

**OFFICIAL STATEMENT**

**NEW ISSUE**

**STANDARD & POOR'S: "AA+/STABLE OUTLOOK"**

**SERIAL BOND**

**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 MATTERS" 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"). In the further opinion of Bond Counsel, interest on the Bonds is not treated as a specific preference item for purposes of the federal alternative minimum tax imposed on individuals. Bond Counsel is also of the opinion that 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 MATTERS" herein.*

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

**\$17,227,100**

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

**GENERAL OBLIGATIONS**

**CUSIP BASE #: 087311**

**\$17,227,100 Public Improvement (Serial) Bonds, 2019  
(referred to herein as the "Bonds")**

**Dated: May 23, 2019**

**Due: May 15, 2020-2049**

**MATURITIES**

<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>CSP</u>	<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>CSP</u>	<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>CSP</u>
2020	\$ 147,100	2.000%	1.400%	L53	2030	\$475,000*	3.000%	2.000%	M78	2040	\$ 665,000*	3.000%	2.870%	N93
2021	385,000	2.000	1.400	L61	2031	485,000*	3.000	2.120	M86	2041	690,000*	3.000	2.900	P26
2022	400,000	2.000	1.450	L79	2032	505,000*	3.000	2.250	M94	2042	715,000*	3.000	2.930	P34
2023	405,000	2.000	1.500	L87	2033	525,000*	3.000	2.350	N28	2043	735,000*	3.000	2.950	P42
2024	410,000	2.000	1.540	L95	2034	545,000*	3.000	2.500	N36	2044	755,000*	3.000	3.000	P59
2025	415,000	2.250	1.560	M29	2035	565,000*	3.000	2.600	N44	2045	780,000*	3.000	3.020	P67
2026	425,000	2.250	1.580	M37	2036	585,000*	3.000	2.700	N51	2046	805,000*	3.000	3.030	P75
2027	435,000*	2.250	1.650	M45	2037	610,000*	3.000	2.750	N69	2047	830,000*	3.000	3.040	P83
2028	455,000*	2.250	1.750	M52	2038	635,000*	3.000	2.800	N77	2048	850,000*	3.000	3.050	P91
2029	460,000*	2.250	1.900	M60	2039	655,000*	3.000	2.830	N85	2049	880,000*	3.000	3.060	Q25

\* The Bonds maturing in the years 2027-2049 are subject to redemption prior to maturity as described herein under the heading "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 limits imposed by Chapter 97 of the Laws of 2011 of the State of New York. See "TAX LEVY LIMITATION LAW" and "NATURE OF OBLIGATION" herein.

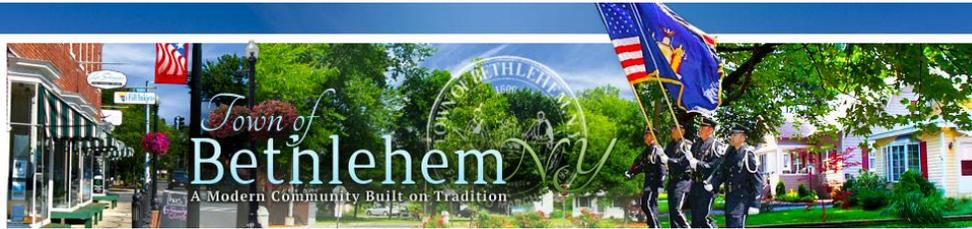
The Bonds will be issued as registered bonds in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Individual purchases will be in the principal amount of \$5,000 or integral multiples thereof, except for one necessary odd denomination which is or includes \$7,100 with respect to the 2020 maturity. Purchasers will not receive certificates representing their ownership interest in the Bonds. Interest on the Bonds will be payable on May 15, 2020, November 15, 2020 and semi-annually thereafter on May 15 and November 15 in each year until maturity. Principal and interest will be paid by the Town to DTC, which will in turn remit such principal and interest to its participants, for subsequent distribution to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein. Paying agent fees, if any, in such case are to be paid by the purchaser. The Bonds may not be converted into coupon bonds or be registered to bearer.

The Bonds are offered when, as and if issued and received by the purchaser 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. It is anticipated that the Bonds will be available for delivery through the facilities of DTC located in Jersey City, New Jersey or as may be agreed upon on or about May 23, 2019.

May 14, 2019

THIS REVISED COVER SUPPLEMENTS THE OFFICIAL STATEMENT OF THE TOWN DATED MAY 1, 2019 RELATING TO THE OBLIGATIONS THEREOF DESCRIBED THEREIN AND HEREIN BY INCLUDING CERTAIN INFORMATION OMITTED FROM SUCH OFFICIAL STATEMENT IN ACCORDANCE WITH SECURITIES AND EXCHANGE COMMISSION RULE 15c2-12. OTHER THAN AS SET FORTH ON THE REVISED COVER, THE REVISION OF "THE BONDS" AND "BOOK-ENTRY-ONLY SYSTEM" SECTIONS, THE REVISION OF THE DATED DATE ON PAGE 29, AND THE REVISION OF "APPENDIX - B", THERE HAVE BEEN NO REVISIONS TO SAID OFFICIAL STATEMENT.

**CITIGROUP**



## TOWN OFFICIALS

### TOWN BOARD

DAVID VAN LUVEN  
Town Supervisor

MAUREEN CUNNINGHAM  
JOYCE BECKER

JIM FOSTER  
DANIEL COFFEY

\* \* \* \* \*

### ADMINISTRATION

MICHAEL E. COHEN  
Town Comptroller

JOHN ANASTASI  
Superintendent of Highways

NANCI MOQUIN  
Town Clerk

ALICIA RONEY  
Tax Receiver

GEORGE S. KANSAS, P.E.  
Commissioner of Public Works

JAMES POTTER, ESQ.  
Town Attorney

### MUNICIPAL ADVISOR



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Syracuse, New York 13202  
(315) 752-0051

### BOND COUNSEL



677 Broadway, Suite 301  
Albany, New York 12207

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

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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**  
**\$17,227,100 Public Improvement (Serial) Bonds, 2019**

This Official Statement, which includes the cover page and all 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 \$17,227,100 Public Improvement (Serial) Bonds, 2019 (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 of New York, 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.

**NATURE OF OBLIGATION**

Each bond, 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. See "TAX LEVY LIMITATION LAW," herein.

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.

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.

## **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 “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 BONDS – Optional Redemption.” The record date for the Bonds will be the last business day of the calendar month preceding each interest payment date. Interest on the Bonds will be calculated on a 30-day month and 360-day year basis.

The Bonds will be issued as registered bonds and may be registered, at the option of the purchaser, in the name of the purchaser or in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), which, if so elected by the purchaser, will act as securities depository for the Bonds. If the Bonds are issued in book-entry form, individual purchases will be in the principal amount of \$5,000 or integral multiples thereof, except for one necessary odd denomination which is or includes \$7,100 with respect to the 2020 maturity. Purchasers will not receive certificates representing their ownership interest in the Bonds if issued in book-entry form. Interest on the Bonds will be payable on May 15, 2020, November 15, 2020 and semi-annually thereafter on May 15 and November 15 in each year until maturity. In book-entry form, 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. If the Bonds are issued in registered certificated form, the Bonds will be issued in denominations of \$5,000 or any integral multiple thereof, except for one necessary odd denomination which is or includes \$7,100 with respect to the 2020 maturity, and the Town will act as paying agent. Paying agent fees, if any, in such case are to be paid by the purchaser. The Bonds may not be converted into coupon bonds or be registered to bearer.

**Optional Redemption**

The Bonds maturing on or before May 15, 2026 shall not be subject to redemption prior to maturity. The Bonds maturing on or after May 15, 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 May 15, 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 Supervisor. Notice of such call for redemption shall be given by mailing such notice to the registered holders not more than sixty (60) days nor less than thirty (30) days prior to such date. Notice of redemption having been given as aforesaid, the Bonds so called for redemption shall, on the date for redemption set forth in such call for redemption, become due and payable, together with interest to such redemption date, and interest shall cease to be paid thereon after such redemption date.

**Purpose of Issue**

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

<u>Fund/Project</u>	<u>Resolution Date</u>	<u>Amount of This Issue</u>
<b>GENERAL FUND</b>		
Pool Gutter Project	5/24/2017	\$ 893,000
Roundabout	4/11/2018	\$ 969,200
<b>WATER FUND</b>		
Clapper Rd. Water System	12/12/2018	\$ 15,364,900
<b>Total</b>		\$ 17,227,100

The proceeds of the Bonds will provide new monies to permanently finance the above-mentioned purposes.

**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"). DTC has a Standard & Poor's rating of AA+. 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](http://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, or the Town may terminate its participation in the system of book-entry-only transfers through DTC at any time. In the event that such book-entry-only system is discontinued, the following provisions will apply: the Bonds will be issued in fully registered form in denominations of \$5,000 each or any integral multiple thereof for any single maturity, except for one necessary odd denomination which is or includes \$7,100 with respect to the 2020 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 bank to be named by the Town upon termination of the book-entry-only system. Interest on the Bonds will be payable on May 15, 2020, November 15, 2020, and semi-annually thereafter on May 15 and November 15 in each year until maturity. Such interest will be payable by check drawn on the fiscal agent and mailed to the registered owner on each interest payment date at the address as shown on the registration books of the fiscal agent as of the last business day of the calendar month preceding each such interest payment date. Bonds may be transferred or exchanged at no cost to the registered owner at any time prior to maturity at the office of the fiscal agent for Bonds of the same or any other authorized denomination or denominations in the same aggregate principal amount upon the terms set forth in the Bond Determinations Certificate of the Town 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 last business day of the calendar month preceding an interest payment date and such interest payment date.

## **THE TOWN**

### **General Information**

The Town of Bethlehem (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 various shopping centers within the Town.

The Town has its own Water District with a water filtration and supply system capable of delivering ten million gallons of water daily through about 220 miles of water mains. The Bethlehem Sewer District contains about 175 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 including 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	885
American National-Farm Family	Insurance	570
SABIC (formerly General Electric Plastics Mfg.)	Plastics Manufacturing	500
Callanan Industries, Inc.	Paving and Construction Co	500
Walmart	Shopping Center	460
Price Chopper / Golub Corp.	Shopping	302
Owens Corning	Fiberglass Manufacturing	300
National Grid	Utility	300
Town of Bethlehem	Government - Town	240
CAP COM Federal Credit Union	Financial Institutions	199
Glenmont Job Corps Academy	Human Services	130
Shop Rite Supermarket	Shopping	101

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
2017 (estimated)	35,444	309,612	19,849,399
2018 (estimated)	N/A	N/A	19,542,209

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 2000 Census Reports, 2006-2010 and 2013-2017 American Community Survey 5 Year Estimates.

	<u>Per Capita Income</u>			<u>Median Family Income</u>		
	<u>2000</u>	<u>2006-2010</u>	<u>2013-2017</u>	<u>2000</u>	<u>2006-2010</u>	<u>2013-2017</u>
Town of:						
Bethlehem	\$ 21,564	\$ 31,492	\$ 49,794	\$ 54,029	\$ 77,211	\$ 125,092
County of:						
Albany	16,363	23,345	35,278	41,670	56,724	90,031
State of:						
New York	16,501	23,389	31,177	39,741	51,691	70,850

Note: 2014-2018 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 2013-2017 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 the County. The information set forth below with respect to the County 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 State is necessarily representative of the Town, or vice versa.

	<u>Annual Average</u>						
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Albany County	7.1%	6.1%	4.9%	4.3%	4.1%	4.2%	3.7%
New York State	8.5%	7.7%	6.3%	5.3%	4.9%	4.7%	4.1%

	<u>2019 Monthly Figures</u>				
	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>
Albany County	3.8%	3.7%	3.6%	N/A	N/A
New York State	4.6%	4.4%	4.1%	N/A	N/A

Note: Unemployment rates for April and May 2019 are unavailable as of the date of this Official Statement.

Source: Department of Labor, State of New York. (Note: 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 2015 through and including 2019:

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019<sup>1</sup></u>
<u>Residential:</u>					
One Family	68	94	67	67	19
Two Family	0	0	0	0	0
Additions/Alterations	331	344	347	414	45
Town Houses	0	0	0	0	0
Apartments	42 (238 units)	3 (46 units)	3 (46 units)	0	0
Commercial & Industrial	15	8	4	10	0
<u>Non-Residential:</u>					
Additions/Alterations	99	60	68	75	15
Misc., Pools & Sheds	633	555	517	488	50

<sup>(1)</sup>Through March 31, 2019.

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, who supervises the collection and recording of the County, Fire District and Town tax receipts 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. The Town maintains separate accounts of revenues and expenditures of the General Fund, Water District (Water Fund), Sewer District (Sewer Fund) and Highway Department (Highway Fund).

## **Budgetary Procedures**

The Town Law of New York prescribes the method of budget procedures employed by the Town. In mid-July, 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. From this data, The Comptroller and Town Supervisor prepare 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 both online and in office 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 2019 budget was adopted on November 14, 2018.

## **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.

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## Employees

The Town currently employs approximately 213 full-time employees, of which 48 are represented by the collective bargaining units listed below. 165 employees are not represented by any bargaining unit. Currently the Town is in negotiations with two of the bargaining units.

<u>Employees</u>	<u>Union Representation</u>	<u>Contract Expiration Date</u>
30	Teamsters (Police Officers & Detectives)	December 31, 2017 <sup>(1)</sup>
11	AFL-CIO Council 66 (Telecommunicators)	December 31, 2017 <sup>(1)</sup>
7	AFSCME Council 82 (Police Sergeants)	December 31, 2021

<sup>(1)</sup> Currently under negotiations.

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") or the New York State and Local Police and Fire Retirement System ("PFRS"; with ERS, the "Retirement Systems"). The ERS is 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 offers a wide range of plans and benefits which are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits and optional methods of benefit payments. All benefits generally vest after five years of credited service. The Retirement System Law generally provides that all participating employers in each retirement system are jointly and severally liable for any unfunded amounts. Such amounts are collected through annual billings to all participating employers. Generally, all employees, except certain part-time employees, participate in the Retirement Systems.

The ERS is non- contributory with respect to members hired prior to July 27, 1976 (Tier 1 & 2); members hired from July 27, 1976 through December 31, 2009 (Tier 3 & 4) contribute 3% for the first 10 years of service and then become non-contributory; members hired from January 1, 2010 through March 31, 2012 (Tier 5) must contribute 3% for their entire careers; members hired April 1, 2012 (Tier 6) or after will contribute between 3 and 6 percent for their entire careers based on their annual wage.

The PFRS is non- contributory with respect to members hired prior to January 8, 2010 (Tier 1, 2 & 3); members hired from January 9, 2010 through March 31, 2012 (Tier 5) must contribute 3% for their entire careers; members hired April 1, 2012 (Tier 6) or after will contribute between 3 and 6 percent for their entire careers based on their annual wage.

For both ERS & PFRS, Tier 5 provides for:

- 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 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 & firefighters at 15% of non-overtime wages.

For both ERS & PFRS, Tier 6 provides for:

- Increase contribution rates of between 3% and 6% base on annual wage
- Increase in the retirement age from 62 years to 63 years
- A readjustment of the pension multiplier
- A change in the period for final average salary calculation from 3 years to 5 years

The Town’s contributions to ERS and PFRS since 2014, including the 2019 budgeted amount, are as follows:

<u>Year</u>	<u>ERS</u>	<u>PFRS</u>
2014	\$ 1,999,424	\$ 979,551
2015	1,911,712	855,829
2016	1,691,321	889,122
2017	1,646,734	959,534
2018	1,650,665	987,636
2019 (Budgeted)	1,648,369	976,207

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 (2016 to 2020) is shown below:

<u>Year</u>	<u>ERS</u>	<u>PFRS</u>
2016	18.2%	24.7%
2017	15.5	24.3
2018	15.3	24.4
2019	14.9	23.5
2020	14.6	23.5

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.

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

OPEB. Other Post-Employment Benefits ("OPEB") refers to "other post-employment benefits," meaning other than pension benefits, disability benefits and 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 75. GASB has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for the year ending May 31, 2019. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. The Town adopted the provisions of Statement No. 75 for the year ending December 31, 2018. The Town does report pension obligations on the Audited Financial Statements but does not report the effect of OPEB, noted below.

GASB 45. Prior to GASB 75, GASB Statement No. 45 ("GASB 45"), required municipalities and school districts to account for OPEB liabilities much like they already accounted 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 covered accounting for pensions, GASB 45 did 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") was 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 did 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 Valuations are 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 \$639,976 in 2014 for 141 retirees.
- OPEB costs recognized by the Town as incurred were \$758,077 in 2015 for 146 retirees.
- OPEB costs recognized by the Town as incurred were \$760,968 in 2016 for 146 retirees.
- OPEB costs recognized by the Town as incurred were \$761,953 in 2017 for 154 retirees.
- OPEB costs recognized by the Town as incurred were \$746,302 in 2018 for 172 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.

The Town’s financial statements are presented in conformity with GAAP and ties to the Financial Statements as audited.

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 if introduced.

## **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 has complied with the procedure for the validation of the Bonds as provided in Title 6 of Article 2 of the Local Finance Law.

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

The fiscal year of the Town is January 1 through December 31.

Except for as shown under “STATUS OF INDEBTEDNESS – Estimated Overlapping Indebtedness”, 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, 2018 and is attached hereto as “APPENDIX – D” to this Official Statement. Certain other financial information can also be found in “APPENDIX – A1 – A3” attached hereto.

The Town’s Audited Financial Statements for the year ended December 31, 2018 attached hereto have minor inconsistencies and may be updated after the date of this Official Statement. On page 39 the General Fund, fund balance is shown to be \$8,000,496, but the number is really \$7,950,490 which is correctly shown on page 18 and relates to the unassigned fund balance which was incorrectly doubled during a correction. On page 4 in the Management’s Discussion and Analysis Section, net surplus

and fund balances are shown correctly, however, interfund operating transfers are included in operating revenues in the General Fund and operating expenses in the Sewer Fund, while they're being included in Capital Fund Transfer in the Water Fund. This does not affect the bottom line, but how the table is shown may change slightly in an updated version of the Audited Financial Statements.

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 and with the requirements of GASB 75 as it pertains to OPEB. The Town's financial statements are prepared using GAAP. In addition, the Town continues to comply with the requirements of OMB Circular A-133, for its Single Audit.

**New York State Comptroller Report 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 by visiting the Audits of Local Governments section of the Office of the State Comptroller website.

There are no recent State Comptrollers audits of the Town nor any that are 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>
2017	No Designation	0.0%
2016	No Designation	0.0%
2015	No Designation	0.0%

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 Assesses Valuations**

<u>Fiscal Year Ending December 31:</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Assessed Valuation	\$ 3,605,084,892	\$ 3,619,558,853	\$ 3,656,045,748	\$ 3,648,089,678	\$ 3,696,572,268
New York State Equalization Rate	100.00%	100.00%	100.00%	100.00%	100.00%
Total Taxable Full Valuation	\$ 3,605,084,892	\$ 3,619,558,853	\$ 3,656,045,748	\$ 3,648,089,678	\$ 3,696,572,268

## Tax Rate per \$1,000 (Assessed)

<u>Fiscal Year Ending December 31:</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
County	\$ 3.86	\$ 3.84	\$ 3.74	\$ 3.67	\$ 3.80
Town	0.59	0.58	0.65	0.86	0.88
Highway	1.69	1.69	1.69	1.68	1.71
Water	0.50	0.57	0.57	0.52	0.53
Sewer	0.46	0.37	0.44	0.39	0.39

## 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>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Total Tax Levy <sup>(1)</sup>	\$ 32,535,415	\$ 32,718,517	\$ 34,342,496	\$ 33,526,130	\$ 35,166,564
Amount Unpaid <sup>(2)</sup>	-	-	-	-	-
% Uncollected	0.00%	0.00%	0.00%	0.00%	0.00%

<sup>(1)</sup> Includes Town, County, Fire District, Ambulance and Special District taxes and re-levies.

<sup>(2)</sup> Taxes guaranteed by the County. See "Tax Collection Procedure" herein.

## Ten Largest Taxpayers - 2018 Assessment for 2019 Town Tax Roll

<u>Name</u>	<u>Type</u>	<u>Taxable Assessed Valuation</u>
PSEG	Utility	\$ 100,000,000
Niagara Mohawk Power Corp	Utility	78,889,560
Selkirk Cogen	Utility	50,000,000
New York Central Lines	Railroad	45,471,144
LSREF4 Dual (Mansions) LLC	Apartments	22,000,000
Adams Station Apts-3 owners	Apartments	20,314,000
Tennessee Gas	Utility	20,085,238
Beverwyck Inc.	Senior Home	20,000,000
Bethlehem Assoc. LLC	Retail	14,402,000
Owens Corning Fiberglass	Manufacturing	13,300,000
Bethlehem Terrace Apartments	Apartments	12,000,000

Note: The Town has several small pending or outstanding tax certioraris including Garden Homes, Buckeye Albany Terminal and Cherry Arms GC LLC.; however, the result for these certioraris is not expected to have a material impact on the Town. Further, Selkirk Cogen has been approved by the Public Service Commission (PSC) to "mothball" their plant. This is the second time that they have filed paperwork with the PSC in four years, the first time pulling their request at the last minute. They have publicly indicated that they have no plans to do that at this time.

The ten larger taxpayers listed above have a total taxable assessed valuation of \$396,461,942 which represents 10.73% of the tax base of the Town.

Source: Town Tax Rolls.

## **Additional Tax Information**

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

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

The assessment roll of the Town, based on total value, is constituted approximately as follows: Agricultural and Residential 69%, Commercial 19%, and wholly exempt 12%.

The total 2019 property tax bill of an average assessed value residential property of \$260,000, located in the Town, is approximately \$8,100 including County, Fire District, Town, and School District (2018/2019) taxes.

## **TAX LEVY LIMITATION LAW**

Chapter 97 of the Laws of 2011, as amended 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 are required 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 town may exceed the tax levy limitation for the coming fiscal year only if the governing body of such town first enacts, by at least a sixty percent vote of the total voting strength of the board, a local law, 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 provisions.

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") included provisions which provides a refundable personal income tax credit to real property taxpayers in school districts and certain municipal units of government. The credit is a tax relief program that reimburses qualifying New York State homeowners for increases in local property taxes on their primary residences. 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 Cap Law. 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 imposed by the Tax Cap Law 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. 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 real property tax rebate. The New York State Department of Taxation and Finance will determine each homeowner's eligibility, calculate the amount of the credit and send the credit to the homeowner.

For the second taxable year of the program being 2015-16 for school districts and 2016 for other municipal units of government, the property tax rebate for real property taxpayers is additionally contingent upon adoption by the school district or municipal unit of a State approved "shared services and government efficiency plan" which demonstrates three year savings and efficiencies of at least one percent of the combined 2014 levy of participating municipalities in each of the years 2017, 2018 and 2019 from shared services, cooperation agreements and/or mergers or efficiencies. The State will also be required to consider past shared services arrangements or government efficiency programs to be deemed applicable in demonstrating the targeted savings. There is no requirement that these efficiencies are to be used to reduce future tax levies. Should the savings targeted not be met by a school district or municipal unit of government there is no authority granted for the State to withhold State aid due to each respective entity.

This tax credit will be made available in municipalities that reduce or hold steady their property tax levy. The tax credit payable will be equal to the allowable tax levy growth factor for that year, including adjustments for inflation, economic growth, pensions, PILOTS, etc. as determined by the New York State Department of Taxation and Finance.

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 Cap Law. The implications of this for future tax levies and for operations and services of the Town are uncertain at this time.

- The Town Tax Levy remained under the Tax Cap in 2015 by \$295,502.
- The Town Tax Levy remained under the Tax Cap in 2016 by \$252,696.
- The Town Tax Levy remained under the Tax Cap in 2017 by \$26,375.
- The Town Tax Levy remained under the Tax Cap in 2018 by \$24,008.
- The Town Tax Levy remained under the Tax Cap in 2019 by \$37,532.

## 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; unless substantially level or declining debt service is utilized, no installment may be more than fifty per centum in excess of the smallest prior installment. 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.

Pursuant to Article VIII of the State Constitution and Title 9 of Article 2 of the Local Finance Law, the debt limit of the Town is calculated by taking 7% of the latest five-year average of the full valuation of all taxable real property.

**Statutory Procedure**

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

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

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

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

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

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

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, generally, 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 the power to issue certain other short-term general obligations indebtedness including revenue and tax anticipation notes and budget and capital notes (see "Details of Outstanding Indebtedness" herein).

**Debt Outstanding End of Fiscal Year**

<u>Fiscal Years Ending December 31:</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Bonds	\$ 14,005,000	\$ 18,877,058	\$ 20,285,000	\$ 28,812,241	\$ 27,010,000
Bond Anticipation Notes	6,393,195	2,303,175	1,685,000	0	0
Other Debt	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Totals	<u>\$ 20,398,195</u>	<u>\$ 21,180,234</u>	<u>\$ 21,970,000</u>	<u>\$ 28,812,241</u>	<u>\$ 27,010,000</u>

**Details of Outstanding Indebtedness**

The following table sets forth the indebtedness of the Town evidenced by bonds and notes as of May 1, 2019.

<u>Type of Indebtedness</u>	<u>Maturity</u>	<u>Amount</u>
Bonds	2019-2046	\$ 26,175,000
Bond Anticipation Notes	-	<u>                    </u>
	Total Indebtedness	<u>\$ 26,175,000</u>

**Debt Statement Summary**

Statement of Indebtedness, Debt Limit and Net Debt-Contracting Margin as of May 1, 2019:

Five-Year Average Full Valuation of Taxable Real Property .....	\$ 3,645,070,288
Debt Limit – 7% thereof .....	255,154,920

Inclusions:

Bonds .....	\$ 26,175,000	
Bond Anticipation Notes .....	<u>                    0</u>	
Total Inclusions .....		<u>\$ 26,175,000</u>

Exclusions:

Appropriations .....	\$ 372,344	
Sewer Debt <sup>(1)</sup> .....	3,572,809	
Water Debt <sup>(2)</sup> .....	<u>7,340,783</u>	
Total Exclusions .....		<u>\$ 11,285,936</u>

Total Net Indebtedness Subject to Debt Limit .....	<u>\$ 14,889,064</u>
Net Debt-Contracting Margin .....	<u>\$ 240,265,856</u>
Percent of Debt Contracting Power Exhausted .....	5.84%

- (1) Sewer Debt is excluded pursuant to Section 124.10 of the Local Finance Law.
- (2) Water Debt is excluded pursuant to Article VIII, Section 5B of the New York State Constitution.

Note: The Bonds will increase the net indebtedness of the Town by \$17,227,100.

**Bonded Debt Service**

A schedule of bonded debt service, including the principal of the Bonds, may be found in “APPENDIX – B” to this Official Statement.

**Authorized But Unissued Debt**

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

- \$4,200,000 in serial bonds have been authorized for various water system modeling, various water storage tanks rehabilitation; Clapper Road water treatment plant improvements (design phase only); Clapper Road water treatment plant wellfield improvements; dam safety improvements; and water main replacements - Delaware Avenue; including all of the forgoing to include all necessary site work, equipment, apparatus and other improvements and costs incidental thereto. Of this amount, \$2,690,908 has been bonded, and \$397,315 was paid for through the Town’s capital reserve fund. The remaining balance anticipated to be bonded is \$1,091,777.

- \$18,364,900 in serial Bonds has been authorized for the reconstruction of and construction of improvements within the water district including, but not limited to, upgrades to the Clapper Road water treatment plant. This project is slated over a two-year period 2019-2020. The Town has successfully secured a \$3,000,000 EFC reimbursement grant which will ultimately reduce the cost to the Town to \$15,364,900. \$15,364,900 of the Bonds are being issued for this project.
- \$1,000,000 in serial bonds have been authorized for the rehabilitation of the Elm Avenue Park's three pools to be borrowed and spent over three years. Design work of \$107,000 of the \$1,000,000 project was bonded for in August 2017. \$893,000 of the Bonds are being issued for this purpose.
- \$4,850,000 in serial bonds have been authorized for the 9W Feura Bush Road Roundabout/Glenmont Sidewalk project. The Town was successful in obtaining Federal Transportation Enhancement Program (TEP) funding of \$3,876,800 towards this project, leaving an estimated Town cost of \$974,000. Federal aid funding requires the Town to secure funding for the entire project, as this program is expenditure driven reimbursement funding. The project consists of the construction and reconstruction of the following: (a) a two-lane modern roundabout with pedestrian accommodations at the intersection of Route 9W/Feura Bush Road/Glenmont Road in the Town of Bethlehem; (b) a Safe Routes to School (SRTS) component to complete a gap in the sidewalk connection to the Glenmont Elementary School and (c) a sidewalk along Glenmont Road connecting the new roundabout to Vagele Lane and adjacent neighborhoods. \$969,200 of the Bonds are being issued for this project.

### **Cash Flow Borrowing**

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.

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## 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 2019 <sup>(1)</sup>				
		2019	2020	2021	2022	2023
<b>General Fund</b>	Operating	\$ 484,760	\$ 198,000	\$ 171,392	\$ 170,393	\$ 183,279
	Capital Reserve	868,500	323,000	50,000	50,000	66,275
	Debt Borrowing	1,040,800	811,400	1,322,000	0	4,150,000
	Bonded	400,000	0	0	0	0
	Grant	996,600	3,506,600	4,048,000	0	16,275
	Parkland set-aside	245,000	308,250	160,000	0	0
<b>Total</b>		<b>\$ 4,035,660</b>	<b>\$ 5,147,250</b>	<b>\$ 5,751,392</b>	<b>\$ 220,393</b>	<b>\$ 4,415,829</b>
<b>Highway Fund</b>	Operating	622,000	515,000	515,000	515,000	515,000
	Capital Reserve	0	0	0	0	0
	Debt Borrowing	1,220,000	315,000	790,000	815,000	315,000
	Grant	317,000	317,000	317,000	417,000	317,000
<b>Total</b>		<b>\$ 2,159,000</b>	<b>\$ 1,147,000</b>	<b>\$ 1,622,000</b>	<b>\$ 1,747,000</b>	<b>\$ 1,147,000</b>
<b>Water Fund</b>	Operating	618,500	642,000	707,000	667,000	667,000
	Capital Reserve	1,197,000	400,000	100,000	35,000	0
	Debt Borrowing	5,060,000	8,950,000	521,000	2,600,000	1,250,000
	Bonded	140,000	0	0	0	0
	Grant	3,000,000	0	0	0	0
<b>Total</b>		<b>\$ 10,015,500</b>	<b>\$ 9,992,000</b>	<b>\$ 1,328,000</b>	<b>\$ 3,302,000</b>	<b>\$ 1,917,000</b>
<b>Sewer Fund</b>	Operating	630,000	411,000	761,000	441,000	411,000
	Capital Reserve	920,000	350,000	50,000	150,000	150,000
	Debt Borrowing	2,000,000	0	1,500,000	0	1,500,000
	Grant	0	0	0	0	0
<b>Total</b>		<b>\$ 3,550,000</b>	<b>\$ 761,000</b>	<b>\$ 2,311,000</b>	<b>\$ 591,000</b>	<b>\$ 2,061,000</b>
<b>TOTAL</b>		<b>\$ 19,760,160</b>	<b>\$ 17,047,250</b>	<b>\$ 11,012,392</b>	<b>\$ 5,860,393</b>	<b>\$ 9,540,829</b>

<sup>(1)</sup> 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 net outstanding indebtedness of such political subdivisions is as follows:

<u>Municipality</u>	<u>Status of Debt as of</u>	<u>Gross Indebtedness</u> <sup>(1)</sup>	<u>Estimated Exclusions</u>	<u>Net Indebtedness</u>	<u>Town Share</u>	<u>Applicable Indebtedness</u>
County of:						
Albany	12/31/2016	\$281,817,942	\$ - <sup>(2)</sup>	\$281,817,942	14.78%	\$ 41,652,692
School District:						
Bethlehem CSD	6/30/2017	65,324,984	44,355,664 <sup>(3)</sup>	20,969,320	92.35%	19,365,167
Ravena-Coeymans-Selkirk	6/30/2017	17,151,420	11,645,814 <sup>(3)</sup>	5,505,606	39.55%	2,177,467
Guilderland CSD	6/30/2017	42,081,360	27,268,721 <sup>(3)</sup>	14,812,639	6.09%	902,090
					Total:	<u>\$ 64,097,416</u>

- (1) Bonds and bond anticipation notes. Not adjusted to include subsequent bond sales, if any.
- (2) Water and sewer debt and appropriations. Pursuant to the Local Finance Law, this indebtedness is excluded from the constitutional debt limit.
- (3) Estimated State Building Aid.

Note: The 2017 Comptroller’s Special Report for the County is currently unavailable as of the date of this Official Statement.

Source: Comptroller’s Special Report on Municipal Affairs for Local Finance Years Ended in 2016 and 2017.

**Debt Ratios**

The following table sets forth certain ratios relating to the Town's net indebtedness as of May 1, 2019.

	<u>Amount</u>	<u>Per Capita</u> <sup>(a)</sup>	<u>Percentage of Full Value</u> <sup>(b)</sup>
Net Indebtedness <sup>(c)</sup> .....	\$ 14,889,064	\$ 420.07	0.41%
Net Indebtedness Plus Net Overlapping Indebtedness <sup>(d)</sup> .....	78,986,480	2,228.49	2.17

- (a) The current estimated population of the Town is 35,444. (See “THE TOWN – Population” herein.)
- (b) The Town five-year average full value of taxable real estate is \$3,645,070,288. (See “TAX INFORMATION” herein.)
- (c) See "Debt Statement Summary" herein.
- (d) Estimated net overlapping indebtedness is \$64,097,416. (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 Town 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 Town 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 Town 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 City.

**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 "Nature of Obligation" and "State Debt Moratorium Law" herein.

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

## 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 risk.

The financial condition of the Town as well as the market for the Bonds could be affected by a variety of factors, some of which are beyond the Town's control. There can be no assurance that adverse events in the State and in other jurisdictions in the country, including, for example, the seeking by a municipality or large taxable property owner of remedies pursuant to the Federal Bankruptcy Code or otherwise, will not occur which might affect the market price of and the market for the Bonds. If a significant default or other financial crisis should occur in the affairs of the State or another jurisdiction, or any of their respective 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 this year or future years, the Town may be affected by a delay, until sufficient taxes have been received by the State to make State aid payments to the Town. In several recent years, the Town has received delayed payments of State aid which resulted from the State's delay in adopting its budget and appropriating State aid to municipalities and school districts, and consequent delay in State borrowing to finance such appropriations.

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 Matters" herein).

The enactment of the Tax Levy Limitation Law, which imposes a tax levy limitation upon municipalities, school districts and fire districts and have restrictions in the State, including the Town without providing an exclusion for debt service on obligations issued by municipalities or fire districts, including the Town, could have an impact upon the market price of the Bonds. See "TAX LEVY LIMITATION LAW" herein.

## **TAX MATTERS**

*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 alternative minimum tax imposed by the Code, and (c) interest on the Bonds is included in the tax base for purposes of computing 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, 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.

*Not Bank Qualified.* The Bonds will NOT 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 Bond before maturity within the United States. Backup withholding may apply to holders of the Bonds under Section 3406 of the Code. Any amounts withheld under the backup withholding rules from a payment to a beneficial owner, and which constitutes over-withholding, would be allowed as a refund or a credit against such beneficial owner's United States Federal income tax provided the required information is furnished to the Internal Revenue Service (the "Service").

Future Legislation. Bond Counsel has not undertaken to advise in the future whether any events occurring after the date of issuance of the Bonds may affect the tax status of interest on the Bonds. The Code has been continuously subject to legislative modifications, amendments and revisions, and proposals for further changes are regularly submitted by leaders of the legislative and executive branches of the federal government.

No representation is made as to the likelihood of such proposals being enacted 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.

Prospective purchasers of the Bonds should consult their own tax advisers regarding pending or proposed federal and state tax legislation and court proceedings, and prospective purchasers of the Bonds at other than their original issuance at the respective prices set indicated on the cover of this Official Statement should also consult their own tax advisers regarding other tax considerations, such as the consequences of market discount, as to which Bond Counsel expresses no opinion.

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.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds. 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. Unless separately engaged, Bond Counsel is not obligated to defend the Town or the owners of the Bonds regarding the tax status of the interest thereon in the event of an audit examination by the IRS.

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 alternative minimum tax. Moreover, interest on the Bonds may be subject to a branch profits tax of up to 30% when owned by certain foreign corporations. Furthermore, interest on the Bonds may be subject to a tax at ordinary income rates when owned by "S Corporations" in certain cases. Interest on the Bonds is exempt from personal income taxes imposed by the State of New York or any political subdivision thereof, including The City of New York. Bond Counsel will express no opinion regarding other federal income tax consequences arising with respect to the Bonds.

Such legal opinion also will state that (i) in rendering the opinions expressed therein, Bond Counsel has assumed the accuracy and truthfulness of all public records, documents and proceedings examined by Bond Counsel which have been executed or certified by public officials acting within the scope of their official capacities, and has not verified the accuracy or truthfulness thereof, and Bond Counsel also has assumed the accuracy of the signatures appearing upon such public records, documents and proceedings and such certifications; (ii) the scope of Bond Counsel's engagement in relation to the issuance of the Bonds has extended solely to the examination of the facts and law incident to rendering the opinions expressed therein; (iii) the opinions expressed therein are not intended and should not be construed to express or imply any conclusion that the amount of real property subject to taxation within the boundaries of the Town together with other legally available sources of revenue, if any, will be sufficient to enable the Town to pay the principal of and interest on the Bonds as the same respectively become due and payable;

(iv) reference should be made to the Official Statement for factual information which, in the judgment of the Town, would materially affect the ability of the Town to pay such principal and interest; and (v) while Bond Counsel has participated in the preparation of the Official Statement, Bond Counsel has not verified the accuracy, completeness or fairness of the factual information contained therein and, accordingly, no opinion is expressed by Bond Counsel as to whether the Town, in connection with the sale of the Bonds, has made any untrue statement of a material fact, or omitted to state a material fact necessary in order to make any statements made, in the light of the circumstances under which they were made, not misleading.

### **LITIGATION**

The Town is subject to a number of lawsuits in the ordinary conduct of its affairs. The Town Attorney 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.

### **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 Undertaking to Provide Continuing Disclosure, the form of which is attached hereto as "APPENDIX – C".

### **BOND RATING**

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") has assigned its rating of "AA+" with a stable outlook to the Bonds. No application was made to any other rating agency for the purpose of obtaining an additional rating on the Bonds. A rating reflects only the view of the rating agency assigning such rating and 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.

### **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. 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 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. The fees to be paid by the Town to Fiscal Advisors are contingent on the successful closing of the Bonds.

## **CUSIP IDENTIFICATION NUMBERS**

It is anticipated that CUSIP (an acronym that refers to Committee on Uniform Security Identification Procedures) identification numbers will be printed on the Bonds. All expenses in relation to the printing of CUSIP numbers on the Bonds will be paid for by the Town, however, the Town assumes no responsibility for any CUSIP Service Bureau charge or other charge that may be imposed for the assignment of such numbers.

## **MISCELLANEOUS**

So far as any statements made in this Official Statement involve matters of opinion or estimates in good faith, no assurance can be given that the facts will materialize as so opined or estimated. Neither this Official Statement nor any statement that may have been made verbally or in writing is to be construed as a contract with the holders of the Bonds.

Statements in this official statement, and the documents included by specific reference, that are not historical facts are forward-looking statements, 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", "estimate", "expect", "objective", "projection", "forecast", "goal", or similar words are intended to identify forward-looking statements.

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

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

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

Concurrently with the delivery of the Bonds, the Town will furnish a certificate to the effect that as of the date of the Official Statement, the Official Statement did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading, subject to a limitation as to information in the Official Statement obtained from sources other than the Town.

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.

The Town hereby disclaims any obligation to update developments of the various risk factors or to announce publicly any revision to any of the forward-looking statements contained herein or to make corrections to reflect future events or developments except to the extent required by Rule 15c2-12 promulgated by the Securities and Exchange Commission.

The Municipal Advisor may place a copy of this Official Statement on its website at [www.fiscaladvisors.com](http://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. The Municipal Advisor 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 the Municipal Advisor assumes any liability or responsibility for errors or omissions on such website. Further, the Municipal Advisor 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. The Municipal Advisor and the Town also assumes no liability or responsibility for any errors or omissions or for any updates to dated website information.

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

Additional copies of the Notice of Bond Sale and the Official Statement may be obtained upon request from the offices of Fiscal Advisors & Marketing, Inc., telephone number (315) 752-0051, or at [www.fiscaladvisors.com](http://www.fiscaladvisors.com)

**TOWN OF BETHLEHEM**

**Dated: May 14, 2019**

**DAVID VANLUVEN**  
**TOWN SUPERVISOR**

**GENERAL FUND**

**Balance Sheets**

Fiscal Years Ending December 31:	<u><b>2013</b></u>	<u><b>2014</b></u>	<u><b>2015</b></u>	<u><b>2016</b></u>	<u><b>2017</b></u>
<b><u>ASSETS</u></b>					
Cash	\$ 3,577,349	\$ 3,723,319	\$ 4,931,338	\$ 3,942,510	\$ 8,124,412
Restricted Assets	-	-	-	-	-
Accounts Receivable	318,499	200,924	289,918	536,179	294,308
Due from Other Funds	-	-	-	-	-
Due From Other Governments	4,105,730	4,164,270	3,595,266	3,593,580	3,729,167
State and Federal Aid Receivable	8,337	19,465	19,000	11,331	-
Prepaid Expenses	441,646	529,463	479,240	456,512	1,456,151
Inventories	85,049	86,984	92,240	98,414	113,910
<b>TOTAL ASSETS</b>	<u><u>\$ 8,536,610</u></u>	<u><u>\$ 8,724,425</u></u>	<u><u>\$ 9,407,002</u></u>	<u><u>\$ 8,638,526</u></u>	<u><u>\$ 13,717,948</u></u>
<b><u>LIABILITIES AND FUND EQUITY</u></b>					
Accounts Payable	\$ 834,151	\$ 315,386	\$ 303,210	\$ 273,873	\$ 313,384
Accrued Liabilities	471,166	502,784	687,621	276,049	293,917
Due to Other Funds	395,463	491,909	663,708	766,262	759,414
Due to Other Governments	431,708	426,583	524,761	507,003	4,167,571
Unearned Revenues	-	311,545	299,754	766,262	1,261,227
Deferred Revenues	811,595	750,878	404,569	280,052	283,782
<b>TOTAL LIABILITIES</b>	<u><u>2,944,083</u></u>	<u><u>2,799,085</u></u>	<u><u>2,883,623</u></u>	<u><u>2,869,501</u></u>	<u><u>7,079,295</u></u>
<b><u>FUND EQUITY</u></b>					
Nonspendable	\$ 526,695	\$ 616,447	\$ 571,480	\$ 554,926	\$ 1,570,061
Restricted	-	-	-	-	1,429,463
Assigned	952,870	2,178,177	1,908,306	1,511,851	289,814
Unassigned	4,112,962	3,130,716	4,043,593	4,068,517	3,349,315
<b>TOTAL FUND EQUITY</b>	<u><u>5,592,527</u></u>	<u><u>5,925,340</u></u>	<u><u>6,523,379</u></u>	<u><u>6,135,294</u></u>	<u><u>6,638,653</u></u>
<b>TOTAL LIABILITIES and FUND EQUITY</b>	<u><u>\$ 8,536,610</u></u>	<u><u>\$ 8,724,425</u></u>	<u><u>\$ 9,407,002</u></u>	<u><u>\$ 9,004,795</u></u>	<u><u>\$ 13,717,948</u></u>

**GENERAL FUND**

**Revenues, Expenditures and Changes in Fund Balance**

Fiscal Years Ending December 31:	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>REVENUES</b>					
Real Property Taxes	\$ 2,080,612	\$ 2,087,183	\$ 2,123,606	\$ 2,101,402	\$ 2,405,610
Real Property Tax Items	100,685	96,206	89,216	92,129	105,015
Non Property Tax Items	11,268,471	11,749,150	11,962,248	12,081,909	12,159,102
Departmental Income	1,711,402	1,426,972	1,527,632	1,547,465	1,814,390
Intergovernmental Charges	50,000	80,000	80,000	80,000	50,000
Use of Money & Property	87,569	92,814	87,435	87,103	111,268
Licenses and Permits	35,624	41,583	52,014	52,413	54,779
Fines and Forfeitures	375,012	426,268	369,455	381,302	396,704
Sale of Property and Compensation for Loss	239,844	114,181	113,570	193,412	154,986
Miscellaneous	43,358	59,642	53,791	125,688	22,736
Interfund Revenues	-	-	-	-	-
Revenues from State Sources	1,547,014	1,486,423	1,683,491	1,484,718	1,320,281
Revenues from Federal Sources	519,112	72,344	100,943	64,015	54,897
<b>Total Revenues</b>	<u>\$ 18,058,703</u>	<u>\$ 17,732,766</u>	<u>\$ 18,243,401</u>	<u>\$ 18,291,556</u>	<u>\$ 18,649,768</u>
<b>EXPENDITURES</b>					
General Government Support	\$ 3,837,551	\$ 3,687,158	\$ 3,732,210	\$ 3,645,054	\$ 3,670,347
Education	158	-	-	-	-
Public Safety	5,982,069	5,825,481	5,849,961	6,144,346	6,189,794
Health	1,496	1,477	-	-	-
Transportation	549,380	588,318	549,823	537,459	547,636
Economic Assistance and Opportunity	436,061	428,437	487,870	542,275	476,151
Culture and Recreation	1,280,170	1,281,870	1,250,861	1,351,528	1,470,498
Home and Community Services	1,167,607	1,089,076	1,032,546	1,107,727	1,262,519
Employee Benefits	4,253,389	4,571,046	4,527,307	4,490,169	4,624,853
Debt Service	336,626	310,506	326,701	294,044	293,766
<b>Total Expenditures</b>	<u>\$ 17,844,507</u>	<u>\$ 17,783,369</u>	<u>\$ 17,757,279</u>	<u>\$ 18,112,602</u>	<u>\$ 18,535,564</u>
Excess of Revenues Over (Under) Expenditures	<u>214,196</u>	<u>(50,603)</u>	<u>486,122</u>	<u>178,954</u>	<u>114,204</u>
Other Financing Sources (Uses):					
Other Budgetary Purposes	-	-	-	-	-
Operating Transfers In	653,621	399,316	418,807	393,805	415,495
Operating Transfers Out	-	(15,900)	(306,890)	(960,844)	(26,340)
<b>Total Other Financing</b>	<u>653,621</u>	<u>383,416</u>	<u>111,917</u>	<u>(567,039)</u>	<u>389,155</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>867,817</u>	<u>332,813</u>	<u>598,039</u>	<u>(388,085)</u>	<u>503,359</u>
<b>FUND BALANCE</b>					
Fund Balance - Beginning of Year	4,724,710	5,592,527	5,925,340	6,523,379	6,135,294
Prior Period Adjustments (net)	-	-	-	-	-
<b>Fund Balance - End of Year</b>	<u>\$ 5,592,527</u>	<u>\$ 5,925,340</u>	<u>\$ 6,523,379</u>	<u>\$ 6,135,294</u>	<u>\$ 6,638,653</u>

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:

	2017			2018	2019
	Adopted Budget	Final Budget	Actual	Adopted Budget	Adopted Budget
<b>REVENUES</b>					
Real Property Taxes	\$ 2,405,608	\$ 2,405,608	\$ 2,405,610	\$ 3,160,795	\$ 3,254,911
Real Property Tax Items	105,148	105,148	105,015	122,575	123,750
Non Property Tax Items	12,221,888	12,221,888	12,159,102	12,103,424	12,628,025
Departmental Income	1,382,875	1,603,949	1,814,390	1,453,340	1,593,910
Intergovernmental Charges	50,000	50,000	50,000	80,000	80,000
Use of Money & Property	90,000	116,440	111,268	95,000	92,300
Licenses and Permits	46,100	55,350	54,779	47,265	44,960
Fines and Forfeitures	400,000	400,000	396,704	360,208	425,000
Sale of Property and Compensation for Loss	90,000	90,000	154,986	157,700	177,700
Miscellaneous	-	17,162	22,736	-	5,000
Interfund Revenues	-	-	-	443,139	460,000
Revenues from State Sources	1,337,638	1,366,495	1,320,281	1,339,638	1,134,538
Revenues from Federal Sources	35,000	39,830	54,897	45,000	47,084
Total Revenues	<u>\$ 18,164,257</u>	<u>\$ 18,471,870</u>	<u>\$ 18,649,768</u>	<u>\$ 19,408,084</u>	<u>\$ 20,067,178</u>
<b>EXPENDITURES</b>					
General Government Support	\$ 3,817,074	\$ 3,824,266	\$ 3,670,347	\$ 3,907,084	\$ 4,368,967
Education	-	-	-	-	-
Public Safety	6,114,722	6,406,191	6,189,794	6,355,010	8,903,231
Health	-	-	-	-	-
Transportation	571,347	574,280	547,636	555,924	1,762,391
Economic Assistance and Opportunity	491,790	487,027	476,151	494,110	678,156
Culture and Recreation	1,396,732	1,576,823	1,470,498	1,452,121	1,764,071
Home and Community Services	1,149,922	1,396,201	1,262,519	1,141,785	1,622,205
Employee Benefits	4,720,766	4,713,222	4,624,853	4,844,824	548,308
Debt Service	296,434	294,445	293,766	657,226	419,849
Total Expenditures	<u>\$ 18,558,787</u>	<u>\$ 19,272,455</u>	<u>\$ 18,535,564</u>	<u>\$ 19,408,084</u>	<u>\$ 20,067,178</u>
Excess of Revenues Over (Under) Expenditures	<u>(394,530)</u>	<u>(800,585)</u>	<u>114,204</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses):					
Other Budgetary Purposes	-	-	-	-	-
Operating Transfers In	394,530	394,530	415,495	-	-
Operating Transfers Out	-	(26,340)	(26,340)	-	-
Total Other Financing	<u>394,530</u>	<u>368,190</u>	<u>389,155</u>	<u>-</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>-</u>	<u>(432,395)</u>	<u>503,359</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE</b>					
Fund Balance - Beginning of Year	-	432,395	6,135,294	-	-
Prior Period Adjustments (net)	-	-	-	-	-
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,638,653</u>	<u>\$ -</u>	<u>\$ -</u>

Source: 2017 Audited Financial Report and 2018 Adopted Budget (unaudited) of the Town. This Appendix is not itself audited.

**CHANGES IN FUND EQUITY**

Fiscal Years Ending December 31:	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b><u>HIGHWAY FUND - TOWN WIDE</u></b>					
Fund Equity - Beginning of Year	\$ 2,377,099	\$ 2,385,249	\$ 2,892,388	\$ 3,093,056	\$ 3,462,132
Prior Period Adjustments (net)	-	-	-	-	-
Revenues & Other Sources	6,641,722	6,723,496	6,841,631	6,866,089	6,868,680
Expenditures & Other Uses	6,633,572	6,216,357	6,640,963	6,497,013	6,283,691
Fund Equity - End of Year	\$ 2,385,249	\$ 2,892,388	\$ 3,093,056	\$ 3,462,132	\$ 4,047,121
<b><u>WATER FUND</u></b>					
Fund Equity - Beginning of Year	\$ 3,898,238	\$ 3,471,508	\$ 3,693,094	\$ 4,270,653	\$ 5,291,792
Prior Period Adjustments (net)	-	-	-	-	-
Revenues & Other Sources	9,482,271	9,277,540	9,857,387	10,456,195	9,626,342
Expenditures & Other Uses	9,909,001	9,055,954	9,279,828	9,435,056	9,254,889
Fund Equity - End of Year	\$ 3,471,508	\$ 3,693,094	\$ 4,270,653	\$ 5,291,792	\$ 5,663,245
<b><u>SEWER FUND</u></b>					
Fund Equity - Beginning of Year	\$ 1,999,359	\$ 1,970,383	\$ 3,157,955	\$ 2,979,272	\$ 3,720,824
Prior Period Adjustments (net)	-	-	-	-	-
Revenues & Other Sources	4,316,864	4,877,873	4,810,245	4,578,994	4,718,179
Expenditures & Other Uses	4,345,840	3,690,301	4,988,928	3,837,442	3,814,581
Fund Equity - End of Year	\$ 1,970,383	\$ 3,157,955	\$ 2,979,272	\$ 3,720,824	\$ 4,624,422
<b><u>CAPITAL PROJECTS FUND</u></b>					
Fund Equity - Beginning of Year	\$ 1,772,013	\$ 2,680,517	\$ (1,497,072)	\$ 292,796	\$ 2,867,441
Prior Period Adjustments (net)	-	-	-	-	-
Revenues & Other Sources	3,616,493	1,710,680	9,139,309	5,531,983	11,626,782
Expenditures & Other Uses	2,707,989	5,888,269	7,349,441	2,957,338	6,747,551
Fund Equity - End of Year	\$ 2,680,517	\$ (1,497,072)	\$ 292,796	\$ 2,867,441	\$ 7,746,672

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

**BONDED INDEBTEDNESS**

Fiscal Year Ending December 31st	Excluding the Bonds			Principal of This Issue	Total Principal of All Issues
	Principal	Interest*	Total		
2019	\$ 1,635,000	\$ 833,882.60	\$ 2,468,882.60	\$ -	\$ 1,635,000
2020	1,690,000	772,122.89	2,462,122.89	147,100	1,837,100
2021	1,760,000	707,837.14	2,467,837.14	385,000	2,145,000
2022	1,825,000	640,660.50	2,465,660.50	400,000	2,225,000
2023	969,999	593,486.58	1,563,485.58	405,000	1,374,999
2024	1,005,000	567,456.66	1,572,456.66	410,000	1,415,000
2025	1,025,000	540,319.67	1,565,319.67	415,000	1,440,000
2026	1,060,000	511,829.11	1,571,829.11	425,000	1,485,000
2027	1,085,000	484,724.29	1,569,724.29	435,000	1,520,000
2028	1,114,999	456,282.13	1,571,281.13	455,000	1,569,999
2029	1,155,001	425,883.33	1,580,884.33	460,000	1,615,001
2030	1,185,000	392,877.11	1,577,877.11	475,000	1,660,000
2031	1,215,001	357,406.86	1,572,407.86	485,000	1,700,001
2032	1,245,000	320,949.55	1,565,949.55	505,000	1,750,000
2033	1,285,000	282,324.87	1,567,324.87	525,000	1,810,000
2034	1,315,001	242,544.21	1,557,545.21	545,000	1,860,001
2035	954,999	207,679.75	1,162,678.75	565,000	1,519,999
2036	975,000	177,663.64	1,152,663.64	585,000	1,560,000
2037	1,000,000	146,957.80	1,146,957.80	610,000	1,610,000
2038	585,000	115,177.61	700,177.61	635,000	1,220,000
2039	600,000	95,677.24	695,677.24	655,000	1,255,000
2040	615,000	75,682.66	690,682.66	665,000	1,280,000
2041	635,000	55,105.52	690,105.52	690,000	1,325,000
2042	655,000	34,036.36	689,036.36	715,000	1,370,000
2043	100,000	12,398.70	112,398.70	735,000	835,000
2044	105,000	8,963.92	113,963.92	755,000	860,000
2045	105,000	5,445.38	110,445.38	780,000	885,000
2046	110,000	1,843.06	111,843.06	805,000	915,000
2047	-	-	-	830,000	830,000
2048	-	-	-	850,000	850,000
2049	-	-	-	880,000	880,000
<b>TOTALS</b>	<b>\$ 27,010,000</b>	<b>\$ 9,067,219.14</b>	<b>\$ 36,077,219.14</b>	<b>\$ 17,227,100</b>	<b>\$ 44,237,100</b>

\* The Town receives a subsidy credit to offset interest payments related to the Town's 2016 bonds issued through the New York State Environmental Facilities Corporation. The subsidy is not included in the figures included herein.

**CURRENT BONDS OUTSTANDING**

Fiscal Year Ending Dec 31st	2012			2015		
	Refunding of 2004 Water			Various Improvements		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 760,000	\$ 145,000.00	\$ 905,000.00	\$ 265,000	\$ 128,260.00	\$ 393,260.00
2020	800,000	106,000.00	906,000.00	270,000	122,910.00	392,910.00
2021	840,000	65,000.00	905,000.00	280,000	117,410.00	397,410.00
2022	880,000	22,000.00	902,000.00	285,000	111,760.00	396,760.00
2023	-	-	-	295,000	105,960.00	400,960.00
2024	-	-	-	305,000	99,960.00	404,960.00
2025	-	-	-	310,000	93,616.25	403,616.25
2026	-	-	-	320,000	86,522.50	406,522.50
2027	-	-	-	325,000	78,660.00	403,660.00
2028	-	-	-	335,000	70,242.50	405,242.50
2029	-	-	-	345,000	61,143.75	406,143.75
2030	-	-	-	355,000	51,075.00	406,075.00
2031	-	-	-	365,000	40,275.00	405,275.00
2032	-	-	-	375,000	29,175.00	404,175.00
2033	-	-	-	390,000	17,700.00	407,700.00
2034	-	-	-	395,000	5,925.00	400,925.00
2035	-	-	-	-	-	-
2036	-	-	-	-	-	-
2037	-	-	-	-	-	-
<b>TOTALS</b>	<b>\$ 3,280,000</b>	<b>\$ 338,000.00</b>	<b>\$ 3,618,000</b>	<b>\$ 5,215,000</b>	<b>\$1,220,595.00</b>	<b>\$ 6,435,595.00</b>

**CURRENT BONDS OUTSTANDING**

Fiscal Year Ending Dec 31st	2016B*			2016		
	NYS Environmental Facilities Corporation Loan			Refunding Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 75,000	\$ 62,108.76	\$ 137,108.76	\$ 240,000	\$ 209,600.00	\$ 449,600.00
2020	75,000	61,589.00	136,589.00	245,000	200,000.00	445,000.00
2021	75,000	61,016.76	136,016.76	255,000	190,200.00	445,200.00
2022	75,000	60,350.76	135,350.76	270,000	180,000.00	450,000.00
2023	75,000	59,561.00	134,561.00	280,000	169,200.00	449,200.00
2024	80,000	58,638.80	138,638.80	290,000	158,000.00	448,000.00
2025	80,000	57,600.40	137,600.40	300,000	146,400.00	446,400.00
2026	80,000	56,482.00	136,482.00	315,000	134,400.00	449,400.00
2027	80,000	55,215.20	135,215.20	325,000	124,950.00	449,950.00
2028	80,000	53,713.20	133,713.20	335,000	115,200.00	450,200.00
2029	80,000	51,984.00	131,984.00	350,000	105,150.00	455,150.00
2030	85,000	49,980.36	134,980.36	355,000	94,650.00	449,650.00
2031	85,000	47,739.34	132,739.34	365,000	84,000.00	449,000.00
2032	85,000	45,413.30	130,413.30	375,000	73,050.00	448,050.00
2033	85,000	43,022.68	128,022.68	390,000	61,800.00	451,800.00
2034	85,000	40,555.56	125,555.56	400,000	50,100.00	450,100.00
2035	90,000	37,948.90	127,948.90	415,000	38,100.00	453,100.00
2036	90,000	35,209.76	125,209.76	420,000	25,650.00	445,650.00
2037	90,000	32,425.16	122,425.16	435,000	13,050.00	448,050.00
2038	95,000	29,345.70	124,345.70	-	-	-
2039	95,000	25,990.30	120,990.30	-	-	-
2040	95,000	22,634.90	117,634.90	-	-	-
2041	100,000	19,191.20	119,191.20	-	-	-
2042	100,000	15,749.70	115,749.70	-	-	-
2043	100,000	12,398.70	112,398.70	-	-	-
2044	105,000	8,963.92	113,963.92	-	-	-
2045	105,000	5,445.38	110,445.38	-	-	-
2046	110,000	1,843.06	111,843.06	-	-	-
<b>TOTALS</b>	<b>\$ 2,455,000</b>	<b>\$ 1,112,117.80</b>	<b>\$ 3,567,117.80</b>	<b>\$ 6,360,000</b>	<b>\$2,173,500.00</b>	<b>\$ 8,533,500.00</b>

\* The Town receives a subsidy credit to offset interest payments related to the bonds. The subsidy is not included in the figures included herein.

**CURRENT BONDS OUTSTANDING**

Fiscal Year Ending Dec 31st	2017 Various Improvements		
	Principal	Interest	Total
2019	\$ 295,000	\$ 263,056.25	\$ 558,056.25
2020	300,000	256,418.75	556,418.75
2021	310,000	249,668.75	559,668.75
2022	315,000	242,693.75	557,693.75
2023	320,000	235,606.25	555,606.25
2024	330,000	228,406.25	558,406.25
2025	335,000	220,981.25	555,981.25
2026	345,000	213,443.75	558,443.75
2027	355,000	205,681.25	560,681.25
2028	365,000	197,693.75	562,693.75
2029	380,000	189,025.00	569,025.00
2030	390,000	179,525.00	569,525.00
2031	400,000	168,800.00	568,800.00
2032	410,000	157,800.00	567,800.00
2033	420,000	145,500.00	565,500.00
2034	435,000	132,900.00	567,900.00
2035	450,000	119,850.00	569,850.00
2036	465,000	106,350.00	571,350.00
2037	475,000	92,400.00	567,400.00
2038	490,000	78,150.00	568,150.00
2039	505,000	63,450.00	568,450.00
2040	520,000	48,300.00	568,300.00
2041	535,000	32,700.00	567,700.00
2042	555,000	16,650.00	571,650.00
<b>TOTALS</b>	<b>\$ 9,700,000</b>	<b>\$ 3,845,050.00</b>	<b>\$ 13,545,050.00</b>

## CONTINUING DISCLOSURE UNDERTAKING

### Section 1. Definitions

“Annual Financial Information” shall mean the information specified in Section 3 hereof.

“EMMA” shall mean Electronic Municipal Market Access System implemented by the MSRB.

“Financial Obligation” shall mean a (A) debt obligation; (B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) guarantee of (A) or (B). Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with Rule 15c2-12.

“GAAP” shall mean generally accepted accounting principles as in effect from time to time in the United States.

“Holder” shall mean any registered owner of the Security and any beneficial owner of the Security within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934.

“Issuer” shall mean the Town of Bethlehem, a municipal corporation of the State of New York.

“MSRB” shall mean the Municipal Securities Rulemaking Board established in accordance with the provisions of Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Agreement.

“Purchaser” shall mean the financial institution referred to in the Certificate of Determination, executed by the Town Supervisor as of May 23, 2019.

“Rule 15c2-12” shall mean Rule 15c2-12 under the Securities Exchange Act of 1934, as amended through the date of this Undertaking, including any official interpretations thereof issued either before or after the effective date of this Undertaking which are applicable to this Undertaking.

“Security” shall mean the Issuer’s **\$17,227,100 Public Improvement (Serial) Bonds, 2019**, dated May 23, 2019, maturing in various principal amounts on May 15 in each of the years 2020 to 2049, inclusive, and delivered on the date hereof.

Section 2. Obligation to Provide Continuing Disclosure. (a) The Issuer hereby undertakes, for the benefit of Holders of the Security, to provide or cause to be provided either directly or through Fiscal Advisors & Marketing, Inc., 120 Walton Street, Suite 600 Syracuse, New York, to EMMA, or any successor thereto, in an electronic format as prescribed by the MSRB

- (i) (A) no later than September 30 after the end of each fiscal year, commencing with the fiscal year ending December 31, 2019, the Annual Financial Information relating to such fiscal year, and (B) no later than September 30 after the end of each fiscal year, commencing with the fiscal year ending December 31, 2019, the Audited financial statements of the Issuer for each fiscal year, if audited financial statements are prepared by the Issuer and then available; provided, however, that if audited financial statements are not prepared or are not then available, unaudited financial statements shall be provided and audited financial statements, if any, shall be delivered to EMMA within sixty (60) days after they become available and in no event later than December 31 after the end of each fiscal year; provided further, however, that the unaudited financial statement shall be provided for any fiscal year only if the Issuer has made a determination that providing such unaudited financial statement would be compliant with 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; and
- (ii) in a timely manner, not in excess of ten (10) business days after the occurrence of any such event, notice of any of the following events with respect to the Security:
  - (1) Principal and interest payment delinquencies;
  - (2) Non-payment related defaults, if material;

- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Security, or other material events affecting the tax status of the Security;
- (7) Modifications to rights of Security Holders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Security, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the obligated person;

Note to paragraph (12): For the purposes of the event identified in paragraph (12) 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.

- (13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, 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;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
- (15) Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect Security Holders, if material; and
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

(iii) in a timely manner, not in excess of ten (10) business days after the occurrence of such event, notice of a failure to provide by the date set forth in Section 2(a)(i) hereof any Annual Financial Information required by Section 3 hereof.

(b) Nothing herein shall be deemed to prevent the Issuer from disseminating any other information in addition to that required hereby in the manner set forth herein or in any other manner. If the Issuer disseminates any such additional information, the Issuer shall have no obligation to update such information or include it in any future materials disseminated hereunder.

(c) Nothing herein shall be deemed to prevent the Issuer from providing notice of the occurrence of certain other events, in addition to those listed above, if the Issuer determines that any such other event is material with respect to the Security; but the Issuer does not undertake to commit to provide any such notice of the occurrence of any event except those events listed above.

Section 3. Annual Financial Information. (a) The required Annual Financial Information shall consist of the financial information and operating data for the preceding fiscal year, in a form generally consistent with the information contained or cross-referenced in the Issuer's final official statement relating to the Security under the headings "THE TOWN," "TAX INFORMATION," "STATUS OF INDEBTEDNESS," "LITIGATION," and all Appendices (other than "APPENDIX – C" and other than any related to bond insurance); which Annual Financial Information may, but it is not required to, include audited financial statements.

(b) All or any portion of the Annual Financial Information may be incorporated in the Annual Financial Information by cross reference to any other documents which are (i) available to the public on EMMA or (ii) filed with the Securities and Exchange Commission. If such a document is a final official statement, it also must be available on EMMA.

(c) Annual Financial Information for any fiscal year containing any modified operating data or financial information (as contemplated by Section 7(e) hereof) for such fiscal year shall explain, in narrative form, the reasons for such modification and the effect of such modification on the Annual Financial Information being provided for such fiscal year. If a change in accounting principles is included in any such modification, such Annual Financial Information shall present a comparison between the financial statements or information prepared on the basis of the modified accounting principles and those prepared on the basis of the former accounting principles.

Section 4. Financial Statements. The Issuer's annual financial statements for each fiscal year, if prepared, shall be prepared in accordance with GAAP or New York State regulatory requirements as in effect from time to time. Such financial statements, if prepared, shall be audited by an independent accounting firm. The annual audit of the Issuer's annual financial report filed with the Office of the New York State Comptroller in accordance with applicable law, shall not be subject to the foregoing requirements.

Section 5. Remedies. If the Issuer shall fail to comply with any provision of this Undertaking, then any Security Holder may enforce, for the equal benefit and protection of all Holders similarly situated, by mandamus or other suit or proceeding at law or in equity, this Undertaking against the Issuer and any of the officers, agents and employees of the Issuer, and may compel the Issuer or any such officers, agents or employees to perform and carry out their duties under this Undertaking; provided that the sole and exclusive remedy for breach of this Undertaking shall be an action to compel specific performance of the obligations of the Issuer hereunder and no person or entity shall be entitled to recover monetary damages hereunder under any circumstances. Failure to comply with any provision of this Undertaking shall not constitute an event of default on the Security.

Section 6. Parties in Interest. This Undertaking is executed to assist the Purchaser to comply with paragraph (b)(5) of Rule 15c2-12 and is delivered for the benefit of the Holders. No other person shall have any right to enforce the provisions hereof or any other rights hereunder.

Section 7. Amendments. Without the consent of any Security Holders, the Issuer at any time and from time to time may enter into any amendments or changes to this Undertaking for any of the following purposes:

(a) to comply with or conform to any changes in Rule 15c2-12 (whether required or optional);

(b) to add a dissemination agent for the information required to be provided hereby and to make any necessary or desirable provisions with respect thereto;

(c) to evidence the succession of another person to the Issuer and the assumption of any such successor of the duties of the Issuer hereunder;

(d) to add to the duties of the Issuer for the benefit of the Holders, or to surrender any right or power herein conferred upon the Issuer;

(e) to modify the contents, presentation and format of the Annual Information from time to time to conform to changes in accounting or disclosure principles or practices and legal requirements followed by or applicable to the Issuer or to reflect changes in the identity, nature or status of the Issuer or in the business, structure or operations of the Issuer or any mergers, consolidations, acquisitions or dispositions made by or affecting any such person; provided that any such modifications shall comply with the requirements of Rule 15c2-12 or Rule 15c2-12 as in effect at the time of such modification; or

(f) to cure any ambiguity, to correct or supplement any provision hereof which may be inconsistent with any other provision hereof, or to make any other provisions with respect to matters or questions arising under this Undertaking which, in each case, comply with Rule 15c2-12 or Rule 15c2-12 as in effect at the time of such amendment or change;

provided that no such action pursuant to this Section 7 shall adversely affect the interests of the Holders in any material respect. In making such determination, the Issuer shall rely upon an opinion of nationally recognized bond counsel.

Section 8. Termination. (a) This Undertaking shall remain in full force and effect until such time as all principal, redemption premiums, if any, and interest on the Security shall have been paid in full or the Security shall have otherwise been paid or legally defeased in accordance with its terms. Upon any such legal defeasance, the Issuer shall provide notice of such defeasance to EMMA. Such notice shall state whether the Security has been defeased to maturity or to redemption and the timing of such maturity or redemption.

(b) In addition, this Agreement, or any provision hereof, shall be null and void in the event that those portions of Rule 15c2-12 which require this Agreement, or such provision, as the case may be, do not or no longer apply to the Security, whether because such portions of Rule 15c2-12 are invalid, have been repealed, or otherwise.

Section 9. Undertaking to Constitute Written Agreement or Contract. This Undertaking shall constitute the written agreement or contract for the benefit of Holders of the Security, as contemplated under Rule 15c2-12.

Section 10. Governing Law. This Undertaking shall be governed by the laws of the State of New York determined without regard to principles of conflict of law.

IN WITNESS WHEREOF, the undersigned has duly authorized, executed and delivered this Undertaking as of May 23, 2019.

TOWN OF BETHLEHEM

By: /s/ \_\_\_\_\_  
Town Supervisor

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

**GENERAL PURPOSE FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY SCHEDULES**

**December 31, 2018**

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.

The Town's Audited Financial Statements for the year ended December 31, 2018 attached hereto have minor inconsistencies and may be updated after the date of this Official Statement. On page 39 the General Fund, fund balance is shown to be \$8,000,496, but the number is really \$7,950,490 which is correctly shown on page 18 and relates to the unassigned fund balance which was incorrectly doubled during a correction. On page 4 in the Management's Discussion and Analysis Section, net surplus and fund balances are shown correctly, however, interfund operating transfers are included in operating revenues in the General Fund and operating expenses in the Sewer Fund, while they're being included in Capital Fund Transfer in the Water Fund. This does not affect the bottom line, but how the table is shown may change slightly in an updated version of the Audited Financial Statements.

# Town of Bethlehem, New York

## Basic Financial Statements

December 31, 2018

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## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Bethlehem, New York (Town) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Town of Bethlehem Industrial Development Agency (Bethlehem IDA), which comprises the discretely presented component unit. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Bethlehem IDA, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

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

***Adverse Opinion on Governmental Activities***

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on Governmental Activities" paragraph, the financial statements referred to above do not present fairly the financial position of the governmental activities of the Town as of December 31, 2018, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Unmodified Opinions***

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town as of December 31, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 15, and the information listed under Required Supplementary Information in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Management has omitted the Schedule of Other Postemployment Benefits Liability that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2019, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

BST & CO. CPAs, LLP

Albany, New York  
April 22, 2019



# Town of Bethlehem, New York

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

Management's Discussion and Analysis (MD&A) provides a narrative overview and analysis of the financial activities of the Town of Bethlehem, New York (Town) for the fiscal year ended December 31, 2018. The MD&A is intended to serve as an introduction to the Town's basic financial statements, which have the following components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The MD&A is designed to (a) assist the reader in focusing on significant financial matters, (b) provide an overview of the Town's financial activities, (c) identify any material changes from the original budget, and (d) highlight individual fund matters. The following presentation is by necessity highly summarized. In order to gain a thorough understanding of the Town's financial condition, the following financial statements, notes and required supplementary information should be reviewed in their entirety.

### Financial Highlights

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

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

	December 31, 2018			
	General	Highway	Water	Sewer
Final Budgeted Operating Revenue	\$ 19,972,440	\$ 6,817,787	\$ 10,136,137	\$ 4,418,975
Final Budgeted Operating Expenses	(20,269,389)	(7,512,001)	(12,683,417)	(6,191,087)
Budgeted Surplus (Shortfall)	<u>\$ (296,949)</u>	<u>\$ (694,214)</u>	<u>\$ (2,547,280)</u>	<u>\$ (1,772,112)</u>
Actual Revenue	\$ 20,848,514	\$ 6,848,333	\$ 9,998,649	\$ 4,577,705
Operating Expenses	(19,513,677)	(6,302,431)	(9,128,849)	(3,782,618)
Operating Surplus	1,334,837	545,902	869,800	795,087
Capital Fund Transfer	(23,000)	(563,509)	(2,668,299)	(1,606,740)
Net Surplus	1,311,837	(17,607)	(1,798,499)	(811,653)
Total Fund Balances, December 31, 2017	6,638,653	4,047,121	5,663,245	4,624,422
Total Fund Balances, December 31, 2018	<u>\$ 7,950,490</u>	<u>\$ 4,029,514</u>	<u>\$ 3,864,746</u>	<u>\$ 3,812,769</u>
Nonspendable Fund Balances	\$ 611,702	\$ 693,733	\$ 84,017	\$ 43,644
Assigned for Retirement	672,197	307,780	126,088	-
Assigned for Capital	1,307,266	926,079	918,107	1,919,127
Assigned Appropriated for Contingency	-	2,021,742	2,637,869	1,645,824
Assigned Appropriated Fund Balance	319,447	80,180	98,665	204,174
Unassigned for Contingency	5,039,878	-	-	-
Total Fund Balances	<u>\$ 7,950,490</u>	<u>\$ 4,029,514</u>	<u>\$ 3,864,746</u>	<u>\$ 3,812,769</u>

# Town of Bethlehem, New York

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

### Financial Highlights - Continued

#### General Items of Note for All Funds

##### *Fringe Benefits*

The Town employed an average of 213 full-time employees in 2018, as well as a total of 244 part-time and seasonal employees throughout the year. The following schedule provides comparative detail on aggregated fringe benefit costs for current employees:

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

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

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

Retired employees who have met certain eligibility requirements are entitled to receive health care benefits for themselves and their spouses. Those benefits are provided through payments of premiums by participants and the Town to a health insurance company. The Town recognizes the cost of providing these benefits for 172 retirees (including spouses) by expensing the annual insurance premiums. The postemployment expense was \$746 thousand for 2018 and \$762 thousand for 2017, a 2.1% decrease.

Governmental Accounting Standards Board Statement No.75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, requires the employer to recognize the future value of retiree benefits as a liability in the period in which the benefits are earned, which would significantly increase the reported obligations for the Town.

# Town of Bethlehem, New York

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

### Financial Highlights - Continued

#### Interest Income

A summary of the budgeted bank-earned interest income compared to actual for 2018 is presented in the table below. Note that the Town only budgets for interest income in the operating funds and not in the Capital Reserve funds.

<u>Fund</u>	<u>Original Budget</u>	<u>Actual</u>	<u>Positive (Negative) Variance</u>
General	\$ 15,000	\$ 108,156	\$ 93,156
Highway	8,000	54,863	46,863
Water	12,000	44,284	32,284
Sewer	8,000	53,173	45,173
Capital	-	8,474	8,474
Total	<u>\$ 43,000</u>	<u>\$ 268,950</u>	<u>\$ 225,950</u>

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

The Town receives a variety of services from its banks at no additional cost using non-cash credits. Key Bank provided the Town an average compensating balance rate of 0.8125% in addition to interest paid in cash. The Town used these credits to pay for services, such as:

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

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

- Free checks and deposit slips; and
- Free credit card processing for Parks & Recreation activities.

While it is difficult to assign a monetary value to the majority of these services, the lockbox services provided have directly and indirectly saved the Town approximately \$104 thousand annually over the past seven years through personnel reductions, and until the current year when they changed policy, the Town saved \$6 thousand annually on check printing and return payment envelopes.

# Town of Bethlehem, New York

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

### Overview of the Financial Statements

#### Government-Wide Financial Statements

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

The statement of net position presents information on all of the Town's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing changes in the Town's net position during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (for example, uncollected grants and earned but unused vacation leave).

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

#### Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and fiduciary funds.

#### Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

# Town of Bethlehem, New York

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

### Overview of the Financial Statements - Continued

#### Fund Financial Statements - Continued

The Town maintains eight individual governmental funds: the General Fund, the Highway Fund, the Water Fund, the Sewer Fund, the Capital Projects Fund, the Special Grants Fund, the Miscellaneous Fund, and the Ambulance Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Highway Fund, Water Fund, Sewer Fund, and the Capital Projects Fund, all of which are considered to be major funds. The Town has elected to present information from the other non-major governmental funds on the face of the balance sheet and statement of revenues, expenditures, and changes in fund balances. The Town adopts annual budgets for all governmental funds, except for the Miscellaneous Fund, Special Grant Fund, and Capital Projects Fund. Budgetary comparison statements have been provided for these funds to demonstrate compliance with their budgets. Multi-year projections are presented, reviewed and publicly discussed by the Town Board for all major funds to provide financial and operational guidance and direction during all budget discussions.

#### Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support Town programs. The Town maintains only one type of fiduciary fund that is known as an agency fund. The Town holds resources in this fund purely in a custodial capacity. The activity in this fund is limited to the receipt, temporary investment, and remittance of resources to the appropriate individual, organization, or government. The agency fund financial statements are presented in this report.

#### Notes to Financial Statements

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

# Town of Bethlehem, New York

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

### Government-Wide Financial Analysis

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

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

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

# Town of Bethlehem, New York

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

### Government-Wide Financial Analysis - Continued

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

	Governmental Activities			
	2018	2017	\$ Change	% Change
<b>Revenues</b>				
Program revenues				
Charges for services	\$ 13,095,340	\$ 12,461,067	\$ 634,273	5.09%
Operating grants and contributions	445,770	521,737	(75,967)	-14.56%
Capital grants and contributions	547,867	1,475,040	(927,173)	-62.86%
General revenues				
Taxes	26,946,509	25,827,237	1,119,272	4.33%
Other	2,493,803	1,979,653	514,150	25.97%
Total revenues	<u>43,529,289</u>	<u>42,264,734</u>	<u>1,264,555</u>	<u>2.99%</u>
<b>Expenses</b>				
General government support	5,984,184	5,738,447	245,737	4.28%
Public safety	8,751,442	8,861,561	(110,119)	-1.24%
Health	1,210,899	1,183,337	27,562	2.33%
Transportation	6,379,954	6,180,946	199,008	3.22%
Economic opportunity and development	1,028,941	1,067,509	(38,568)	-3.61%
Culture and recreation	1,684,739	1,784,695	(99,956)	-5.60%
Home and community services	12,024,432	13,105,143	(1,080,711)	-8.25%
Interest on long-term debt	841,015	629,607	211,408	33.58%
Total expenses	<u>37,905,606</u>	<u>38,551,245</u>	<u>(645,639)</u>	<u>-1.67%</u>
Increase in net position	<u>\$ 5,623,683</u>	<u>\$ 3,713,489</u>	<u>\$ 1,910,194</u>	<u>51.44%</u>

The majority of the Town's programs remained relatively consistent year over year. The decrease in home and community services expenses is related to a reduction in water related capital repairs and maintenance. These projects included water main repairs, dam safety, wellfields, and project design costs.

### The Town's Funds

The Town uses fund accounting to ensure compliance with legal and financial related requirements. As the Town completed the year, its government funds (as presented in the balance sheet on page 18) reported a combined fund balance of \$25.7 million. All the Town's major funds, excluding the capital projects fund, showed excess revenues over expenditures before other financing sources (uses).

#### Items of Note for the General Fund

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

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

# Town of Bethlehem, New York

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

### The Town's Funds - Continued

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

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

In 2017, the General Fund had a \$757 thousand assigned fund balance in the operating fund to help cover infrastructure and equipment costs identified through the Town's multi-year capital planning process. In 2018, the Town Board assigned an additional \$550 thousand of General Fund balance to help cover future capital needs, and as part of the Town's fund balance policy. The total assigned fund balance, \$1.3 million, will remain in the operating fund, separately identified, until additional projects are authorized by the Town Board.

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

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

### Items of Note for the Highway Fund

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

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

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

# Town of Bethlehem, New York

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

### The Town's Funds - Continued

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

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

In 2017, the Highway Fund had \$570 thousand of assigned fund balance in the operating fund to help cover infrastructure and equipment costs identified through the Town's multi-year capital planning process. In 2018, the Town Board assigned an additional \$920 thousand of Highway Fund operating fund balance to help cover future capital needs and as part of the Town's fund balance policy. Further, the Town transferred \$564 thousand of assigned fund balance to the Highway Fund Capital Reserve to pay for projects committed to by Town Board action. The total remaining assigned fund balance, \$926 thousand, will remain in the operating fund, separately identified, until additional projects are authorized by the Town Board.

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

There were no new debt issuances in 2018.

### Items of Note for the Water Fund

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

The Water Fund's operating revenues increased by \$372 thousand, or 3.9%, from \$9.6 million in 2017 to \$10.0 million in 2018.

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

# Town of Bethlehem, New York

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

### The Town's Funds - Continued

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

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

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

There were no new debt issuances in 2018.

### Items of Note for the Sewer Fund

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

The Sewer Fund's operating revenue decreased by \$140 thousand, or 3.0%, from \$4.7 million in 2017 to \$4.6 million in 2018, primarily due to:

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

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

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

There were no new debt issuances in 2018.

# Town of Bethlehem, New York

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

### The Town's Funds - Continued

#### Analysis of Fund Balance

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

The projected 2019 levels for the operating funds indicate sufficient net assets to fund current budgetary requirements. Consistent with Town policy, balances held above the ceiling of 20% are identified in the infrastructure reserve and will be moved to the appropriate capital reserve accounts in 2019.

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

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

### Capital Asset and Debt Administration

#### *Capital Assets*

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

#### *Summary of Long-Term Liabilities*

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

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

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

# **Town of Bethlehem, New York**

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

### **Economic Factors Affecting the Town**

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

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

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

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

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

# Town of Bethlehem, New York

## Statement of Net Position

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

# Town of Bethlehem, New York

## Statement of Activities

Year Ended December 31, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Component Unit
<b>Governmental Activities</b>						
General government support	\$ 5,984,184	\$ 565,764	\$ -	\$ 126,522	\$ (5,291,898)	\$ -
Public safety	8,751,442	484,113	43,923	-	(8,223,406)	-
Health	1,210,899	-	-	-	(1,210,899)	-
Transportation	6,379,954	100,740	-	278,827	(6,000,387)	-
Economic opportunity and development	1,028,941	96,238	393,847	-	(538,856)	-
Culture and recreation	1,684,739	525,725	7,000	-	(1,152,014)	-
Home and community services	12,024,432	11,322,760	1,000	142,518	(558,154)	-
Interest on long-term debt	841,015	-	-	-	(841,015)	-
	<b>37,905,606</b>	<b>13,095,340</b>	<b>445,770</b>	<b>547,867</b>	(23,816,629)	-
<b>Component Unit</b>	<b>\$ 129,628</b>	<b>270,153</b>	<b>\$ -</b>	<b>\$ -</b>	-	<b>\$ 140,525</b>
<b>GENERAL REVENUES</b>						
					14,058,421	-
					12,888,088	-
					1,324,512	-
					1,169,291	339
					<b>29,440,312</b>	<b>339</b>
					<b>5,623,683</b>	<b>140,864</b>
					97,290,398	427,802
					<b>\$ 102,914,081</b>	<b>\$ 568,666</b>

See accompanying Notes to Basic Financial Statements.

# Town of Bethlehem, New York

## Balance Sheets - Governmental Funds

December 31, 2018

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

See accompanying Notes to Basic Financial Statements.

# Town of Bethlehem, New York

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

	<b>December 31, 2018</b>
Total fund balances - governmental funds	\$ 25,662,858
Amounts reported for government activities in the statement of net position are different because:	
Capital assets used in government activities are not financial resources and, therefore, are not reported in the funds.	105,911,954
Deferred inflows of resources related to the Town's revenues that will be collected after year-end, but are not available soon enough to pay for the current period's expenditures are deferred in the funds.	481,018
Pension contributions subsequent to the measurement date are reported as deferred outflows of resources in the statement of net position:	
Total pension contribution subsequent to the measurement date	2,619,431
Total prepaid pension contribution	<u>(654,664)</u>
	1,964,767
Some liabilities (listed below) are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds payable	(27,010,000)
Net pension liability, net of deferrals	(3,395,792)
Claims payable	(60,000)
Landfill post-closure costs	(100,000)
Compensated absences	<u>(540,724)</u>
	<u>(31,106,516)</u>
<b>Total net position - governmental activities</b>	<b><u>\$ 102,914,081</u></b>

# Town of Bethlehem, New York

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

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

See accompanying Notes to Basic Financial Statements.

# Town of Bethlehem, New York

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

		<b>Year Ended December 31, 2018</b>
Net change in fund balance - total governmental funds		\$ (3,816,669)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in governmental funds, and the sale of capital assets is recorded as revenue in governmental funds. However, in the statement of activities, the cost of capital assets is reported as assets, while disposals, net of sale proceeds are reported as expenses. In the current period, these amounts are:		
Purchase of assets	8,261,011	
Disposal of capital assets	<u>(210,029)</u>	8,050,982
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This amount is the net effect of proceeds and repayments:		
Repayment of principal		1,802,241
Decrease in revenues in the statement of activities that does not reduce current financial resources are not reported in the funds.		
		(362,121)
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported in the funds:		
General government support	12,770	
Public safety	(24,511)	
Transportation	(16,476)	
Economic opportunity and development	(1,503)	
Culture and recreation	(2,836)	
Home and community services	<u>(18,194)</u>	<u>(50,750)</u>
<b>Change in net position of governmental activities</b>		<b><u>\$ 5,623,683</u></b>

# Town of Bethlehem, New York

## Statement of Fiduciary Net Position

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

# Town of Bethlehem, New York

## Notes to Basic Financial Statements December 31, 2018

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

#### *a. Organization*

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

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

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

#### *b. Financial Reporting Entity*

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

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

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

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

Town of Bethlehem Industrial Development Agency  
445 Delaware Avenue  
Delmar, New York 12054

#### *c. Basis of Presentation*

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

# Town of Bethlehem, New York

## Notes to Basic Financial Statements December 31, 2018

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

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

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

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

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

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

#### *d. Government-Wide and Fund Financial Statements*

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the Town and its component unit. The effect of interfund activity within the governmental activities has been eliminated from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Town does not have any business-type activities.

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

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

# Town of Bethlehem, New York

## Notes to Basic Financial Statements December 31, 2018

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

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

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

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

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

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

#### *Major Funds*

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

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

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

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

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

# Town of Bethlehem, New York

## Notes to Basic Financial Statements December 31, 2018

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

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

##### *Non-Major Funds*

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

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

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

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

#### *f. Estimates*

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

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

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

Account and other receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a periodic basis. Management determines the allowance for doubtful accounts, if any, by identifying troubled accounts and by using historical experience applied to an aging of accounts. No allowance was deemed necessary at December 31, 2018.

#### *h. Inventory*

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

# Town of Bethlehem, New York

## Notes to Basic Financial Statements December 31, 2018

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

#### *i. Interfund Transactions*

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

#### *j. Capital Assets*

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

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

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

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

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

#### *l. Compensated Absences*

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

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

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

# Town of Bethlehem, New York

## Notes to Basic Financial Statements December 31, 2018

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

#### *m. Pensions*

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

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

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

The Town recognizes the cost of providing benefits by recording its share of insurance premiums as an expenditure in the year paid. Postretirement benefits were provided to 172 individuals, at a cost of \$746,302 for the year ended December 31, 2018.

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

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

#### *p. Deferred Compensation Plan*

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

# Town of Bethlehem, New York

## Notes to Basic Financial Statements December 31, 2018

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

#### q. Long-Term Debt Obligations

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

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

#### r. Net Position and Fund Balance

The following terms are used in reporting net position:

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

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

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

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

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

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

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

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

# Town of Bethlehem, New York

## Notes to Basic Financial Statements December 31, 2018

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

#### s. Net Position and Fund Balance - Continued

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

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

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

#### t. Subsequent Events

The Town has evaluated subsequent events for potential recognition or disclosure through April 22, 2019, the date the financial statements were available to be issued.

### Note 2 - Cash and Investments

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

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

At year end, the book balance of the Town's Government Wide deposits was \$22,533,771 (excluding \$2,350 in petty cash), and the bank balance was \$22,656,721. The insured and collateral status of the bank balance was as follows:

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

# Town of Bethlehem, New York

## Notes to Basic Financial Statements December 31, 2018

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

Due from other governments is composed of the following:

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

Amounts due to other governments consist of the following balances:

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

### Note 4 - Capital Assets

A summary of changes in capital assets is as follows:

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

# Town of Bethlehem, New York

## Notes to Basic Financial Statements December 31, 2018

### Note 5 - Long-Term Liabilities

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

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

See Note 9 for discussion of the net pension liability and pension deferred inflows.

#### a. Bonds Payable

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

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

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

# Town of Bethlehem, New York

## Notes to Basic Financial Statements December 31, 2018

### Note 5 - Long-Term Liabilities

*a. Bonds Payable - Continued*

Aggregate minimum maturities of debt service are as follows:

	Principal	Interest	Total
For the year ending December 31,			
2019	\$ 1,635,000	\$ 776,971	\$ 2,411,971
2020	1,690,000	716,123	2,406,123
2021	1,760,000	652,787	2,412,787
2022	1,825,000	586,629	2,411,629
2023	970,000	540,547	1,510,547
2024 through 2028	5,290,000	2,314,982	7,604,982
2029 through 2033	6,085,000	1,577,739	7,662,739
2034 through 2038	4,830,000	750,218	5,580,218
2039 through 2043	2,605,000	209,082	2,814,082
2044 through 2046	320,000	8,126	328,126
	\$ 27,010,000	\$ 8,133,204	\$ 35,143,204

*b. Judgments and Claims*

The Town has been named a defendant in various actions. A review of these actions with the Town's Attorney indicates that the risk of loss to the Town is reasonably possible for certain cases. The estimated range of loss for those cases is up to \$60,000. Provisions for losses for those cases is recorded in the statement of net position.

*c. Landfill Post-Closure Costs*

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

*d. Compensated Absences*

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

# Town of Bethlehem, New York

## Notes to Basic Financial Statements December 31, 2018

### Note 6 - Unearned Revenue

Unearned revenue consists of the following:

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

### Note 7 - Deferred Inflows of Resources

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

	Federal and State Grants	Departmental Income	Total
Water	\$ -	\$ 282,060	\$ 282,060
Sewer	-	198,364	198,364
Special Grant	594	-	594
	\$ 594	\$ 480,424	\$ 481,018

### Note 8 - Interfund Transactions

During the course of operations, the Town has numerous transactions between funds, including expenditures and transfers of revenue to provide services and construct assets. For the year ended December 31, 2018, interfund receivables, payables, revenues and expenses arising from these transactions were as follows:

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

# Town of Bethlehem, New York

## Notes to Basic Financial Statements December 31, 2018

### Note 9 - Retirement System

#### *a. Plan Description and Benefits Provided*

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

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

#### *b. Contributions*

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

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

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

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

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

At December 31, 2018, the Town reported a liability of \$2,449,147 for its proportionate share of the net pension liability of the System in the non-current governmental liabilities account group. The net pension liability was measured as of March 31, 2018, and the total pension liability was determined by an actuarial valuation as of April 1, 2017. The Town's proportion of the net pension liability was based on the ratio of its actuarially determined employer contribution to the System's total actuarially determined employer contribution for the fiscal year ended on the measurement date. At the March 31, 2018 measurement date, the Town's proportionate share of ERS and PFRS was 0.042864% and 0.1054407%, respectively.

# Town of Bethlehem, New York

## Notes to Basic Financial Statements December 31, 2018

### Note 9 - Retirement System - Continued

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

For the year ended December 31, 2018, the Town recognized pension expense of \$2,647,463 in the governmental wide financial statements. At December 31, 2018, the Town reported deferred outflows of resources and deferred inflows of resources as follows (in thousands):

	ERS		PFRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 493,413	\$ 407,738	\$ 438,652	\$ 283,194
Changes of assumptions	917,307	-	807,498	-
Net differences between projected and actual investment earnings on pension plan investments	2,009,276	3,966,108	862,599	1,737,228
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,975	178,599	108,985	18,483
Contributions subsequent to the measurement date	1,655,041	-	964,390	-
<b>Total</b>	<b>\$ 5,082,012</b>	<b>\$ 4,552,445</b>	<b>\$ 3,182,124</b>	<b>\$ 2,038,905</b>

Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts recognized as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	ERS	PFRS
Year ending December 31,		
2019	\$ 224,653	\$ 246,656
2020	175,308	222,296
2021	(1,045,484)	(209,813)
2022	(479,951)	(136,701)
2023	-	56,391
<b>Total</b>	<b>\$ (1,125,474)</b>	<b>\$ 178,829</b>

*d. Actuarial Assumptions*

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

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

# Town of Bethlehem, New York

## Notes to Basic Financial Statements December 31, 2018

### Note 9 - Retirement System - Continued

#### d. Actuarial Assumptions - Continued

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

The actuarial assumptions used in the April 1, 2017 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015.

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

#### e. Investment Asset Allocation

The long-term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by each target asset allocation percentage and by adding expected inflation. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation as of March 31, 2018 are summarized below:

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

# Town of Bethlehem, New York

## Notes to Basic Financial Statements December 31, 2018

### Note 9 - Retirement System - Continued

*f. Discount Rate*

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

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

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

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

*h. Pension Plan Fiduciary Net Position*

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

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

# Town of Bethlehem, New York

## Notes to Basic Financial Statements December 31, 2018

### Note 10 - Fund Balances

Fund balances are detailed as follows:

	<u>General</u>	<u>Highway</u>	<u>Water</u>	<u>Sewer</u>	<u>Capital Projects</u>	<u>Non-Major Funds</u>
<b>Nonspendable</b>						
Inventory	\$ 125,469	\$ 597,545	\$ 9,665	\$ -	\$ -	-
Prepaid	<u>486,233</u>	<u>96,188</u>	<u>74,352</u>	<u>43,644</u>	-	<u>\$ -</u>
	<u>611,702</u>	<u>693,733</u>	<u>84,017</u>	<u>43,644</u>	-	-
<b>Restricted</b>						
Capital reserve	-	-	-	-	4,113,728	-
Bond proceeds - capital	-	-	-	-	870,363	-
Landfill post-closure	-	-	-	-	189,840	-
Parklands	-	-	-	-	-	831,408
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,173,931</u>	<u>831,408</u>
<b>Assigned</b>						
Encumbrances	319,447	80,180	98,665	204,172	-	-
Capital reserve	1,307,266	926,079	918,107	1,919,127	-	-
Retirement contribution	672,197	307,780	126,088	-	-	-
Highway Fund	-	2,021,742	-	-	-	-
Water Fund	-	-	2,637,869	-	-	-
Sewer Fund	-	-	-	1,645,826	-	-
	<u>2,298,910</u>	<u>3,335,781</u>	<u>3,780,729</u>	<u>3,769,125</u>	<u>-</u>	<u>-</u>
<b>Unassigned</b>						
	<u>5,089,884</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 8,000,496</u>	<u>\$ 4,029,514</u>	<u>\$ 3,864,746</u>	<u>\$ 3,812,769</u>	<u>\$ 5,173,931</u>	<u>\$ 831,408</u>

#### *Restricted Fund Balance*

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

#### GML Section 6-C Reserves

Improvements and equipment	\$ 346,604
Recreational facilities	156,529
Fire tower and additions and improvements	90,705
Highway equipment	1,180,242
Reconstruction of water facilities	1,858,597
Reconstruction of sewer facilities	<u>1,351,414</u>
Total GML Section 6-C	4,984,091
GML Section 6-O Reserves	<u>189,840</u>
Total Capital Reserves Under GML Sections 6-C and 6-O	<u><u>\$ 5,173,931</u></u>

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

# Town of Bethlehem, New York

## Notes to Basic Financial Statements December 31, 2018

### Note 10 - Fund Balances - Continued

The Town has a fund balance policy that provides guidance for minimum, maximum, and optimal levels at which the operating fund reserves should be held. These percentages of fund balance to appropriations are set at 7%, 20%, and 15%, respectively. As of December 31, 2018, all funds were at maximum. To the extent that fund balances exceed the maximum, per policy, the balances are assigned as infrastructure reserve funds.

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

### Note 11 - Tax Abatements

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

Information relevant to disclosure of these agreements for the year ended December 31, 2018 is as follows:

Property Owner	Taxable Assessed Value	Tax Rate <sup>1</sup> per 000	Tax Value	PILOT Received	Taxes Abated
44-74 21st Street, LLC	\$ 7,700,000	\$ 2.54	\$ 19,593	\$ 7,152	\$ 12,441
Albany Enterprises LLC	2,100,000	2.54	5,344	4,075	1,269
American Housing Foundation <sup>2</sup>	-	2.54	-	12,281	(12,281)
Cole Capital Corp	9,600,000	2.54	24,428	23,317	1,111
CPI Bethlehem BERK I LLC	1,100,000	2.54	2,799	1,216	1,583
CPI Bethlehem SEF I LLC	1,200,000	2.54	3,053	1,312	1,741
Finke Enterprises, LLC	5,900,000	2.54	15,013	10,123	4,890
MALM Realty Company	1,000,000	2.54	2,545	2,039	506
PSEG Power	100,000,000	2.54	254,454	261,737	(7,283)
SAE Sun and Earth Energy Corp	163,700	2.54	417	417	-
Vista Development Group LLC	2,621,000	2.54	6,669	6,669	-
Vista Medical LLC	1,350,000	2.54	3,435	2,471	964
	<u>\$ 132,734,700</u>		<u>\$ 337,750</u>	<u>\$ 332,809</u>	<u>\$ 4,941</u>

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

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

# Town of Bethlehem, New York

## Notes to Basic Financial Statements December 31, 2018

### Note 12 - Commitments

The Town has completed closure of the North Street landfill in accordance with an Order of Consent issued by the Department of Environmental Conservation (DEC) on November 18, 1993. The Town is required to monitor the site for 30 years, with 22 years lapsed as of December 31, 2018. The current estimated liability for post-closure care costs of the landfill for the remaining 8 years is \$38,000. However, the actual cost of post-closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. Funds have been reserved to finance the remaining post-closure costs.

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

### Note 13 - Contingencies, Risks and Uncertainties

#### *Judgments and Claims*

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town has purchased commercial insurance for all risk above minimal deductible amounts except for workers' compensation and environmental hazards. Settled claims have not exceeded the commercial coverage, or the amounts provided for in long-term liabilities by any material amounts during 2018. There was no reduction in insurance coverage during 2018. An estimate of this liability is recorded at December 31, 2018, for outstanding claims or for any potential claims incurred but not reported as of that date in the long-term liabilities.

#### *Self-Insurance*

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

#### *Union Contracts*

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

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

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

# Town of Bethlehem, New York

## Notes to Basic Financial Statements December 31, 2018

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

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

GASB Statement No. 84, *Fiduciary Activities* (GASB 84). GASB 84 established criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria is generally on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this statement are effective for reporting periods beginning after December 15, 2018.

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

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. This statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018.

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

# Town of Bethlehem, New York

## Notes to Basic Financial Statements December 31, 2018

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

GASB Statement No. 90, *Majority Equity Interests*. This statement will provide financial reporting users with information related to the presentation of majority equity interests in legally separate organizations. In addition, this statement requires the reporting of information about component units if the government acquires a 100% equity interest about the cost of services to be provided by the component unit in relation to the consideration provided to acquire the component unit. The requirements for this statement are effective for reporting periods beginning after December 15, 2018.

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

# Town of Bethlehem, New York

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

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

See Independent Auditor's Report.

# Town of Bethlehem, New York

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

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

# Town of Bethlehem, New York

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

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

# Town of Bethlehem, New York

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

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

# Town of Bethlehem, New York

## Notes to Budgetary Basis Reporting December 31, 2018

The Town employs the following budgetary procedures:

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

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

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

# Town of Bethlehem, New York

## Schedule of Proportionate Share of the Net Pension Liability December 31, 2018

	December 31,	
	2018	2017
<b>ERS</b>		
Town's proportion of the net pension liability	0.04286360%	0.04359270%
Town's proportionate share of the net pension liability	\$ 1,383,398	\$ 4,096,063
Town's covered-employee payroll	\$ 11,277,347	\$ 11,005,858
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	12.27%	37.22%
Plan fiduciary net position as a percentage of the total pension liability	98.24%	94.70%
<b>PFRS</b>		
Town's proportion of the net pension liability	0.10544070%	0.10243820%
Town's proportionate share of the net pension liability	\$ 1,065,749	\$ 2,123,188
Town's covered-employee payroll	\$ 3,989,317	\$ 3,923,577
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	26.72%	54.11%
Plan fiduciary net position as a percentage of the total pension liability	96.93%	93.46%

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

# Town of Bethlehem, New York

## Schedule of Employer Contributions December 31, 2018

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

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



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Bethlehem, New York (Town) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated April 22, 2019, which contained an adverse opinion on the governmental activities opinion unit and unmodified opinions on the other opinion units. Our report includes a reference to other auditors who audited the financial statements of the Town of Bethlehem Industrial Development Agency (Agency), as described in our report on the Town's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance with other matters that are reported separately by those auditors.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

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

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

### **Purpose of this Report**

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

BST & CO. CPAs, LLP

Albany, New York  
April 22, 2019



# Town of Bethlehem, New York

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

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

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

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

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

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

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