

DEFERRED COMPENSATION PLAN  
FOR EMPLOYEES OF THE  
TOWN OF BETHLEHEM  
Financial Statements  
December 31, 2014 and 2013  
(With Independent Auditors' Report Thereon)

DEFERRED COMPENSATION PLAN FOR  
EMPLOYEES OF THE TOWN OF BETHLEHEM

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INDEPENDENT AUDITORS' REPORT

The Deferred Compensation Committee  
Deferred Compensation Plan for Employees  
of the Town of Bethlehem:

Report on the Financial Statements

We have audited the accompanying financial statements of the Deferred Compensation Plan for Employees of the Town of Bethlehem (the Plan), which comprise the statements of fiduciary net assets available for plan benefits as of December 31, 2014 and 2013, and the related statements of changes in fiduciary net assets available for plan benefits for the years then ended, and the related notes to financial statements.

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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Plan'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 Plan'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 opinion.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net assets available for plan benefits of the Deferred Compensation Plan for Employees of the Town of Bethlehem as of December 31, 2014 and 2013, and the changes in its fiduciary net assets available for plan benefits for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Toski & Co., CPAs, P.C.

Williamsville, New York  
June 29, 2015

DEFERRED COMPENSATION PLAN FOR  
EMPLOYEES OF THE TOWN OF BETHLEHEM

Management's Discussion and Analysis

December 31, 2014 and 2013

This section presents management's discussion and analysis (MD&A) of the Deferred Compensation Plan for Employees of the Town of Bethlehem's (the Plan) financial position and performance for the fiscal years ended December 31, 2014 and 2013. This section is presented as a narrative overview and analysis. Please read the MD&A in conjunction with the financial statements and notes to financial statements to better understand the financial condition and performance of the Plan during the fiscal years ended December 31, 2014 and 2013.

**Financial Highlights**

- The Plan's net assets at December 31, 2014 were \$8,646,661, as compared to \$7,995,716 at December 31, 2013. The net assets represent participant contributions and net investment income.
- The Plan's net assets for the year ended December 31, 2014 increased by \$650,945, or approximately 8.1%, from the prior year. The Plan's net assets for the year ended December 31, 2013 increased by \$1,552,270, or approximately 24.1%, from 2012.
- The Plan had investment income of \$393,610 during the year ended December 31, 2014, compared to \$1,033,265 in investment income during the year ended December 31, 2013.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Plan's financial statements, which comprise the following:

- Statements of Fiduciary Net Assets Available for Plan Benefits
- Statements of Changes in Fiduciary Net Assets Available for Plan Benefits
- Notes to Financial Statements

Statements of Fiduciary Net Assets Available for Plan Benefits - These statements present information regarding the Plan's assets, liabilities and resulting fiduciary net assets held in trust for plan benefits. This statement reflects the Plan's investments at fair market value at December 31, 2014 and 2013.

Statements of Changes in Fiduciary Net Assets Available for Plan Benefits - These statements present how the Plan's net assets held in trust changed during the years ended December 31, 2014 and 2013. These statements present contributions by participants along with net investment income during the periods from individual participant-directed investing activities. Deductions for participant benefit payments and administrative expenses are also presented.

Notes to Financial Statements - The notes to financial statements are an integral part of the financial statements and provide additional detailed information and schedules that are essential to better understand the Plan's financial statements.

DEFERRED COMPENSATION PLAN FOR  
EMPLOYEES OF THE TOWN OF BETHLEHEM  
Management's Discussion and Analysis, Continued

**Condensed Financial Information**

<u>Description</u>	<u>2014</u>	<u>2013</u>	<b>Net assets</b>		<u>2012</u>
			<u>Amount</u>	<u>Increase Percentage</u>	
Assets:					
Investments, at fair value:					
Pooled separate accounts	\$ 5,883,480	5,529,873	353,607	6.4%	4,212,800
Guaranteed interest account	<u>2,593,943</u>	<u>2,339,458</u>	<u>254,485</u>	<u>10.9%</u>	<u>2,105,098</u>
Total investments	8,477,423	7,869,331	608,092	7.7%	6,317,898
Notes receivable from participants	<u>169,238</u>	<u>126,385</u>	<u>42,853</u>	<u>33.9%</u>	<u>125,548</u>
Total fiduciary net assets available for plan benefits	\$ <u>8,646,661</u>	<u>7,995,716</u>	<u>650,945</u>	<u>8.1%</u>	<u>6,443,446</u>

<u>Description</u>	<u>2014</u>	<u>2013</u>	<b>Change in net assets</b>		<u>2012</u>
			<u>Amount</u>	<u>Increase (decrease) Percentage</u>	
Fiduciary net assets available for plan benefits at beginning of year	\$ <u>7,995,716</u>	<u>6,443,446</u>	<u>1,552,270</u>	<u>24.1%</u>	<u>5,750,011</u>
Additions:					
Contributions	688,354	955,938	(267,584)	(28.0%)	609,400
Net investment/interest income	<u>393,610</u>	<u>1,033,265</u>	<u>(639,655)</u>	<u>(61.9%)</u>	<u>579,756</u>
Total additions	<u>1,081,964</u>	<u>1,989,203</u>	<u>(907,239)</u>	<u>(45.6%)</u>	<u>1,189,156</u>
Deductions:					
Benefits paid to participants	429,050	436,133	(7,083)	(1.6%)	494,871
Administrative expenses	<u>1,969</u>	<u>800</u>	<u>1,169</u>	<u>(146.2%)</u>	<u>850</u>
Total deductions	<u>431,019</u>	<u>436,933</u>	<u>(5,914)</u>	<u>(1.4%)</u>	<u>495,721</u>
Increase	<u>650,945</u>	<u>1,552,270</u>	<u>(901,325)</u>	<u>(58.1%)</u>	<u>693,435</u>
Fiduciary net assets available for plan benefits at end of year	\$ <u>8,646,661</u>	<u>7,995,716</u>	<u>650,945</u>	<u>8.1%</u>	<u>6,443,446</u>

**Investments**

The Plan is entirely participant-directed, which means that each Plan participant decides how his or her contribution is to be allocated among the investment options. Each participant's account is credited with the participant's contributions and the appreciation or depreciation in unit value for the respective investment funds.

DEFERRED COMPENSATION PLAN FOR  
EMPLOYEES OF THE TOWN OF BETHLEHEM  
Management's Discussion and Analysis, Continued

Investments consisted of the following at December 31, 2014 and 2013:

	<u>Market value</u>	
	<u>2014</u>	<u>2013</u>
Nationwide Guaranteed Interest Account	\$ 2,593,943	2,339,458
Nationwide Inv Destination Moderate Aggressive Fund	680,670	647,484
Fidelity Contrafund	659,457	664,129
Nationwide Inv Destination Moderate Fund	418,741	410,525
Pimco Total Return Fund	340,230	304,351
Dreyfus S&P 500 Index Fund	324,606	178,118
Invesco Van Kampen Growth and Income Fund	314,390	265,284
Nationwide Inv Destination Aggressive Fund	280,407	241,528
Neuberger Berman Genesis Fund	228,630	209,364
JPMorgan Mid Cap Value Fund	212,570	147,056
Nationwide Large Cap Growth Fund	210,661	280,252
Fidelity Equity Income Fund	176,079	164,351
Waddell & Reed High Income Fund	128,383	270,494
American Century Heritage	150,335	104,491
Nationwide International Index Fund	118,422	135,799
Oppenheimer Global Fund	141,324	120,356
Nationwide Destination 2035 Fund	114,866	262,972
American Century Value Fund	136,690	86,675
Brown Capital Management Small Co. Fund	96,145	81,661
Nationwide Mid Cap Market Fund	90,719	77,721
Dreyfus Appreciation Fund	89,652	83,764
Nationwide S&P 500 Index Fund	88,528	10
Nationwide Destination 2025 Fund	84,609	74,374
American Century Growth Fund	81,513	61,093
Nationwide Inv Destination Conservative Fund	81,496	16,808
Nationwide Destination 2050 Fund	80,868	63,472
T Rowe Price Growth Stock Fund	58,656	35,923
Nationwide Destination 2030 Fund	54,822	35,110
Nationwide Growth Institutional Service	50,703	-
Federated U.S. Government Fund	49,504	50,825
Nationwide Destination 2045 Fund	47,850	34,847
Janus Fund	45,796	39,888
Nationwide US Small Cap Value Fund	38,902	32,848
Nationwide Inv Destination Moderate Conservative Fund	33,466	32,434
Neuberger Berman Socially Resp. Fund	31,876	100,833
Nationwide Destination 2020 Fund	31,396	26,092
Nationwide Bond Index Fund	19,025	10,979
Nationwide Institutional Service Fund	14,552	1,218

DEFERRED COMPENSATION PLAN FOR  
EMPLOYEES OF THE TOWN OF BETHLEHEM  
Management's Discussion and Analysis, Continued

**Investments, Continued**

	<u>Market value</u>	
	<u>2014</u>	<u>2013</u>
Invesco International Growth	\$ 14,379	8,510
American Century International Discovery Fund	13,884	12,697
Nationwide Destination 2040 Fund	13,478	10,576
Wells Fargo Advantage Discovery	13,007	394
Nationwide Small Cap Index Fund	8,813	2,776
Nationwide Destination 2055 Fund	5,411	3,404
Nationwide Money Market Fund	4,355	43,709
NVIT Multi Manager Small Company Fund	3,614	3,698
Nationwide International Value Fund	-	90,980
	<u>\$ 8,477,423</u>	<u>7,869,331</u>

**Contributions and Distributions**

The Plan had contributions of \$688,354 during the year ended December 31, 2014 compared to \$955,938 during the year ended December 31, 2013.

The Plan had benefits paid to participants of \$429,050 during the year ended December 31, 2014 compared to \$436,133 during the year ended December 31, 2013.

**Fiduciary Responsibilities**

The Town of Bethlehem Deferred Compensation Plan Committee and the Plan administrator are co-fiduciaries of the Plan.

The Plan's assets can only be used for the exclusive benefit of the Plan's participants, beneficiaries and alternate payees.

**Request for Information**

This financial report is designed to provide a general overview for those parties interested in the Plan's finances. Questions concerning any of the information provided in this financial report or requests for additional information should be addressed to:

Town of Bethlehem Deferred Compensation Plan  
445 Delaware Avenue  
Delmar, New York 12054

DEFERRED COMPENSATION PLAN FOR  
EMPLOYEES OF THE TOWN OF BETHLEHEM  
Statements of Fiduciary Net Assets Available for Plan Benefits  
December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Assets:		
Investments, at fair value:		
Pooled separate accounts	\$ 5,883,480	5,529,873
Guaranteed interest account	<u>2,593,943</u>	<u>2,339,458</u>
Total investments	8,477,423	7,869,331
Notes receivable from participants	<u>169,238</u>	<u>126,385</u>
Fiduciary net assets available for plan benefits	<u><u>\$ 8,646,661</u></u>	<u><u>7,995,716</u></u>

See accompanying notes to financial statements.

DEFERRED COMPENSATION PLAN FOR  
EMPLOYEES OF THE TOWN OF BETHLEHEM  
Statements of Changes in Fiduciary Net Assets Available for  
Plan Benefits  
Years ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Additions to fiduciary net assets attributed to:		
Contributions	\$ 688,354	955,938
Net investment income	387,959	1,027,546
Interest income on notes receivable from participants	<u>5,651</u>	<u>5,719</u>
Total additions to fiduciary net assets	<u>1,081,964</u>	<u>1,989,203</u>
Deductions from fiduciary net assets attributed to:		
Benefits paid to participants	429,050	436,133
Administrative expenses	<u>1,969</u>	<u>800</u>
Total deductions from fiduciary net assets	<u>431,019</u>	<u>436,933</u>
Net increase	650,945	1,552,270
Fiduciary net assets available for plan benefits:		
Beginning of year	<u>7,995,716</u>	<u>6,443,446</u>
End of year	<u>\$ 8,646,661</u>	<u>7,995,716</u>

See accompanying notes to financial statements.

DEFERRED COMPENSATION PLAN FOR  
EMPLOYEES OF THE TOWN OF BETHLEHEM

Notes to Financial Statements

December 31, 2014 and 2013

(1) Description of Plan

The following description of the Deferred Compensation Plan for Employees of the Town of Bethlehem (the Plan) is provided for general informational purposes. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

(a) General

The Plan was established to provide a tax sheltered savings and investment opportunity for employees of the Town of Bethlehem, New York (the Town). The Plan is overseen by a committee comprised of four representatives.

The Plan, created in accordance with Internal Revenue Code (IRC) Section 457, is available to all Town employees and permits them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination of employment, retirement, death or unforeseeable financial emergency.

The Plan has entered into a contract with Nationwide Retirement Solutions (Nationwide) to administer the Plan. Nationwide offers several investment options through various financial organizations, and maintains individual accounts for Plan participants.

All amounts of compensation deferred under the Plan, all property and rights purchased with such amounts, and all income attributable to such amounts, property, or rights are held in trust for the exclusive benefit of participants and their beneficiaries and alternate payees pursuant to the trust agreement.

(b) Contributions

Participants may contribute a minimum of \$260 up to the lesser of \$17,500 or 100% of includable compensation. If an employee is age 50 or older, the employee is permitted to contribute up to \$23,000 in a calendar year. A participant may rollover an existing 457 deferred compensation plan, retirement plan, or a traditional IRA into the Plan at any time.

(c) Participant Accounts

Each participant's account is credited with the participant's contribution and allocations of Plan earnings and charged with an allocation of administrative expenses. Allocations are based on participant earnings or account balances, as defined by the Plan agreement. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

(d) Vesting

Plan participants are immediately vested in their contributions plus earnings thereon.

DEFERRED COMPENSATION PLAN FOR  
EMPLOYEES OF THE TOWN OF BETHLEHEM

Notes to Financial Statements, Continued

(1) Description of Plan, Continued

(e) Investment Options

Upon enrollment in the Plan, a participant may direct his or her contributions into a variety of investment options offered by Nationwide. Participants may change their investment options throughout the Plan year.

(f) Payment of Benefits

Upon termination of service due to death, disability, retirement or separation from service, a participant may elect to receive either a lump-sum payment equal to the value of the unpaid portion of the amount deferred as of the last valuation date, or monthly, quarterly, semi-annual or annual installment payments made over a period which does not exceed the remaining life expectancy of the participant or beneficiary. Additionally, participants may request withdrawals for unforeseeable emergencies subject to certain Federal rules and regulations.

(g) Notes Receivable From Participants

Participants may borrow from their accounts a minimum of \$1,000 up to a maximum of \$50,000 or 50% of their account balance, whichever is less. The loans are secured by the balance in the participants' account and bear interest at the rate of 5.2% per annum.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis and present fiduciary net assets available for plan benefits and changes therein.

(b) Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

(c) Investment Valuation and Income Recognition

Investments in pooled separate accounts are presented at fair value based on published market prices. Investments in the guaranteed interest account are presented at contract value, which approximates fair value. See note 4 for discussion of fair value measurements.

Purchases and sales of investments are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Investment income includes both the Plan's realized and unrealized gains and losses on investments bought and sold as well as held during the year.

DEFERRED COMPENSATION PLAN FOR  
EMPLOYEES OF THE TOWN OF BETHLEHEM

Notes to Financial Statements, Continued

(2) Summary of Significant Accounting Policies, Continued

(d) Notes Receivable From Participants

Notes receivable from participants are measured at their unpaid balance plus any accrued but unpaid interest. Delinquent participant loans are reclassified as distributions based upon the terms of the Plan document.

(e) Subsequent Events

The Plan has evaluated subsequent events through the date of the report which is the date the financial statements were available to be issued.

(3) Investments

The fair value of individual investments that represent 5% or more of the Plan's fiduciary net assets at December 31, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Nationwide Guaranteed Interest Account (note 5)	\$ 2,593,943	2,339,458
Fidelity Contrafund	659,457	664,129
Nationwide Inv. Destination Moderate Aggressive Fund	680,670	647,484
Nationwide Inv. Destination Moderate Fund	418,741	410,525
Pimco Total Return Fund	<u>340,230</u>	<u>304,351</u>

During the years ended December 31, 2014 and 2013, the Plan's investments (including securities bought, sold, as well as held during the year) appreciated in value as follows:

	<u>2014</u>	<u>2013</u>
Level 2	\$ 302,661	950,447
Level 3	<u>85,298</u>	<u>77,099</u>
	<u>\$ 387,959</u>	<u>1,027,546</u>

(4) Fair Value Measurements

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) No. 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

DEFERRED COMPENSATION PLAN FOR  
EMPLOYEES OF THE TOWN OF BETHLEHEM

Notes to Financial Statements, Continued

(4) Fair Value Measurements, Continued

- Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.
- Level 2 - Inputs to the valuation methodology include:
  - Quoted prices for similar assets or liabilities in active markets;
  - Quoted prices for identical or similar assets or liabilities in inactive markets;
  - Inputs other than quoted prices that are observable for the asset or liability; and
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2014 and 2013.

- Pooled separate accounts - Valued at the net asset value of accumulation units held by the Plan at year-end. The pooled separate accounts invest in various mutual funds. The mutual funds are open-end mutual funds that are registered with the Securities and Exchange Commission. The current day's accumulation unit value (AUV) is determined by multiplying the previous day's AUV by a net investment factor. The mutual funds in the pooled separate accounts are deemed to be actively traded.
- Guaranteed interest account - Valued at contract value (which approximates fair value) by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the creditworthiness of the issuer (note 5).

DEFERRED COMPENSATION PLAN FOR  
EMPLOYEES OF THE TOWN OF BETHLEHEM

Notes to Financial Statements, Continued

(4) Fair Value Measurements, Continued

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2014 and 2013:

	2014			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Pooled separate accounts:				
Equity:				
Allocated	\$ -	1,928,079	-	1,928,079
International	-	288,009	-	288,009
Large cap	-	2,283,155	-	2,283,155
Mid cap	-	695,261	-	695,261
Small cap	-	147,478	-	147,478
Fixed income	-	537,143	-	537,143
Money market	4,355	-	-	4,355
Guaranteed interest account	-	-	<u>2,593,943</u>	<u>2,593,943</u>
Total investments at fair value	\$ <u>4,355</u>	<u>5,879,125</u>	<u>2,593,943</u>	<u>8,477,423</u>

	2013			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Pooled separate accounts:				
Equity:				
Allocated	\$ -	1,859,625	-	1,859,625
International	-	368,342	-	368,342
Large cap	-	1,961,540	-	1,961,540
Mid cap	-	539,026	-	539,026
Small cap	-	120,983	-	120,983
Fixed income	-	636,648	-	636,648
Money market	43,709	-	-	43,709
Guaranteed interest account	-	-	<u>2,339,458</u>	<u>2,339,458</u>
Total investments at fair value	\$ <u>43,709</u>	<u>5,486,164</u>	<u>2,339,458</u>	<u>7,869,331</u>

Level 3 Gains and Losses

The table below sets forth a summary of changes in the fair value of the Plan's Level 3 assets for the years ended December 31, 2014 and 2013:

DEFERRED COMPENSATION PLAN FOR  
EMPLOYEES OF THE TOWN OF BETHLEHEM  
Notes to Financial Statements, Continued

(4) Fair Value Measurements, Continued

<u>Guaranteed interest account</u>	<u>2014</u>	<u>2013</u>
Balance at beginning of year	\$ 2,339,458	2,105,098
Contributions	174,056	233,764
Withdrawals	(164,317)	(232,860)
Investment income	85,298	77,099
Transfers in	215,086	180,010
Transfers out	<u>(55,638)</u>	<u>(23,653)</u>
Balance at end of year	<u>\$ 2,593,943</u>	<u>2,339,458</u>

Management evaluated the significance of the transfers between fair value levels based upon the nature of the financial instrument and size of the transfer relative to total fiduciary net assets available for plan benefits. The Plan's policy is to recognize transfers as of the actual date of the event or change in circumstances that caused the transfer.

(5) Guaranteed Interest Account

The Plan maintains a guaranteed interest account with Nationwide that provides a stable rate of return by investing in a pool of government securities backed by the full faith and credit of the U.S. government and/or its agencies. In advance of each calendar quarter, Nationwide establishes a rate of return for that quarter for the investment. The rate in effect for 2014 and 2013 was 3.5%.

(6) Plan Termination

The Town reserves the right to amend, suspend, or terminate the Plan and any deferrals thereunder, the trust agreement and any investment fund, in whole or in part and for any reason and without the consent of any employee, participant, beneficiary, or other person. Upon termination of the Plan, all amounts deferred shall be payable as provided in the Plan.

(7) Risks and Uncertainties

The Plan invests in various investments. Investments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near-term and that such changes could materially affect participants' account balances and the amounts reported in the statements of fiduciary net assets available for plan benefits.

DEFERRED COMPENSATION PLAN FOR  
EMPLOYEES OF THE TOWN OF BETHLEHEM  
Notes to Financial Statements, Continued

(8) Tax Status

The Internal Revenue Service has determined and informed the Plan that the Plan and related trust are designed in accordance with Section 457 of the IRC and, as such, are not subject to tax under present income tax law. The Plan administrator believes that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC.