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Albany County	6.8%	7.1%	7.2%	7.3%	6.3%	4.9%	4.4%
New York State	8.3%	8.6%	8.3%	8.5%	7.7%	6.3%	5.3%

	<u>2016 Monthly Figures</u>									
	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>Jun</u>	<u>Jul</u>	<u>Aug</u>	<u>Sept</u>	<u>Oct</u>
Albany County	4.4%	4.2%	4.1%	4.0%	3.7%	4.0%	4.2%	4.0%	N/A	N/A
New York State	5.4%	5.4%	5.2%	4.6%	4.2%	4.5%	5.0%	4.9%	N/A	N/A

Note: Unemployment rates for the months of September and October of 2016 are unavailable as of the date of this Official Statement.

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 2011 through and including 2015:

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<u>Residential:</u>					
One Family	26	34	35	53	68
Two Family	0	0	0	0	0
Additions/Alterations	138	99	235	322	331
Town Houses	0	0	0	0	0
Apartments	18 (93 units)	11 (86 units)	11 (82 units)	24 units	42 (238 units)
Commercial & Industrial	13	13	17	9	15
<u>Non-Residential:</u>					
Additions/Alterations	94	94	165	134	99
Misc., Pools & Sheds	506	504	410	413	633

Note: 2016 information is unavailable as of the date of this Official Statement.

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, has 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 2016 budget was adopted on November 10, 2015. The 2017 budget will be voted on November 9, 2016.

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 2016 fiscal year, approximately 5.98% 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 217 full-time employees, of which 48 are represented by the collective bargaining units listed below. 172 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>
30	Bethlehem Police Benevolent Association	December 31, 2017
10	AFL-CIO Council 66	December 31, 2017
8	AFL-CIO Council 82 (Lieutenants & Sergeants)	December 31, 2017

Source: Town officials.

Status and Financing of Employee Pension Benefits

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 2010, including the 2016 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	1,999,424	979,551
2015	1,911,712	855,829
2016 (Budgeted)	1,776,139	868,606

Source: Town officials.

Pursuant to various laws enacted between 1991 and 2002, the State Legislature authorized local governments to make available certain early retirement incentive programs to its employees. The Town does not have any early retirement incentives outstanding.

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.

A chart of average ERS and PFRS rates (2010 to 2018) 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
2017	15.5	24.3
2018	15.3	24.4

Chapter 49 of the Laws of 2003 amended the Retirement and Social Security Law and Local Finance Law. The amendments empowered the State Comptroller to implement a comprehensive structural reform program that establishes a minimum contribution for any employer equal to 4.5% of pensionable salaries for required contributions due December 15, 2003 and for all years thereafter where the actual rate would otherwise be 4.5% or less. In addition, it instituted a billing system that will advise employers over one year in advance concerning actual pension contribution rates.

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

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

Stable Rate Pension Contribution Option: The 2013-14 Adopted State Budget included a provision that authorized 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 require higher than normal contributions in later years.

The Town is not amortizing or smoothing any pension payments nor does it intend to do so in the foreseeable future.

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.

Other Post-Employment Benefits

Healthcare and 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 requires governmental entities, such as the Town, to account for post-retirement healthcare benefits as it accounts for vested pension benefits. GASB Statement No. 45 ("GASB 45") of the Governmental Accounting Standards Board ("GASB"), described below, requires such accounting.

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 \$603,946 in 2013 for 132 retirees.
- OPEB costs recognized by the Town as incurred were \$639,976 in 2014 for 141 retirees.
- OPEB costs recognized by the Town as incurred were \$758,077 in 2015 for 146 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.

In April 2015, the State Comptroller announced legislation to create an optional investment pool to help the State and local governments fund retiree health insurance and other post-employment benefits. The proposed legislation would allow the following:

- Authorize the creation of irrevocable OPEB trusts, not part of the New York State Common Retirement Fund, so that New York state and its local governments can, at their option, help fund their OPEB liabilities;
- Establish an OPEB investment fund in the sole custody of the State Comptroller for the investment of OPEB assets of the state and participating eligible local governments;
- Designate the president of the Civil Service Commission as the trustee of the state’s OPEB trust and the governing boards as trustee for local governments; and
- Allow school districts to transfer certain excess reserve balances to an OPEB trust once it is established.

Under the State Comptroller’s proposal, there were no restrictions on the amount a government can deposit into the trust. The proposal for an optional investment pool for OPEB liability was not adopted in the last State legislative session. It is not known if the legislation will be reintroduced and enacted into law this year.

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 procedure for the validation of the Bonds provided in Title 6 of Article 2 of the Local Finance Law.

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

The fiscal year of the Town is the calendar year.

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

Financial Statements

The Town retains an independent certified public accounting firm for a continuous independent audit of all financial transactions of the Town. The financial affairs of the Town are also subject to periodic reviews by the State Comptroller. The last independent audit covers the fiscal year ending December 31, 2015 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 or pending release.

Note: Reference to website implies no warranty of accuracy of information therein.

The State Comptroller's 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 reports of the State Comptroller for the past three years for the Town are as follows:

<u>Fiscal Year Ending In</u>	<u>Stress Designation</u>	<u>Fiscal Score</u>
2015	No Designation	0.0%
2014	No Designation	0.0%
2013	No Designation	3.3%

Source: Website of the Office of the New York State Comptroller.

Note: Reference to website implies no warranty of accuracy of information therein.

TAX INFORMATION

Taxable Assessed Valuations

<u>Fiscal Year Ending December 31:</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Assessed Valuation	\$ 3,176,037,549	\$ 3,346,651,759	\$ 3,364,277,925	\$ 3,605,084,892	\$ 3,619,558,853
New York State Equalization Rate	97.00%	98.00%	100.00%	100.00%	100.00%
Total Taxable Full Valuation	\$ 3,274,265,514	\$ 3,414,950,774	\$ 3,364,277,925	\$ 3,605,084,892	\$ 3,619,558,853

Tax Rate Per \$1,000 (Assessed)

<u>Fiscal Year Ending December 31:</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
County	\$ 3.61	\$ 3.90	\$ 3.96	\$ 3.86	\$ 3.84
Town	0.66	0.62	0.62	0.59	0.58
Highway	1.29	1.65	1.70	1.69	1.69
Water	0.58	0.58	0.58	0.50	0.57
Sewer	0.31	0.35	0.35	0.46	0.37

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.

Tax Levy and Tax Collection Record

<u>Fiscal Year Ending December 31:</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Total Tax Levy	\$ 27,501,308	\$ 30,531,510	\$ 31,031,296	\$ 32,535,415	\$ 32,718,517
Amount Unpaid	-	-	-	-	-
% Uncollected	0.00%	0.00%	0.00%	0.00%	0.00%

Larger Taxpayers for 2016 Tax Roll

<u>Name</u>	<u>Type</u>	<u>Assessed Value</u>
PSEG	Utility	\$ 104,660,614
Selkirk Cogen ⁽¹⁾	Utility	100,000,000
Niagara Mohawk Power Corporation	Utility	69,971,886
New York Central Lines LLC	Rail	40,396,345
LSAREF4 Dual (Mansions) LLC	Apartments	22,000,000
Beverwyck Inc. ⁽¹⁾	Senior Living	18,890,900
Bethlehem Assoc. LLC	Retail	15,975,000
Owens Corning Fiberglass	Fiberglass Manufacturing	13,300,000
Bethlehem Terrace Associates	Apartments	12,000,000
West Yard Owner LP	Warehousing	11,675,000

⁽¹⁾ Selkirk Cogen and Beverwyck Inc., have both filed tax certioraris however the results are not expected to have a material impact on the Town. As of the date of this Official Statement, the Town does not currently have any other pending or outstanding tax certioraris that are known to have a material impact on the Town.

The larger taxpayers listed above have a total taxable assessed valuation of \$408,869,745 which represents 11.3% of the Town's total tax base.

Source: Town Tax Rolls.

Additional Tax Information

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: Agricultural and Residential 71%, Commercial, Industrial and Other 20% and Wholly Exempt including pilot agreements 9%.

The total 2016 property tax bill of an average assessed value residential property of \$260,000, located in the Town, is approximately \$7,710 including County, Fire District, Town, and School District (2015/2016) taxes.

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, 2020 unless 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 in 2015 by \$261,381.

The Town Tax Levy remained under the Tax Cap in 2016 by \$248,126.

The Town anticipates that it will remain under the Tax Cap for 2017.

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 Board of Trustees authorizes 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 Board of Trustees, the finance board of the Town. Customarily, the Board of Trustees has delegated to the Town Supervisor, as chief fiscal officer of the Town, the power to authorize and sell 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, may be contested only if:

- (1) (a) Such obligations are authorized for a purpose for which the Town is not authorized to expend money, or
(b) There has not been substantial compliance with the provisions of law which should have been complied with in the authorization of such obligations

and an action contesting such validity is commenced within twenty days after the date of such publication, or

- (2) Such obligations are authorized in violation of the provisions of the Constitution.

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 Board of Trustees, 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>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Bonds	\$ 17,640,000	\$ 16,040,000	\$ 15,000,000	\$ 14,005,000	\$ 18,877,058
Bond Anticipation Notes	2,900,000	3,475,500	5,029,317	6,393,195	0
Other Debt ⁽¹⁾	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,303,176</u>
Totals	<u>\$ 20,540,000</u>	<u>\$ 19,515,500</u>	<u>\$ 20,029,317</u>	<u>\$ 20,398,195</u>	<u>\$ 21,180,234</u>

⁽¹⁾ Represents a New York State Environmental Facilities Corporation Loan Advance. See "Other Obligations" herein.

Details of Outstanding Indebtedness

The following table sets forth the indebtedness of the Town evidenced by serial bonds and bond anticipation notes as of October 11, 2016.

<u>Type of Indebtedness</u>	<u>Maturity</u>	<u>Amount</u>
<u>Bonds</u>	2016-2037	\$ 20,415,000
<u>Bond Anticipation Notes</u>		
Various Sewer, Water, Highway	August 18, 2017	<u>1,685,000</u>
	Total Debt:	<u>\$ 22,100,000</u>

Debt Statement Summary

Summary of Indebtedness, Debt Limit and Net Debt-Contracting Margin prepared as of October 11, 2016:

Five-Year Average Full Valuation of Taxable Real Property.....\$ 3,455,627,592
Debt Limit - 7% thereof..... 241,893,931

Inclusions:

Bonds ⁽¹⁾.....\$ 20,415,000
Bond Anticipation Notes.....1,685,000
Total Inclusions..... 22,100,000

Exclusions:

Water Debt ⁽²⁾.....\$ 7,147,800
Sewer Debt ⁽³⁾..... 3,910,575
Appropriations ⁽⁴⁾.....96,261
Total Exclusions..... 11,154,636

Total Net Indebtedness.....\$ 10,945,364

Net Debt-Contracting Margin.....\$ 230,948,567

The percent of debt contracting power exhausted is..... 4.52%

- (1) \$6,315,000 of the serial bonds listed above are to be refunded with the proceeds of the Bonds.
(2) Water indebtedness is automatically excluded pursuant to the provisions of Article VIII, section 5B of the New York State Constitution.
(3) Sewer Indebtedness excluded pursuant to Section 136.00 of the Local Finance Law.
(4) 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, including the principal of the Bonds, 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:

- \$3,000,000 in serial bonds authorized for Delaware Enhancement project of which \$1.2 million is to be funded through a Federal Grant. This project commenced late 2015 and is presently in the engineering stage. It is anticipated that the Town will be looking to bond this year (2016).
- \$4,200,000 in serial bonds have been authorized for water improvement projects. However, a portion approved in that bond resolution was subsequently modified at the April 13, 2016 Town Board meeting related to the Dam Safety project. The modification will reduce the proposed bonding by \$365,000 through use of the Town’s Capital Reserves for a portion of the Dam Safety project related to the Valley Creek Reservoir Dam and Dike improvements. The Town currently has a Bond Anticipation Note in the amount of \$795,000 that will mature on August 18, 2017.

The Town has no other projects authorized at this time.

Source: Town officials.

Other Obligations

The Town has an Environmental Facilities Contract (“EFC”) financing line of credit for its Interceptor Sewer Project. Construction for improvements to restore capacity at the Delaware Avenue pump station through the redirection of flows, improve energy efficiency by eliminating double-pumping of sewage and replace and improve existing gravity sewers to accommodate future development within the northern portions of the Town were completed in June 2016. The total borrowing for \$2.6 million was permanently financed on September 22, 2016 through EFC and is 50% interest-free and 50% Market-rate funds.

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		Proposed 2017 ⁽¹⁾				
		2017	2018	2019	2020	2020
General Fund	Operating	\$ 394,710	\$ 359,770	\$ 214,542	\$ 174,614	\$ 199,534
	Capital Reserve	555,500	70,000	50,000	50,000	50,000
	Debt Borrowing	2,833,500	3,150,000	2,250,000	120,000	0
	Grant	1,046,000	0	59,000	0	0
	Parkland set-aside	165,250	120,000	255,000	0	0
Total		\$ 4,944,960	\$ 3,699,770	\$ 2,828,542	\$ 344,614	\$ 249,534
Highway Fund	Operating	575,000	525,000	525,000	525,000	525,000
	Capital Reserve	85,000	0	0	0	0
	Debt Borrowing	500,000	305,000	315,000	390,000	815,000
	Grant	389,000	389,000	317,000	317,000	417,000
Total		\$ 1,549,000	\$ 1,219,000	\$ 1,157,000	\$ 1,232,000	\$ 1,757,000
Water Fund	Operating	1,091,000	746,000	671,000	836,000	836,000
	Capital Reserve	480,000	95,000	0	0	0
	Debt Borrowing	7,485,000	6,040,000	2,881,000	3,200,000	1,350,000
	Grant	0	0	0	0	0
Total		\$ 9,056,000	\$ 6,881,000	\$ 3,552,000	\$ 4,036,000	\$ 2,186,000
Sewer Fund	Operating	785,500	612,000	412,000	412,000	762,000
	Capital Reserve	1,205,000	200,000	200,000	0	0
	Debt Borrowing	0	0	1,700,000	0	1,500,000
	Grant	0	0	0	0	0
Total		\$ 1,990,500	\$ 812,000	\$ 2,312,000	\$ 412,000	\$ 2,262,000
TOTAL		\$ 17,590,460	\$ 12,611,770	\$ 9,849,542	\$ 6,024,614	\$ 6,454,534

⁽¹⁾ These projections are based on certain current assumptions and estimates. Actual capital expenditures may vary from these projections.

Source: Town officials.

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>

⁽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: 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 October 11, 2016.

	<u>Amount</u>	<u>Per Capita</u> ^(a)	<u>Percentage of Full Value</u> ^(b)
Gross Indebtedness ^(c)	\$ 22,100,000	\$ 633.27	0.61%
Net Indebtedness ^(c)	10,945,364	313.64	0.30
Gross Plus Net Overlapping Indebtedness ^(d)	82,421,804	2,361.78	2.28
Net Plus Net Overlapping Indebtedness ^(d)	71,267,168	2,042.16	1.97

^(a) The Town's 2015 estimated population is 34,898. (See "THE TOWN - Population Trends" herein.)

^(b) The Town's full valuation of taxable real estate for 2016 is \$3,619,558,853. (See "TAX INFORMATION - 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 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 described below 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 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 “THE BONDS - Nature of the 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.

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 “THE TOWN - 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 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 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 imposed on corporations by the Code. 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.

Certain legal matters will be passed upon for the Underwriter by its Counsel, Trespasz & Marquardt, LLP, Syracuse, New York.

LITIGATION

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

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

UNDERWRITER

The Bonds are being purchased by Raymond James & Associates (the "Underwriter") for reoffering to the public. The purchase contract for the Bonds provides that the Underwriter will purchase all of the Bonds, if any are purchased, at a purchase price equal to \$6,922,934.90 (being the par amount of the Bonds plus a net original issue premium of \$496,502.05, less an underwriter's fee for the transaction of \$28,567.15). The Underwriter is initially offering the Bonds to the public at the public offering yields indicated on the cover page but the Underwriter may offer and sell the Bonds to certain dealers, institutional investors and others (including sales for deposit into investment trusts, certain of which may be sponsored or managed by the Underwriter) at yields higher than the public offering yields stated on the cover page and the public offering yields may be changed from time to time by the Underwriter.

MUNICIPAL ADVISOR

Fiscal Advisors & Marketing, Inc. (the "Municipal Advisor"), is a Municipal Advisor, registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board. The Municipal Advisor serves as independent financial advisor to the Town on matters relating to debt management. The Municipal 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 Municipal 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 Municipal 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 Municipal Advisor respecting the accuracy and completeness of or any other matter related to such information and this Official Statement.

CONTINUING DISCLOSURE

In order to assist the purchasers in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), the Town will enter into a Continuing Disclosure Undertaking, substantially the description of which can be found in "APPENDIX – C".

Historical 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.

BOND RATING

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") has assigned an underlying rating of "AA+" with a stable outlook to the Bonds. A rating reflects only the view of the rating agency assigning such rating and any desired explanation of the significance of such rating should be obtained from S&P, Public Finance Ratings, 55 Water Street, 38th Floor, New York, New York 10041, Phone: (212) 553-0038, Fax: (212) 553-1390.

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 particular rating will apply for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the agency originally establishing the rating, circumstances so warrant. Any downward revision or withdrawal of the rating of the Bonds 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.

Neither, Hodgson Russ LLP, Albany, New York, Bond Counsel to the Town, nor Trespasz & Marquardt, LLP, Syracuse, New York, Counsel to the Underwriter, expresses 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.

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: October 19, 2016

/s/ JOHN CLARKSON
Town Supervisor

GENERAL FUND

Balance Sheets

Fiscal Years Ending December 31:	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
ASSETS					
Cash	\$ 1,270,114	\$ 2,578,299	\$ 3,577,349	\$ 3,723,319	\$ 4,931,338
Restricted Assets	-	-	-	-	-
Accounts Receivable	183,772	228,913	318,499	200,924	289,918
Due from Other Funds					
Due From Other Governments	3,514,086	4,449,121	4,105,730	4,164,270	3,595,266
State and Federal Aid Receivable	157,583	5,012	8,337	19,465	19,000
Prepaid Expenses	500,642	497,557	441,646	529,463	479,240
Inventories	75,029	89,116	85,049	86,984	92,240
TOTAL ASSETS	<u>\$ 5,701,226</u>	<u>\$ 7,848,018</u>	<u>\$ 8,536,610</u>	<u>\$ 8,724,425</u>	<u>\$ 9,407,002</u>
LIABILITIES AND FUND EQUITY					
Accounts Payable	\$ 334,288	\$ 219,426	\$ 834,151	\$ 315,386	\$ 303,210
Accrued Liabilities	468,599	722,292	471,166	502,784	687,621
Due to Other Funds	241,325	338,929	395,463	491,909	663,708
Due to Other Governments	609,718	579,988	431,708	426,583	524,761
Deferred Revenues	495,418	1,262,673	811,595	1,062,423	704,323
TOTAL LIABILITIES	<u>2,149,348</u>	<u>3,123,308</u>	<u>2,944,083</u>	<u>2,799,085</u>	<u>2,883,623</u>
FUND EQUITY					
Reserved	\$ 575,671	\$ 586,673	\$ 526,695	\$ 616,447	\$ 571,480
Unreserved:					
Appropriated	159,528	921,211	952,870	2,178,177	1,908,306
Unappropriated	2,816,679	3,216,826	4,112,962	3,130,716	4,043,593
TOTAL FUND EQUITY	<u>3,551,878</u>	<u>4,724,710</u>	<u>5,592,527</u>	<u>5,925,340</u>	<u>6,523,379</u>
TOTAL LIABILITIES and FUND EQUITY	<u>\$ 5,701,226</u>	<u>\$ 7,848,018</u>	<u>\$ 8,536,610</u>	<u>\$ 8,724,425</u>	<u>\$ 9,407,002</u>

GENERAL FUND

Revenues, Expenditures and Changes in Fund Balance

Fiscal Years Ending December 31:	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
REVENUES					
Real Property Taxes	\$ 2,056,672	\$ 2,078,649	\$ 2,078,649	\$ 2,080,612	\$ 2,087,183
Real Property Tax Items	684,528	700,374	700,530	100,685	96,206
Non Property Tax Items	10,152,027	10,807,725	11,137,003	11,268,471	11,749,150
Departmental Income	1,535,634	1,640,781	1,759,484	1,711,402	1,426,972
Intergovernmental Charges	34,500	-	75,000	50,000	80,000
Use of Money & Property	83,320	91,169	99,335	87,569	92,814
Licenses and Permits	12,711	40,912	35,271	35,624	41,583
Fines and Forfeitures	500,567	496,517	431,863	375,012	426,268
Sale of Property and Compensation for Loss	118,346	208,169	189,575	239,844	114,181
Miscellaneous	33,213	68,219	14,988	43,358	59,642
Interfund Revenues	33,167	237	-	-	-
Revenues from State Sources	1,183,048	1,521,173	1,435,673	1,547,014	1,486,423
Revenues from Federal Sources	68,810	61,524	326,887	519,112	72,344
Total Revenues	<u>\$ 16,496,543</u>	<u>\$ 17,715,449</u>	<u>\$ 18,284,258</u>	<u>\$ 18,058,703</u>	<u>\$ 17,732,766</u>
EXPENDITURES					
General Government Support	\$ 4,150,204	\$ 3,599,216	\$ 3,329,381	\$ 3,837,551	\$ 3,687,158
Education	1,192	15,455	11,640	158	-
Public Safety	7,552,432	6,084,461	5,719,074	5,982,069	5,825,481
Health	4,117	1,539	1,466	1,496	1,477
Transportation	609,564	561,516	555,781	549,380	588,318
Economic Assistance and Opportunity	545,346	441,663	470,254	436,061	428,437
Culture and Recreation	1,853,220	1,518,065	1,605,141	1,280,170	1,281,870
Home and Community Services	1,551,555	1,288,103	1,604,601	1,167,607	1,089,076
Employee Benefits	364,636	4,104,093	4,328,754	4,253,389	4,571,046
Debt Service	266,448	291,345	373,555	336,626	310,506
Total Expenditures	<u>\$ 16,898,714</u>	<u>\$ 17,905,456</u>	<u>\$ 17,999,647</u>	<u>\$ 17,844,507</u>	<u>\$ 17,783,369</u>
Excess of Revenues Over (Under) Expenditures	<u>(402,171)</u>	<u>(190,007)</u>	<u>284,611</u>	<u>214,196</u>	<u>(50,603)</u>
Other Financing Sources (Uses):					
Other Budgetary Purposes	-	-	-	-	-
Operating Transfers In	250,000	923,709	908,016	653,621	399,316
Operating Transfers Out	(11,000)	(18,000)	(19,795)	-	(15,900)
Total Other Financing	<u>239,000</u>	<u>905,709</u>	<u>888,221</u>	<u>653,621</u>	<u>383,416</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(163,171)</u>	<u>715,702</u>	<u>1,172,832</u>	<u>867,817</u>	<u>332,813</u>
FUND BALANCE					
Fund Balance - Beginning of Year	3,902,087	3,738,916	3,551,878	4,724,710	5,592,527
Prior Period Adjustments (net)	-	(902,740) ⁽¹⁾	-	-	-
Fund Balance - End of Year	<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>

⁽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:

	2015			2016
	Adopted Budget	Final Budget	Actual	Adopted Budget
REVENUES				
Real Property Taxes	\$ 2,111,291	\$ 2,111,291	\$ 2,123,606	\$ 2,101,400
Real Property Tax Items	89,900	89,900	89,216	91,426
Non Property Tax Items	11,670,140	11,734,287	11,962,248	12,342,897
Departmental Income	1,467,440	1,477,569	1,527,632	1,439,325
Intergovernmental Charges	117,200	117,200	80,000	80,000
Use of Money & Property	93,000	93,674	87,435	93,000
Licenses and Permits	36,740	36,740	52,014	43,480
Fines and Forfeitures	410,000	410,000	369,455	365,500
Sale of Property and Compensation for Loss	109,800	109,800	113,570	91,000
Miscellaneous	425,895	-	53,791	-
Interfund Revenues	-	-	-	391,660
Revenues from State Sources	1,232,638	1,716,305	1,683,491	1,083,638
Revenues from Federal Sources	48,750	68,068	100,943	-
Total Revenues	<u>\$ 17,812,794</u>	<u>\$ 17,964,834</u>	<u>\$ 18,243,401</u>	<u>\$ 18,123,326</u>
EXPENDITURES				
General Government Support	\$ 3,576,839	\$ 4,035,127	\$ 3,732,210	\$ 3,707,894
Education	-	-	-	-
Public Safety	5,718,006	6,001,026	5,849,961	5,842,363
Health	1,530	1,530	-	-
Transportation	565,122	605,616	549,823	585,176
Economic Assistance and Opportunity	463,521	470,042	487,870	470,313
Culture and Recreation	1,330,297	1,342,125	1,250,861	1,343,705
Home and Community Services	1,254,987	1,265,696	1,032,546	1,242,588
Employee Benefits	4,576,290	4,588,849	4,527,307	4,634,752
Debt Service	326,202	326,702	326,701	296,535
Total Expenditures	<u>\$ 17,812,794</u>	<u>\$ 18,636,713</u>	<u>\$ 17,757,279</u>	<u>\$ 18,123,326</u>
Excess of Revenues Over (Under) Expenditures	<u>-</u>	<u>(671,879)</u>	<u>486,122</u>	<u>-</u>
Other Financing Sources (Uses):				
Other Budgetary Purposes	-	-	-	-
Operating Transfers In	-	425,895	418,807	-
Operating Transfers Out	-	(306,890)	(306,890)	-
Total Other Financing	<u>-</u>	<u>119,005</u>	<u>111,917</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>-</u>	<u>(552,874)</u>	<u>598,039</u>	<u>-</u>
FUND BALANCE				
Fund Balance - Beginning of Year	-	552,874	5,925,340	-
Prior Period Adjustments (net)	-	-	-	-
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,523,379</u>	<u>\$ -</u>

Source: Audited Financial Report and 2016 Budget (unaudited) of the Town. This Appendix is not itself audited.

CHANGES IN FUND EQUITY

Fiscal Years Ending December 31:	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
HIGHWAY FUND - TOWN WIDE					
Fund Equity - Beginning of Year	\$ 2,441,625	\$ 2,011,648	\$ 2,377,099	\$ 2,385,249	\$ 2,892,388
Prior Period Adjustments (net)	(237,975)	-	-	-	-
Revenues & Other Sources	6,225,445	6,522,983	6,641,722	6,723,496	6,841,631
Expenditures & Other Uses	6,417,447	6,157,532	6,633,572	6,216,357	6,640,963
Fund Equity - End of Year	\$ 2,011,648	\$ 2,377,099	\$ 2,385,249	\$ 2,892,388	\$ 3,093,056
 WATER FUND					
Fund Equity - Beginning of Year	\$ 3,371,573	\$ 3,118,884	\$ 3,898,238	\$ 3,471,508	\$ 3,693,094
Prior Period Adjustments (net)	(147,653)	-	-	-	-
Revenues & Other Sources	8,749,414	9,461,471	9,482,271	9,277,540	9,857,387
Expenditures & Other Uses	8,854,450	8,682,117	9,909,001	9,055,954	9,279,828
Fund Equity - End of Year	\$ 3,118,884	\$ 3,898,238	\$ 3,471,508	\$ 3,693,094	\$ 4,270,653
 SEWER FUND					
Fund Equity - Beginning of Year	\$ 2,226,292	\$ 1,253,842	\$ 1,999,359	\$ 1,970,383	\$ 3,157,955
Prior Period Adjustments (net)	(104,388)	-	-	-	-
Revenues & Other Sources	4,010,726	4,679,283	4,316,864	4,877,873	4,810,245
Expenditures & Other Uses	4,878,788	3,933,766	4,345,840	3,690,301	4,988,928
Fund Equity - End of Year	\$ 1,253,842	\$ 1,999,359	\$ 1,970,383	\$ 3,157,955	\$ 2,979,272
 CAPITAL PROJECTS FUND					
Fund Equity - Beginning of Year	\$ 3,976,585	\$ 2,638,258	\$ 1,772,013	\$ 2,680,517	\$ (1,497,072)
Prior Period Adjustments (net)	-	-	-	-	-
Revenues & Other Sources	287,955	492,791	3,616,493	1,710,680	9,139,309
Expenditures & Other Uses	1,626,282	1,359,036	2,707,989	5,888,269	7,349,441
Fund Equity - End of Year	\$ 2,638,258	\$ 1,772,013	\$ 2,680,517	\$ (1,497,072)	\$ 292,796

APPENDIX - B
Town of Bethlehem

BONDED INDEBTEDNESS

Fiscal Year Ending December 31st	PRIOR TO REFUNDING BONDS			Refunded Bonds Debt	REFUNDING BONDS			Total New Debt
	Principal	Interest	Total	Service	Principal	Interest	Total	Service
2016	\$ 1,257,058	\$ 758,985.51	\$ 2,016,043.51	\$ 133,112.50	\$ 75,000	\$ 13,525.28	\$ 88,525.28	\$ 1,971,456.28
2017	1,455,000	700,076.86	2,155,076.86	266,225.00	10,000	210,200.00	220,200.00	2,109,051.86
2018	1,500,000	654,078.32	2,154,078.32	266,225.00	10,000	210,000.00	220,000.00	2,107,853.32
2019	1,325,000	601,593.76	1,926,593.76	491,225.00	240,000	209,600.00	449,600.00	1,884,968.76
2020	1,375,000	547,724.00	1,922,724.00	487,225.00	245,000	200,000.00	445,000.00	1,880,499.00
2021	1,435,000	491,451.76	1,926,451.76	488,025.00	255,000	190,200.00	445,200.00	1,883,626.76
2022	1,495,000	432,535.76	1,927,535.76	493,425.00	270,000	180,000.00	450,000.00	1,884,110.76
2023	635,000	393,746.00	1,028,746.00	493,225.00	280,000	169,200.00	449,200.00	984,721.00
2024	660,000	376,223.80	1,036,223.80	492,625.00	290,000	158,000.00	448,000.00	991,598.80
2025	675,000	357,841.65	1,032,841.65	491,625.00	300,000	146,400.00	446,400.00	987,616.65
2026	700,000	338,229.50	1,038,229.50	495,225.00	315,000	134,400.00	449,400.00	992,404.50
2027	715,000	317,100.20	1,032,100.20	493,225.00	325,000	124,950.00	449,950.00	988,825.20
2028	740,000	294,780.70	1,034,780.70	495,825.00	335,000	115,200.00	450,200.00	989,155.70
2029	765,000	270,952.75	1,035,952.75	497,825.00	350,000	105,150.00	455,150.00	993,277.75
2030	790,000	245,280.36	1,035,280.36	494,225.00	355,000	94,650.00	449,650.00	990,705.36
2031	815,000	217,801.84	1,032,801.84	494,787.50	365,000	84,000.00	449,000.00	987,014.34
2032	840,000	188,863.30	1,028,863.30	494,275.00	375,000	73,050.00	448,050.00	982,638.30
2033	875,000	158,372.68	1,033,372.68	497,650.00	390,000	61,800.00	451,800.00	987,522.68
2034	895,000	126,130.56	1,021,130.56	494,650.00	400,000	50,100.00	450,100.00	976,580.56
2035	525,000	98,923.90	623,923.90	495,975.00	415,000	38,100.00	453,100.00	581,048.90
2036	540,000	76,609.76	616,609.76	491,400.00	420,000	25,650.00	445,650.00	570,859.76
2037	560,000	53,575.16	613,575.16	491,150.00	435,000	13,050.00	448,050.00	570,475.16
2038	95,000	29,345.70	124,345.70	-	-	-	-	124,345.70
2039	95,000	25,990.30	120,990.30	-	-	-	-	120,990.30
2040	95,000	22,634.90	117,634.90	-	-	-	-	117,634.90
2041	100,000	19,191.20	119,191.20	-	-	-	-	119,191.20
2042	100,000	15,749.70	115,749.70	-	-	-	-	115,749.70
2043	100,000	12,398.70	112,398.70	-	-	-	-	112,398.70
2044	105,000	8,963.92	113,963.92	-	-	-	-	113,963.92
2045	105,000	5,445.38	110,445.38	-	-	-	-	110,445.38
2046	110,000	1,843.06	111,843.06	-	-	-	-	111,843.06
TOTALS	\$ 21,477,058	\$7,842,440.99	\$ 29,319,498.99	\$ 10,039,150.00	\$ 6,455,000	\$2,607,225.28	\$9,062,225.28	\$ 28,342,574.26

Note: The totals above include a New York State Environmental Facilities Corporation Loan of \$2,600,000 that closed on September 22, 2016.

CURRENT BONDS OUTSTANDING

Fiscal Year Ending Dec 31st	2008			2012		
	Financing of payment to NYS Retirement System			Refunding of 2004 Water		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 210,000	\$ 27,488	\$ 237,488	\$ 670,000	\$ 234,400	\$ 904,400
2017	220,000	17,000	237,000	700,000	207,000	907,000
2018	230,000	5,750	235,750	725,000	178,500	903,500
2019	-	-	-	760,000	145,000	905,000
2020	-	-	-	800,000	106,000	906,000
2021	-	-	-	840,000	65,000	905,000
2022	-	-	-	880,000	22,000	902,000
TOTALS	\$ 660,000	\$ 50,238	\$ 710,238	\$ 5,375,000	\$ 957,900	\$ 6,332,900
Fiscal Year Ending Dec 31st	2009			2015		
	Improvement Project			Various Improvements		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 195,000	\$ 287,750	\$ 482,750	\$ 182,058	\$ 209,348	\$ 391,406
2017	205,000	280,925	485,925	255,000	138,660	393,660
2018	215,000	273,750	488,750	260,000	133,510	393,510
2019	225,000	266,225	491,225	265,000	128,260	393,260
2020	230,000	257,225	487,225	270,000	122,910	392,910
2021	240,000	248,025	488,025	280,000	117,410	397,410
2022	255,000	238,425	493,425	285,000	111,760	396,760
2023	265,000	228,225	493,225	295,000	105,960	400,960
2024	275,000	217,625	492,625	305,000	99,960	404,960
2025	285,000	206,625	491,625	310,000	93,616	403,616
2026	300,000	195,225	495,225	320,000	86,523	406,523
2027	310,000	183,225	493,225	325,000	78,660	403,660
2028	325,000	170,825	495,825	335,000	70,243	405,243
2029	340,000	157,825	497,825	345,000	61,144	406,144
2030	350,000	144,225	494,225	355,000	51,075	406,075
2031	365,000	129,788	494,788	365,000	40,275	405,275
2032	380,000	114,275	494,275	375,000	29,175	404,175
2033	400,000	97,650	497,650	390,000	17,700	407,700
2034	415,000	79,650	494,650	395,000	5,925	400,925
2035	435,000	60,975	495,975	-	-	-
2036	450,000	41,400	491,400	-	-	-
2037	470,000	21,150	491,150	-	-	-
TOTALS	\$ 6,930,000	\$ 3,901,013	\$ 10,831,013	\$ 5,912,058	\$ 1,702,113	\$ 7,614,171

CURRENT BONDS OUTSTANDING

Fiscal Year Ending Dec 31st	2016B		
	NYS Environmental Facilities Corporation Loan		
	Principal	Interest	Total
2016	\$ -	\$ -	\$ -
2017	75,000	56,492	131,492
2018	70,000	62,568	132,568
2019	75,000	62,109	137,109
2020	75,000	61,589	136,589
2021	75,000	61,017	136,017
2022	75,000	60,351	135,351
2023	75,000	59,561	134,561
2024	80,000	58,639	138,639
2025	80,000	57,600	137,600
2026	80,000	56,482	136,482
2027	80,000	55,215	135,215
2028	80,000	53,713	133,713
2029	80,000	51,984	131,984
2030	85,000	49,980	134,980
2031	85,000	47,739	132,739
2032	85,000	45,413	130,413
2033	85,000	43,023	128,023
2034	85,000	40,556	125,556
2035	90,000	37,949	127,949
2036	90,000	35,210	125,210
2037	90,000	32,425	122,425
2038	95,000	29,346	124,346
2039	95,000	25,990	120,990
2040	95,000	22,635	117,635
2041	100,000	19,191	119,191
2042	100,000	15,750	115,750
2043	100,000	12,399	112,399
2044	105,000	8,964	113,964
2045	105,000	5,445	110,445
2046	110,000	1,843	111,843
TOTALS	\$ 2,600,000	\$ 1,231,178	\$ 3,831,178

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 October 19, 2016 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 June 30th following the end of each succeeding fiscal year, commencing with the fiscal year ending December 31, 2016, 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, 2016; such audit, if any, will be so provided on or prior to the later of either June 30th 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 December 31st 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 June 30th 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.

TOWN OF BETHLEHEM

ALBANY COUNTY, NEW YORK

AUDITED FINANCIAL STATEMENTS

FISCAL YEAR ENDED DECEMBER 31, 2015

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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DECEMBER 31, 2015

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TOWN OF BETHLEHEM, NEW YORK
MANAGEMENT'S DISCUSSION AND ANALYSIS
 DECEMBER 31, 2015

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, 2015. This document should be read in conjunction with the Town's financial statements.

Financial Highlights

There were few individual transactions or events which materially impacted the financial results for 2015. In the General Fund, the Town benefitted from a one-time event in mortgage tax revenues which netted approximately \$451,000 relating to two local property sales in 2015. In the Water Fund, very dry summer months and late heavy industrial usage provided a late season pickup to previously weak metered water sales.

	<u>General</u>	<u>Highway</u>	<u>Water</u>	<u>Sewer</u>
Final Budgeted Revenues and Transfers	\$18,390,729	\$ 6,736,299	\$ 9,491,129	\$ 4,702,144
Final Budgeted Expenses and Transfers	<u>18,943,603</u>	<u>7,244,632</u>	<u>9,927,555</u>	<u>5,881,513</u>
Budgeted Surplus (Shortfall)	<u>\$ (552,874)</u>	<u>\$ (508,333)</u>	<u>\$ (436,426)</u>	<u>\$ (1,179,369)</u>
Actual Revenues and Transfers	\$18,662,208	\$ 6,841,631	\$ 9,857,387	\$ 4,810,245
Actual Expenses	<u>17,757,279</u>	<u>6,279,660</u>	<u>9,279,828</u>	<u>4,753,787</u>
Operating Surplus	904,929	561,971	557,559	56,458
Capital Fund Transfer	<u>(306,890)</u>	<u>(361,303)</u>	<u>-</u>	<u>(235,141)</u>
Net Surplus (Deficit)	598,039	200,668	557,559	(178,683)
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>
Total Fund Balance, December 31, 2015	<u>\$ 6,523,379</u>	<u>\$ 3,093,056</u>	<u>\$ 4,270,653</u>	<u>\$ 2,979,272</u>
Nonspendable Fund Balance	\$ 571,480	\$ 651,373	\$ 86,327	\$ 53,313
Assigned Appropriated Fund Balance	282,999	68,970	331,050	185,618
Assigned Appropriated for Retirement	672,197	307,780	126,088	-
Assigned Appropriated for Capital	953,110	113,697	910,000	660,842
Assigned Appropriated for Contingency	-	1,951,236	2,817,188	2,079,499
Unassigned for Contingency	<u>4,043,593</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balance	<u>\$ 6,523,379</u>	<u>\$ 3,093,056</u>	<u>\$ 4,270,653</u>	<u>\$ 2,979,272</u>

Major program changes, enhancements and other areas of note implemented in 2015 include:

- The Town completed the transfer of responsibility for billing and collection of school property taxes to the individual school districts. In the current year, Guilderland Central School District (GCSD), began billing and collection for their district, consistent with other local school districts (RCS and BCSD). This provided dual benefits:
 - Provided an opportunity to reduce the combined number of staff within the Town Clerk and Tax Receiver's offices from five full-time employees plus a part-time assistant to four full-time employees.
 - Provided an opportunity for the school districts to consolidate their tax receiving through BOCES, which allowed them to simplify their operations and obtain reimbursement for some portion of the cost, which cannot occur when collections are made through the offices of the multiple towns they occupy.

Financial Highlights (Continued)

- Received the final payment of the Local Government Performance and Efficiency Program (LGPEP) Award of \$258,000, for a total of \$776,000. The Town has utilized \$416,000 of these funds for EMS Consolidation Transition Funding, Internal Efficiency/Productivity Programs, Town Hall Security, Town Sidewalks, Traffic Calming Initiatives, Park Services Master Plan and Street Tree and Open Space Programs. The remainder has been allocated to continue and expand upon these and similar programs.
- Continued negotiations throughout the year with the Town's three public safety unions. While they were not successfully completed in 2015, two of three were finalized in February 2016;
- 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 \$466,000. 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 "available and measurable." While the revenue was generally "measurable," the Town did not receive the funds within 60 days of the 2013 year end, and therefore, could not consider it to be "available" in a prior year.
- In 2014, the Town modified its revenue recognition policy to allow for booking of grant revenues when all eligibility requirements for the funding had been satisfied; provided there is a reasonable expectation of receipt of that grant funding. As of year-end for 2015, the cumulative remaining nonguaranteed reimbursements totaled just over \$320,000. Because reimbursements have been inconsistent, these funds have not been booked into revenue and remain on the balance sheet as a receivable and deferred income.

General Items of Note for All Funds

Fringe Benefits

The Town employed an average of 213 full-time employees in 2015, as well as a total of 285 part-time and seasonal employees throughout the year.

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

<u>Fringe Benefits</u>	<u>2015 Actual</u>	<u>2014 Actual</u>
Social Security Taxes	\$ 1,102,439	\$ 1,103,616
Health and Dental Insurance	2,391,812	2,310,812
Retirement Systems	2,786,126	2,978,975
Workers' Compensation Insurance	857,748	744,824
Life and Short-Term Disability Insurance	29,022	49,355
Total	<u>\$ 7,167,147</u>	<u>\$ 7,187,582</u>

Overall, fringe benefits for current employees decreased from prior year by \$20,000, or 0.3%. The largest contributor to this change was a decrease in the retirement contribution payments to the state by \$193,000, or 6%. This was primarily due to contribution rate decreases in the ERS and PFRS systems of roughly 1.5% and 2.5%, respectively. Additionally, adjustments to our payments relating to prior periods further reduced the current cost by \$43,000. The offset to this positive news was in changes to the Town's workers' compensation expenditure which represented the largest increase in fringe costs; \$113,000, or 15.2% from the prior year. This change stemmed primarily from the Town's claims experience rate. The other large change came from health insurance which increased \$71,000, or 3.1% from the prior year. This was lower than the expected 7.4% increase, due to shifts in employee health coverages.

General Items of Note for All Funds (Continued)

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 146 retirees (including spouses), by expensing the annual insurance premiums. The postretirement expense was \$758,000 for 2015 and \$640,000 for 2014 resulting in an 18.4% 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 2015 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	\$ 8,000	\$ 7,214	\$ (786)
Highway	10,000	3,900	(6,100)
Water	10,000	3,558	(6,442)
Sewer	4,000	3,166	(834)
Capital	-	550	550
Total	<u>\$ 32,000</u>	<u>\$ 18,388</u>	<u>\$ (13,612)</u>

The interest earnings for 2015 were equal to \$18,388, an 8.7% increase from the 2014 earnings of \$16,915. This is consistent with an increase in the average rate earned on investments in 2015 which was 0.08% compared to an average rate of 0.05% for 2014.

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 0.75%, in addition to the interest paid in cash. The Town utilized these credits to pay for services such as: "lockbox", which receives, deposits, processes and provides an electronic upload to our billing system for water and sewer usage and tax payments; free return envelopes for lockbox payments; "positive pay", which matches checks written by the Town against an electronic file provided to the bank to prevent fraudulent checks being drawn against the Town's checking accounts; reconciliation services, which provides for a verification process on current checks outstanding; debit blocks, which prevent unauthorized ACH activity unless expressly granted, free checks and deposit slips; and 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 \$245,000 over the past 4 years. In addition, the bank provides return envelopes free of charge resulting in approximately \$6,000 in annual savings.

General Items of Note for All Funds (Continued)

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>2015</u>	<u>2014</u>
Serial Bonds	\$ 18,877,058	\$ 14,005,000
Pension Liability, Net	1,786,140	2,442,506
Compensated Absences	371,227	311,833
Landfill Closure and Post Closure	100,000	100,000
Judgments and Claims	<u>100,000</u>	<u>110,000</u>
Total Long-Term Debt	<u>\$ 21,234,425</u>	<u>\$ 16,969,339</u>

The \$4.9 million increase in serial bonds resulted from a conversion of all short-term notes, which were obtained in 2014 and earlier, into serial bonds due to the NYS OSC (Office of the State Comptroller) "Five Year Rule." This requires serial bonds to be sold, issued and delivered within five years of the date of issuance of the first bond anticipation note. As of 2015, the rule applied only those notes first obtained in 2010, however, it was determined to be more cost effective to convert all notes at this time.

Items of Note for the General Fund

Total revenues increased \$530,000, or 2.9%, from \$18.13 million in 2014 to \$18.66 million in 2015. The primary driver of this change was the increase in mortgage tax revenues of \$451,000 stemming from just two substantial mortgages on properties within the Town. Other major factors include: sales tax revenues, which are pooled throughout Albany County and allocated based on population, were strong throughout the year, providing a year over year increase of \$193,000. Safety inspection fees were up from 2014 by \$175,000 due to the adjustment of the building department to changes in staffing which occurred in 2014, a catch-up on 2014 inspections and growth within the Town of entities requiring inspections to be performed. Further, there were decreases in federal and state aid relating to decreased utilization of LGPEP award funds of \$188,000, and no FEMA/SEMO reimbursement in 2015 for Hurricane Irene, a decrease in revenues of \$121,000.

Total operating expenditures decreased \$26,000, or 0.2%, from \$17.78 million in 2014 to \$17.76 million in 2015. Major changes include a decrease of \$155,000 in our Public Safety Dispatch Office relating to the 2014 purchase of a replacement radio system. This was partially offset by several capital purchases made in 2015 in our Police Department including Kronos Timekeeping Software, two unmarked police cars, a used ambulance from Delmar-Bethlehem EMS and a license plate reader. This accounted for an increase of \$121,000.

In 2014, the Town Board approved a transfer of \$1.26 million from the General Fund's unassigned fund balance to a separately identified capital reserve within the operating fund's fund balance to help cover infrastructure and equipment costs identified through the multi-year capital planning process. In 2015, the Town transferred \$307,000 of these funds to the General Fund Capital Reserve Fund to fund projects committed to by Town Board action. The remainder of the fund balance (\$953,000) will remain in the operating fund, separately identified, until additional projects are authorized by the Town Board.

Items of Note for the General Fund (Continued)

In 2015, no new debt was incurred, however, \$465,000 in Bond Anticipation Notes (BANs) for Town Hall Improvements (2011) and a Compost Loader (2014) were refinanced through long term financing.

Items of Note for the Highway Fund

The Highway Fund is funded almost entirely with property taxes. Given the desire to maintain stable property tax rates and to stay within the tax cap, 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 cap. The fund is in the midst of a workout plan to preserve structural balance due to the effect of having begun borrowing for the annual paving program in 2009, by gradually shifting the costs back to operations beginning in 2013. This has been accomplished through systematically reducing the dependence on debt by increased reliance on operational funding at \$100,000 increments. While these funds ceased to be financed through debt beginning in 2014, the operating fund will continue to be supplemented for two more years (through 2017) by capital reserve funds. Further, the growth in roads and sidewalks from new development continues to place service and cost pressures on the department.

Total revenue increased \$118,000, or 1.76%, from \$6.72 million in 2014 to \$6.84 million in 2015. This was primarily due to the Town's blended tax rate which shifted a portion of the Water Fund and EMS tax bases and most of the property tax increases for the year to the Highway Department, resulting in a \$364,000 increase. This was done in conjunction with the Highway Fund workout plan as noted above. Also contributing to the change, in large part, was a decrease of FEMA/SEMO related funding, of \$210,000, relating to reimbursement of prior year Hurricane Irene expenditures.

Total expenditures increased \$63,000, or 1.0%, from \$6.2 million in 2014 to \$6.3 million in 2015. This was due primarily to a increase in charging the Highway Fund relating to employee salaries and benefits of \$51,000 and \$8,000, respectively. This was due to a cost of living adjustment to 2014 salaries and wages, in 2015, as well as general increases in health insurance and workers' compensation costs. Also of note is that while \$100,000 more was budgeted to be spent for asphalt for the annual paving program in 2015 than 2014 (based on the workout plan), an especially quick start to winter, as well as the prolonged severity of the conditions, caused issues with the roadways requiring significant patchwork in 2014, increased the expenditure for that year; minimizing the year to year change.

In 2014, the Town Board approved a transfer of \$475,000 from the Highway Fund's unassigned fund balance to a separately identified capital reserve within the operating fund's fund balance to help cover infrastructure and equipment costs identified through the multi-year capital planning process. In 2015, the Town transferred \$361,000 of these funds to the Highway Fund Capital Reserve Fund to cover many of the remaining costs of board approved capital projects. The remainder of the fund balance (\$114,000) will be transferred in 2016 from the operating fund's segregated fund balance to cover the remaining board authorized expenditures.

In 2015, no new debt was incurred, however, \$2.8 million in Bond Anticipation Notes (BANs) for asphalt (2010-2013) and a heavy equipment acquisition (2011-2014) were refinanced through long term financing.

Items of Note for the Water Fund

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

The Water Fund's operating revenue increased \$580,000, or 6.3%, from \$9.28 million in 2014 to \$9.86 million in 2015. This change was primarily related to metered water sales which were unusually low in 2014 (down \$475,000 from 2013) due to a significant decrease in industrial usage. In 2015, revenues rebounded from the prior year, by \$610,000, due to both an extended dry summer as well as increased industrial usage. Other water related sales, including unmetered water and administrative fees were up \$75,000 as well. The only offset of note was a planned reduction in property tax billings by \$133,000 due to the blended rate.

The Water Fund's operating expenditures increased \$209,000, or 2.5%, from \$9.06 million to \$9.28 million. This was due primarily to salary and wage increases, \$90,000, and the fringe costs, \$93,000 led in large part by shifts in health care coverage and increases in workers' compensation charges.

In 2014, the Town Board approved a transfer of \$910,000 from the Water Fund's unassigned fund balance to a separately identified capital reserve within the operating fund's fund balance to help cover infrastructure and equipment costs identified through the multi-year capital planning process. In 2015, the Town did not transfer any of these funds to the Water Fund Capital Reserve Fund as that fund had sufficient cash to cover all authorized projects. The fund balance of \$910,000 will remain in the operating fund, separately identified, until additional projects are authorized by the Town Board.

In 2015, no new debt was incurred, however, \$1.0 million in Board Anticipation Notes (BANs) for heavy equipment (2010) and a New Salem Transmission Main (2013) was refinanced through long term financing.

Items of Note for the Sewer Fund

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

The Sewer Fund's operating revenue decreased by \$68,000, or 1.4%, from \$4.87 million to \$4.81 million, relating to three primary factors: The largest was a reduction in FEMA/SEMO reimbursements from prior year's spending on Hurricane Irene damaged equipment. Total reimbursements were down \$330,000 for 2015 from \$505,000 in 2014 to \$175,000 in 2015. Additionally, because sewer usage charges are typically calculated based on water usage, and water usage was up from prior year, sewer usage charges were up as well by \$186,000. Lastly, the tax levy provided for \$62,000 more in 2015 than 2014.

The Sewer Fund's operating expenditures increased by \$1.3 million, or 35.19%, from \$3.69 million in 2014 to \$4.99 million in 2015. This relates to one final project relating to Hurricane Irene (Waste Water Treatment Plant bypass project) in the amount of \$426,000. Because the project had to be completed by September 2015 to merit consideration for reimbursement, but it wasn't fully approved by FEMA (due to a cost/benefit calculation error), the Town has submitted for reimbursement but has not booked any receivable or deferred revenues. No similar spending on FEMA related projects occurred in 2014. Additionally, because of the extremely cold winter in 2014, much of the regular relining of our sewer pipes was pushed into 2015. Total 2015 spending on this work was \$735,000.

TOWN OF BETHLEHEM, NEW YORK
 MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
 DECEMBER 31, 2015

In 2014, the Town Board approved a transfer of \$896,000 from the Sewer Fund's unassigned fund balance to a separately identified capital reserve within the operating fund's fund balance to help cover infrastructure and equipment costs identified through the multi-year capital planning process. In 2015, the Town transferred \$235,000 of these funds to the Sewer Fund Capital Reserve Fund to cover the majority of the remaining costs of board approved capital projects. The remainder of the fund balance (\$661,000) will remain in the operating fund, separately identified, until projects are authorized by the Town Board.

In 2013, the Town entered into an agreement with EFC to provide low interest financing for a sewer project. Because the first \$3 million of the funding was being paid through a grant from DASNY, the Town did not begin utilizing this funding source until 2015. Through the end of 2015, \$2.3 million of these funds have been used through short term notes, which are expected to be converted to long term debt in the summer of 2016 through the EFC. Also, \$1.6 million in Bond Anticipation Notes (BANs) for sewer pump stations (2013-2014) and a heavy equipment acquisition (2010) were refinanced through long term financing.

Analysis of Fund Balances

In 2012, the Town passed a comprehensive fund balance policy that provides guidance for minimum (7.5%), 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 2015, along with a calculation showing where the fund balances are as compared to this policy:

The projected 2016 levels for the operating funds indicate sufficient net assets to fund currently budgetary requirements. Consistent with policy, balances held above the ceiling of 20% are identified in the infrastructure reserve and will be moved to the appropriate capital reserve accounts in 2016.

	<u>General</u>	<u>Highway</u>	<u>Water</u>	<u>Sewer</u>
Fund Balance, December 31, 2015	\$ 6,523,379	\$ 3,093,056	\$ 4,270,653	\$ 2,979,272
Less:				
Prior Year Encumbrances	282,999	68,970	331,050	185,618
Retirement Contribution Reserve	672,197	307,780	126,088	-
Capital Reserve Appropriation	953,110	113,697	910,000	660,842
Nonspendable Fund Balance	571,480	651,373	86,327	53,313
Infrastructure Reserve	415,000	600,000	900,000	1,200,000
Projected Balance, December 31, 2016	<u>\$ 3,628,593</u>	<u>\$ 1,351,236</u>	<u>\$ 1,917,188</u>	<u>\$ 879,499</u>
2016 Budgeted Appropriations	<u>\$18,123,326</u>	<u>\$6,741,639</u>	<u>\$9,607,733</u>	<u>\$4,356,815</u>
Percent of Appropriations	20%	20%	20%	20%
Floor - 7.5% of Budgeted Appropriations	\$ 1,359,249	\$ 505,623	\$ 720,580	\$ 326,761
Optimal - 15% of Budgeted Appropriations	\$ 2,718,499	\$ 1,011,246	\$ 1,441,160	\$ 653,522
Ceiling - 20% of Budgeted Appropriations	\$ 3,628,593	\$ 1,351,236	\$ 1,917,188	\$ 879,499

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

Contacting the Town's Financial Management

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

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CERTIFIED PUBLIC ACCOUNTANTS

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NEW YORK STATE SOCIETY OF
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Regulatory Basis 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, 2015, as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Regulatory Basis Financial Statements

Management is responsible for the preparation and fair presentation of these regulatory basis financial statements in accordance with accounting principles prescribed by the New York State Office of the State Comptroller; 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 for 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, 2015, 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 in accordance 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, 2015, 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

Required 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the regulatory basis financial statements.

The schedule of expenditures of federal awards 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. Such 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 1, 2016 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 1, 2016

TOWN OF BETHLEHEM, NEW YORK

GENERAL FUND

REGULATORY BASIS BALANCE SHEET

DECEMBER 31, 2015

Assets

Cash	\$ 4,931,338
Other receivables	289,918
State and federal receivables	19,000
Due from other governments	3,595,266
Inventory	92,240
Prepaid expenses	<u>479,240</u>

Total Assets \$ 9,407,002

Liabilities

Accounts payable	\$ 303,210
Accrued liabilities	687,621
Due to other governments	524,761
Due to other funds	663,708
Unearned revenues	<u>299,754</u>

Total Liabilities 2,479,054

Deferred Inflows of Resources

404,569

Fund Balance

Nonspendable	571,480
Assigned	1,908,306
Unassigned	<u>4,043,593</u>

Total Fund Balance 6,523,379

Total Liabilities, Deferred Inflows of Resources
and Fund Balance

\$ 9,407,002

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, 2015

	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Variance</u>
Revenues				
Real property tax	\$ 2,111,291	\$ 2,123,606	\$ -	\$ 12,315
Real property tax items	89,900	89,216	-	(684)
Non-property tax items	11,734,287	11,962,248	-	227,961
Departmental income	1,477,569	1,527,632	-	50,063
Intergovernmental charges	117,200	80,000	-	(37,200)
Use of money and property	93,674	87,435	-	(6,239)
Licenses and permits	36,740	52,014	-	15,274
Fines and forfeitures	410,000	369,455	-	(40,545)
Sales of property and compensation for loss	109,800	113,570	-	3,770
Miscellaneous local sources	-	53,791	-	53,791
State aid	1,716,305	1,683,491	-	(32,814)
Federal aid	68,068	100,943	-	32,875
Total Revenues	<u>17,964,834</u>	<u>18,243,401</u>	<u>-</u>	<u>278,567</u>
Expenditures				
General government support	4,035,127	3,732,210	76,965	225,952
Public safety	6,001,026	5,849,961	90,949	60,116
Health	1,530	-	-	1,530
Transportation	605,616	549,823	3,935	51,858
Economic assistance and opportunity	470,042	487,870	877	(18,705)
Culture and recreation	1,342,125	1,250,861	15,880	75,384
Home and community services	1,265,696	1,032,546	94,393	138,757
Employee benefits	4,588,849	4,527,307	-	61,542
Debt service (principal and interest)	326,702	326,701	-	1
Total Expenditures	<u>18,636,713</u>	<u>17,757,279</u>	<u>282,999</u>	<u>596,435</u>
Other Financing Sources and Uses				
Operating transfers in	425,895	418,807	-	(7,088)
Operating transfers out	(306,890)	(306,890)	-	-
Total Other Financing Sources and Uses	<u>119,005</u>	<u>111,917</u>	<u>-</u>	<u>(7,088)</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Sources and Uses				
	<u>\$ (552,874)</u>	598,039	<u>\$ (282,999)</u>	<u>\$ 867,914</u>
Fund Balance - January 1, 2015		<u>5,925,340</u>		
Fund Balance - December 31, 2015		<u>\$ 6,523,379</u>		

TOWN OF BETHLEHEM, NEW YORK
HIGHWAY FUND

Regulatory Basis Balance Sheet
December 31, 2015

Assets		
Cash	\$	2,645,636
Other receivables		8,415
Due from other governments		88,709
Inventories		533,651
Prepaid expenses		117,722
Total Assets	<u>\$</u>	<u>3,394,133</u>
Liabilities		
Accounts payable	\$	63,368
Accrued liabilities		146,468
Unearned revenues		2,532
Total Liabilities	<u>\$</u>	<u>212,368</u>
Deferred Inflows of Resources		<u>88,709</u>
Fund Balance		
Nonspendable		651,373
Assigned		2,441,683
Total Fund Balance	<u>\$</u>	<u>3,093,056</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$</u>	<u>3,394,133</u>

Regulatory Basis Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2015

	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Variance</u>
Revenues				
Real property tax	\$ 6,107,590	\$ 6,107,592	\$ -	\$ 2
Real property tax items	225,533	223,752	-	(1,781)
Use of money and property	10,000	3,900	-	(6,100)
Intergovernmental charges	6,000	10,810	-	4,810
Sales of property and compensation for loss	28,200	40,549	-	12,349
Miscellaneous local sources	-	(1,464)	-	(1,464)
Interfund revenues	32,000	15,740	-	(16,260)
State aid	326,976	398,869	-	71,893
Federal aid	-	41,883	-	41,883
Total Revenues	<u>6,736,299</u>	<u>6,841,631</u>	<u>-</u>	<u>105,332</u>
Expenditures				
Transportation	4,727,436	4,211,027	68,970	447,439
Employee benefits	1,825,292	1,738,034	-	87,258
Debt service	330,601	330,599	-	2
Total Expenditures	<u>6,883,329</u>	<u>6,279,660</u>	<u>68,970</u>	<u>534,699</u>
Other Financing Uses				
Operating transfers out	(361,303)	(361,303)	-	-
Total Other Financing Uses	<u>(361,303)</u>	<u>(361,303)</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Uses	<u>\$ (508,333)</u>	200,668	<u>\$ (68,970)</u>	<u>\$ 640,031</u>
Fund Balance - January 1, 2015		<u>2,892,388</u>		
Fund Balance - December 31, 2015		<u>\$ 3,093,056</u>		

TOWN OF BETHLEHEM, NEW YORK
WATER FUND

Regulatory Basis Balance Sheet
December 31, 2015

Assets	
Cash	\$ 2,967,245
Other receivables	1,998,082
Due from other governments	199,318
Inventories	10,451
Prepaid expenses	75,876
Total Assets	<u>\$ 5,250,972</u>
Liabilities	
Accounts payable	\$ 592,309
Accrued liabilities	116,202
Unearned revenues	1,711
Total Liabilities	<u>710,222</u>
Deferred Inflows of Resources	<u>270,097</u>
Fund Balance	
Nonspendable	86,327
Assigned	<u>4,184,326</u>
Total Fund Balance	<u>4,270,653</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 5,250,972</u>

Regulatory Basis Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2015

	<u>Final Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Variance</u>
Revenues				
Real property tax	\$ 1,879,829	\$ 1,879,829	\$ -	\$ -
Departmental income	7,426,800	7,461,506	-	34,706
Use of money and property	160,000	232,430	-	72,430
Sale of property and compensation for loss	24,500	48,569	-	24,069
State aid	-	58,763	-	58,763
Federal aid	-	176,290	-	176,290
Total Revenues	<u>9,491,129</u>	<u>9,857,387</u>	<u>-</u>	<u>366,258</u>
Expenditures				
Home and community services	7,580,763	6,933,039	331,050	316,674
Employee benefits	1,052,614	1,052,612	-	2
Debt service (principal and interest)	1,051,119	1,051,118	-	1
Total Expenditures	<u>9,684,496</u>	<u>9,036,769</u>	<u>331,050</u>	<u>316,677</u>
Other Financing Uses				
Operating transfers out	(243,059)	(243,059)	-	-
Total Other Financing Uses	<u>(243,059)</u>	<u>(243,059)</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Uses	<u>\$ (436,426)</u>	577,559	<u>\$ (331,050)</u>	<u>\$ 682,935</u>
Fund Balance - January 1, 2015		<u>3,693,094</u>		
Fund Balance - December 31, 2015		<u>\$ 4,270,653</u>		

TOWN OF BETHLEHEM, NEW YORK
SEWER FUND

Regulatory Basis Balance Sheet
December 31, 2015

Assets	
Cash	\$ 2,686,811
Other receivables	862,953
Due from other governments	353,792
Prepaid expenses	53,313
Total Assets	<u>\$ 3,956,869</u>
Liabilities	
Accounts payable	\$ 281,599
Accrued liabilities	66,670
Unearned revenues	190,688
Total Liabilities	<u>538,957</u>
Deferred Inflows of Resources	<u>438,640</u>
Fund Balance	
Nonspendable	53,313
Assigned	2,925,959
Total Fund Balance	<u>2,979,272</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 3,956,869</u>

Regulatory Basis Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2015

	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Encumbrances</u>	<u>Variance</u>
Revenues				
Real property tax	\$ 1,689,144	\$ 1,689,146	\$ -	\$ 2
Departmental income	2,828,000	2,921,776	-	93,776
Use of money and property	4,000	3,166	-	(834)
Sale of property and compensation for loss	6,000	20,937	-	14,937
State aid	175,000	43,805	-	(131,195)
Federal aid	-	131,415	-	131,415
Total Revenue	<u>4,702,144</u>	<u>4,810,245</u>	<u>-</u>	<u>108,101</u>
Expenditures				
Home and community services	4,350,241	3,545,764	185,618	618,859
Employee benefits	677,854	594,393	-	83,461
Debt service (principal and interest)	437,884	437,882	-	2
Total Expenditures	<u>5,465,979</u>	<u>4,578,039</u>	<u>185,618</u>	<u>702,322</u>
Other Financing Uses				
Operating transfers out	(415,534)	(410,889)	-	4,645
Total Other Financing Uses	<u>(415,534)</u>	<u>(410,889)</u>	<u>-</u>	<u>4,645</u>
Excess (Deficiency) of Revenues Over Expenditures and Other Financing Uses				
	<u>\$ (1,179,369)</u>	<u>(178,683)</u>	<u>\$ (185,618)</u>	<u>\$ 815,068</u>
Fund Balance - January 1, 2015		<u>3,157,955</u>		
Fund Balance - December 31, 2015		<u>\$ 2,979,272</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, 2015

	<u>Actual</u>
Revenues	
Real property taxes and tax items	\$ 1,109,553
Total Revenues	<u>1,109,553</u>
Expenditures	
Health	<u>1,109,553</u>
Total Expenditures	<u>1,109,553</u>
Excess of Revenues Over Expenditures	-
Fund Balance - January 1, 2015	<u>-</u>
Fund Balance - December 31, 2015	<u><u>\$ -</u></u>

TOWN OF BETHLEHEM, NEW YORK
SPECIAL GRANT FUND

Regulatory Basis Balance Sheet
December 31, 2015

Assets	
Cash	\$ 10,046
Total Assets	<u>\$ 10,046</u>
Liabilities	
Other liabilities	\$ 9,964
Unearned revenues	<u>82</u>
Total Liabilities	<u>10,046</u>
Fund Balance	
Assigned	-
Total Fund Balance	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 10,046</u>

Regulatory Basis Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2015

	<u>Actual</u>
Revenues	
Federal aid	\$ 422,183
Total Revenues	<u>422,183</u>
Expenditures	
Home and community services	<u>422,183</u>
Total Expenditures	<u>422,183</u>
Excess of Revenues Over Expenditures	-
Fund Balance - January 1, 2015	<u>-</u>
Fund Balance - December 31, 2015	<u>\$ -</u>

TOWN OF BETHLEHEM, NEW YORK
CAPITAL PROJECTS FUND

Regulatory Basis Balance Sheet
December 31, 2015

Assets	
Cash	\$ 3,644,577
Due from other governments	387,104
Total Assets	<u>\$ 4,031,681</u>
Liabilities	
Accounts payable and retainage	\$ 1,435,710
Notes payable	2,303,175
Total Liabilities	<u>3,738,885</u>
Fund Balance	
Unassigned	292,796
Total Fund Balance	<u>292,796</u>
Total Liabilities and Fund Balance	<u>\$ 4,031,681</u>

Regulatory Basis Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2015

	<u>Actual</u>
Revenues	
Use of money and property	\$ 550
State aid	1,804,232
Miscellaneous income	490,206
Total Revenues	<u>2,294,988</u>
Expenditures	
General government support	342,325
Transportation	714,811
Culture and recreation	61,453
Home and community services	6,201,923
Total Expenditures	<u>7,320,512</u>
Other Financing Sources and Uses	
Operating transfers in	932,263
Operating transfers out	(28,929)
Bond anticipation notes redeemed	5,912,058
Total Other Financing Sources	<u>6,815,392</u>
Excess of Revenues Over Expenditures and Other Financing Sources	1,789,868
Fund Deficit - January 1, 2015	<u>(1,497,072)</u>
Fund Balance - December 31, 2015	<u>\$ 292,796</u>

TOWN OF BETHLEHEM, NEW YORK
AGENCY FUND

Regulatory Basis Balance Sheet
December 31, 2015

Assets	
Cash	\$ 177,281
Accounts receivable	11,269
Due from other funds	<u>663,708</u>
Total Assets	<u><u>\$ 852,258</u></u>
Liabilities	
Agency liabilities	<u>\$ 852,258</u>
Total Liabilities	<u><u>\$ 852,258</u></u>

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

Regulatory Basis Balance Sheet
December 31, 2015
(Unaudited)

Assets	
Land	\$ 1,970,316
Improvements other than buildings	10,903,128
Buildings	25,192,128
Machinery and equipment	22,291,907
Infrastructure	27,695,899
Deferred outflows of resources, pensions	3,150,575
	<u>\$ 91,203,953</u>
Investment in Non-Current Assets	<u>\$ 91,203,953</u>

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

Regulatory Basis Balance Sheet
December 31, 2015

Assets	
Provisions to be made in future budgets	\$ 21,346,374
Total Assets	<u>\$ 21,346,374</u>
Liabilities	
Landfill closure and post closure costs	\$ 100,000
Judgments and claims payable	100,000
Compensated absences	371,227
Pension liability, net	1,786,140
Deferred inflows of resources, pensions	111,949
Bonds payable	<u>18,877,058</u>
Total Liabilities	<u>\$ 21,346,374</u>

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Bethlehem, New York (“the Town”) have been prepared in accordance 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 (This was provided by management in order to provide additional information to the readers of these financial statements)
- 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 twelve operating sewer districts used to account for the revenues and expenditures associated with providing sewage treatment services.
- 4) Ambulance District Funds - There is one ambulance district that covers the entire Town. The district levies taxes on property owners within the District. Expenditures are made for providing ambulance service and advanced life support.
- 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.

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

- a. Expenditures for prepaid expenses are recognized and amortized over the period of expenditures. For expenditures for inventory-type items, the Town has chosen to recognize an inventory value for gasoline, fleet maintenance items, yard stock (such as pipes and manholes), and for computer related supplies. Inventory is valued at a cost using a weighted average.
- 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 as well as the fire districts 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 \$758,077 in 2015 for 146 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. CHANGE IN ACCOUNTING PRINCIPLES

For the year ended December 31, 2015, the Town implemented GASB Statement No. 68 Accounting and Financial Reporting for Pensions - Amendments to GASB Statement No. 27 and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. The implementation of the Statement requires the Town to report as a liability its portion of the collective net pension liability in the New York State Employees' and Local Police and Fire Retirement Systems.

3. CASH, CASH RESTRICTED AND RESERVED FUND BALANCE

Cash and Investments

The Town's investment policies are governed by State statutes. In addition, the Town has its own written investment policy. Town monies must be deposited in 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 \$17,071,956 (excluding \$2,250 in petty cash) and the bank balance was \$17,040,364. The insured and collateral status of the year-end bank balance was as follows:

Covered by federal deposit insurance	\$ 5,553,439
Collateralized with securities held by a third party custodian for the benefit of the Town pursuant to third-party custody agreement	<u>11,486,925</u>
Total	<u>\$ 17,040,364</u>

4. 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 \$685,800 as of December 31, 2015. The balance at December 31, 2015 consists of:

<u>Fund</u>	<u>Amount</u>
General	445,287
Highway	117,722
Water	72,258
Sewer	50,533
Total	<u>\$ 685,800</u>

5. NON-CURRENT ASSETS (UNAUDITED)

Non-current asset activity for the year ended December 31, 2015 was as follows:

	<u>Balance</u> <u>1/1/15</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/15</u>
Capital Assets:				
Land	\$ 1,965,316	\$ 5,000	\$ -	\$ 1,970,316
Improvements	10,255,081	648,047	-	10,903,128
Buildings	25,192,128	-	-	25,192,128
Machinery and Equipment	21,749,578	1,031,371	(489,042)	22,291,907
Infrastructure	<u>21,710,742</u>	<u>5,985,157</u>	<u>-</u>	<u>27,695,899</u>
Total Capital Assets	80,872,845	7,669,575	(489,042)	88,053,378
Deferred Outflows of Resources, Pensions (Note 11)	<u>-</u>	<u>3,150,575</u>	<u>-</u>	<u>3,150,575</u>
Total Non-Current Assets	<u>\$ 80,872,845</u>	<u>\$ 10,820,150</u>	<u>\$ -</u>	<u>\$ 91,203,953</u>

6. SHORT-TERM DEBT

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

TOWN OF BETHLEHEM, NEW YORK
 NOTES TO REGULATORY BASIS FINANCIAL STATEMENTS (CONTINUED)
 DECEMBER 31, 2015

6. SHORT-TERM DEBT (CONTINUED)

BAN's outstanding at December 31, 2015 are as follows:

<u>Fund</u>	<u>Description</u>	<u>Interest Rate</u>	<u>Amount</u>
Sewer	Interceptor Project	0.38%	<u>\$ 2,303,175</u>

7. NON-CURRENT GOVERNMENTAL LIABILITIES

The following is a summary of changes in long-term debt outstanding at December 31, 2015:

	<u>Payable 1/1/15</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Other Net Increase (Decrease)</u>	<u>Payable 12/31/15</u>
Serial Bonds (a)	\$ 14,005,000	\$ 5,912,058	\$ (1,040,000)	\$ -	\$ 18,877,058
Judgments and Claims (b)	110,000	-	-	(10,000)	100,000
Post Closure Landfill Monitoring (c)	100,000	-	-	-	100,000
Compensated Absences (d)	311,833	-	-	59,394	371,227
Pension Liability, Net (Note 11)	2,442,506	-	-	(656,366)	1,786,140
Deferred Inflows of Resources, Pensions (Note 11)	-	-	-	111,949	111,949
Total	<u>\$ 16,969,339</u>	<u>\$ 5,912,058</u>	<u>\$ (1,040,000)</u>	<u>\$ (495,023)</u>	<u>\$ 21,346,374</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.

The following is a summary of serial bonds outstanding at December 31, 2015:

<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 12/31/15</u>
General	2008	\$ 1,880,000	4.50%	2018	\$ 660,000
General, Water and Sewer	2009	7,958,000	3.25%	2037	6,930,000
Water	2012	6,715,000	4.20%	2022	5,375,000
General, Water and Sewer	2015	<u>5,912,058</u>	1.50%	2034	<u>5,912,058</u>
Total		<u>\$ 22,465,058</u>			<u>\$ 18,877,058</u>

7. NON-CURRENT GOVERNMENTAL LIABILITIES (CONTINUED)

(a) Serial Bonds (Continued)

The following is a schedule of principal and interest payments for future debt service requirements as of December 31, 2015:

		<u>Principal</u>		<u>Interest</u>
2016	\$	1,257,058	\$	758,986
2017		1,380,000		643,585
2018		1,430,000		591,510
2019		1,250,000		539,485
2020		1,300,000		486,135
2021-2025		4,515,000		1,754,631
2026-2030		3,305,000		1,198,969
2031-2035		3,520,000		575,413
2036-2037		920,000		62,550
Total	\$	<u>18,877,058</u>	\$	<u>6,611,264</u>

Serial bonds have been authorized in the amount of \$3,000,000 for the completion of the Delaware Avenue Enhancement Project. However, the Town has received a grant to cover \$1,200,000 of the cost of the project from the State of New York, so the Town anticipates borrowing only the remaining \$1,800,000. Borrowing has not yet occurred as of December 31, 2015.

Additionally, Serial Bonds have been authorized in the amount of \$2,600,000 for the completion of the \$5,600,000 interceptor sewer project. Of this amount \$2,303,175 has been drawn on through short-term borrowing through NYSEFC.

At December 31, 2015 the total outstanding serial bonds and BANs aggregated \$21,180,233. Of this amount \$9,675,019 was subject to the constitutional debt limit and represented approximately 4.0% of the debt limit.

7. 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 up to \$100,000. 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.

8. 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:

8. UNEARNED REVENUES (CONTINUED)

General Fund:	
Customer Deposits	\$ 61,963
Other	<u>237,791</u>
Total General Fund	<u><u>\$ 299,754</u></u>
Special Grant Fund:	
Federal Aid	<u>\$ 82</u>
Highway Fund:	
Customer Deposits	<u>\$ 2,532</u>
Water Fund:	
Customer Deposits	<u>\$ 1,711</u>
Sewer Fund:	
Customer Deposits	<u>\$ 190,688</u>

9. 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>\$ 404,569</u>
Highway Fund:	
Federal and State Grants	<u>\$ 88,709</u>
Water Fund:	
Departmental Income	<u>\$ 270,097</u>
Sewer Fund:	
Federal and State Grants	\$ 231,397
Department Income	<u>207,243</u>
	<u><u>\$ 438,640</u></u>

10. INTERFUND RECEIVABLES AND PAYABLES/INTERFUND TRANSFERS

Interfund receivables, payables and transfers at December 31, 2015 were as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>	<u>Operating Transfers-In</u>	<u>Operating Transfers-Out</u>
General	\$ -	\$ 663,708	\$ 418,807	\$ 306,890
Highway	-	-	-	361,303
Capital Projects	-	-	932,263	28,929
Sewer Districts	-	-	-	410,889
Water Districts	-	-	-	243,059
Agency	663,708	-	-	-
Total	<u>\$ 663,708</u>	<u>\$ 663,708</u>	<u>\$ 1,351,070</u>	<u>\$ 1,351,070</u>

11. PENSION PLANS

General Information

The Town participates in the New York State and Local Employees' Retirement System ("ERS") and New York State and Local Police and Fire Retirement System ("PFRS"). The Systems are cost sharing multiple-employer, public employee retirement systems. The Systems 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 and Benefits Provided

The Systems provide retirement benefits as well as death and disability benefits. The net position of the Systems are held in the New York State Common Retirement Fund, which was established to hold all net assets and record changes in plan net position allocated to the Systems. The Comptroller of the State of New York (the "Comptroller") serves as sole trustee and administrative head of the Systems. System benefits are established under provisions of the New York State Retirement and Social Security Laws ("NYSRSSL"). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute. 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, NY 12244.

ERS and PFRS are noncontributory expect 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 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.

11. PENSION PLANS (CONTINUED)

Plan Description and Benefits Provided (Continued)

Contributions for the current year and two preceding years were equal to 100% of the contributions required as follows:

	<u>ERS</u>	<u>PFRS</u>
2015	\$ 1,911,712	\$ 855,829
2014	\$ 1,999,424	\$ 979,551
2013	\$ 2,003,731	\$ 810,693

Chapter 260 of the laws of 2014 of the State of New York allowed local employers to bond or amortize a portion (limitations established by fiscal year) of their retirement bill up to 10 years for fiscal years ended March 31, 2005 through 2008. Chapter 57 of the laws of 2010 of the State of New York allowed local employers to amortize a portion (limitations established by fiscal year) of their retirement bill for 10 years for fiscal years ended March 31, 2011 and forward.

These laws require participating employers to make payments on a current basis, while bonding or amortizing existing unpaid amounts. The Town has not bonded or amortized any portion of their retirement obligations.

Pension Liabilities, Pension Expense, and Deferred Inflows and Outflows of Resources Related to Pensions

At December 31, 2015, the Town reported a liability of \$1,481,185 for ERS and \$304,955 for PFRS for its proportionate share of the net pension liability. The net pension liability was measured as of March 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined.

At December 31, 2015, the Town's proportion was 0.043845% percent ERS and 0.110788% PFRS.

11. PENSION PLANS (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Inflows and Outflows of Resources Related to Pensions (Continued)

At December 31, 2015, the Town reported deferred outflows of resources related to pensions from the following sources:

	Total Deferred Outflows of Resources
Differences between expected and actual experience	\$ 84,190
Net difference between projected and actual earnings on pension plan investments	359,646
Contributions subsequent to the measurement date	<u>2,706,739</u>
	<u>\$ 3,150,575</u>

At December 31, 2015, the Town reported deferred inflows of resources related to pensions from the following sources:

	Total Deferred Inflows of Resources
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>\$ 111,949</u>

The net amount of the Town's balances of deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

December 31, 2016	\$ 2,788,925
December 31, 2017	82,189
December 31, 2018	82,189
December 31, 2019	82,189
December 31, 2020	<u>3,134</u>
	<u>\$ 3,038,626</u>

11. PENSION PLANS (CONTINUED)

ERS Actuarial Assumptions

The total pension liability at March 31, 2015 was determined by using an actuarial valuation as of April 1, 2014, with update procedures used to roll forward the total pension liability to March 31, 2015. The actuarial valuation used the following actuarial assumptions.

Significant actuarial assumptions used in the April 1, 2014 valuation were a follows:

Interest rate	7.5%
Salary increase	4.9%
Decrement tables	April 1, 2005 - March 31, 2010 System's Experience
Inflation rate	2.7%

Annuitant mortality rates are based on April 1, 2005 - March 31, 2011 System's experience with adjustments for mortality improvements based on MP-2014.

The actuarial assumptions used in the April 1, 2014 valuation are based on the results of an actuarial experience study for the period August 1, 2005 - March 31, 2010.

The long term expected rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2015 for ERS were as follows:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	7.30%
International equity	8.55%
Private equity	11.00%
Real estate	8.25%
Absolute return strategies	6.75%
Opportunistic portfolio	8.60%
Real assets	8.65%
Bonds and mortgages	4.00%
Cash	2.25%
Inflation-indexed bonds	4.00%

11. PENSION PLANS (CONTINUED)

Discount Rate

The discount rate used to calculate the total pension liability was 7.5% for ERS and PFRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Assets/Liability to the Discount Rate Assumption

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Town's proportionate share of the net pension asset/liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<u>1%</u> <u>Decrease</u>	<u>Current</u> <u>Assumption</u>	<u>1%</u> <u>Increase</u>
<u>ERS</u>			
Town's proportionate share of the net pension asset (liability)	\$ <u>(9,872,737)</u>	\$ <u>(1,481,185)</u>	\$ <u>5,603,366</u>
<u>PFRS</u>			
Town's proportionate share of the net pension asset (liability)	\$ <u>(4,060,312)</u>	\$ <u>(304,955)</u>	\$ <u>2,842,262</u>

Pension Plan Net Position of the Fiduciary of the Systems

The components of the net pension liability (ERS) of the fiduciary of the systems as of March 31, 2015 was as follows (in thousands):

	<u>ERS</u>	<u>PFRS</u>
Fiduciary total pension liability	\$ (164,591,504)	\$ (28,474,417)
Fiduciary net position	<u>161,213,259</u>	<u>28,199,157</u>
Fiduciary net pension liability	<u>(3,378,245)</u>	<u>(275,260)</u>
Ratio of fiduciary net position to the fiduciary total pension liability	<u>97.9%</u>	<u>99.0%</u>

11. PENSION PLANS (CONTINUED)

Restatement of Long-Term Debt

For the fiscal year ended December 31, 2015, the Town implemented GASB Statement No. 68 *Accounting and Financial Reporting for Pensions - Amendment to GASB Statement No. 27*. The implementation of Statement No. 68 resulted in the reporting of a liability related to the Town's participation in the system. The Town's long-term debt has been restated as follows:

Long-Term Debt, as previously stated	\$ 14,526,833
GASB Statement No. 68 Implementation	<u>2,442,506</u>
Long-Term Debt, as restated	<u>\$ 16,969,339</u>

12. FUND BALANCE

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, 2015.
- **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.

12. FUND BALANCE (CONTINUED)

Fund balances are detailed as follows:

	<u>General Fund</u>	<u>Highway Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>
Nonspendable				
Inventory	\$ 92,240	\$ 533,651	\$ 10,451	\$ -
Prepaid expenses	479,240	117,722	75,876	53,313
	<u>571,480</u>	<u>651,373</u>	<u>86,327</u>	<u>53,313</u>
Assigned				
Encumbrances	282,999	68,970	331,050	185,618
Capital Reserve	953,110	113,697	910,000	660,842
Retirement contribution	672,197	307,780	126,088	-
Highway Fund	-	1,951,236	-	-
Water Fund	-	-	2,817,188	-
Sewer Fund	-	-	-	2,079,499
	<u>1,908,306</u>	<u>2,441,683</u>	<u>4,184,326</u>	<u>2,925,959</u>
Unassigned	4,043,593	-	-	-
Total Fund Balance	<u>\$ 6,523,379</u>	<u>\$ 3,093,056</u>	<u>\$ 4,270,653</u>	<u>\$ 2,979,272</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	\$ 147,019
Recreational facilities	73,546
Fire tower and additions and improvements	54,613
Highway equipment	38,037
Reconstruction of water facilities	1,379,102
Reconstruction of sewer facilities	714,378
Subtotal	<u>2,406,695</u>
Less BAN's outstanding as of December 31, 2015	<u>(2,303,175)</u>
Total GML Section 6-C	<u>\$ 103,520</u>

12. 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, 2015, the balance of the reserve was \$189,196.

Total Capital Reserves Under GML Sections 6-C and 6-O \$ 292,796

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 7.5%, 20% and 15%, respectively. As of December 31, 2015, all funds were at maximum. To the extent that fund balances exceed the maximum, per policy, the balances are classified as infrastructure reserve funds.

The Town's budget provides for programs with multiple revenue sources. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance, and lastly unassigned fund balance. The Comptroller has the authority to deviate from this policy if it is in the best interest of the Town.

13. TAX ABATEMENT

The Town enters into Payment in Lieu of Taxes ("PILOTS") agreements with some local businesses. PILOTS are often included as part of an Industrial Development Agency ("IDA") agreement with a commercial or industrial development for the purpose of attracting or retaining businesses within their jurisdictions. PILOT agreements normally provide for payments of amounts lesser than would have been collateralized for real estate taxes for a number of years.

For the year ended December 31, 2015, the Town recognized \$4,488,316 in PILOT revenue. Abated property taxes amounted to \$147,961 under the program.

14. 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 19 years lapsed as of December 31, 2015. The current estimated liability for post closure care costs of the landfill for the remaining 11 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.

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

15. 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 2015. There was no reduction in insurance coverage during 2015. An estimate of liability is recorded at December 31, 2015 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.

16. SUBSEQUENT EVENTS

Management has evaluated subsequent events or transactions as to any potential material impact on operations or financial position occurring through April 1, 2016, 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 THE UNIFORM GUIDANCE**

TOWN OF BETHLEHEM, NEW YORK
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015

<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	\$ 341,082
Community Development Block Grant	-	14.228	<u>81,101</u>
			<u>422,183</u>
<u>U.S. Department of Transportation</u>			
Passed Through State of New York:			
State and Community Highway Safety	-	20.600	<u>15,577</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>349,588</u>
<u>U.S. Department of Justice</u>			
Direct:			
Equitable Sharing Program	-	16.922	<u>85,366</u>
Total Federal Awards			<u>\$ 872,714</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 the Uniform Guidance.

Relationship to Financial Statements

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

General Fund	\$ 100,943
Highway Fund	41,883
Water Fund	176,290
Sewer Fund	131,415
Special Grant	<u>422,183</u>
Federal Awards Per Schedule of Expenditures of Federal Awards	<u>\$ 872,714</u>

2. SCOPE OF AUDIT PURSUANT TO THE UNIFORM GUIDANCE

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, 2015, and the related notes to the regulatory basis financial statements, and have issued our report thereon dated April 1, 2016.

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 1, 2016

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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 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, 2015. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2015.

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 the Uniform Guidance, 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 a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *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 that we consider 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



CUSACK & COMPANY, CPA'S LLC

Latham, New York
April 1, 2016

TOWN OF BETHLEHEM, NEW YORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 DECEMBER 31, 2015

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Qualified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes x no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes x none reported

Noncompliance material to financial statements noted? _____ yes x no

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? _____ yes x no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes x none reported

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

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? _____ yes x no

Identification of major programs.

<u>CFDA NUMBER(S)</u>	<u>NAME OF FEDERAL PROGRAM OR CLUSTER</u>
97.036	Disaster Grants - Public Assistance

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

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

SECTION II - FINANCIAL STATEMENT FINDINGS

There were no findings for the year ended December 31, 2015.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings for the year ended December 31, 2015.

SECTION IV - RESOLUTION OF PRIOR YEAR FINDINGS

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