



July 11, 2018

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

Dear Committee Members:

We are pleased to present this report related to our audit of the financial statements of the Deferred Compensation Plan for Employees of the Town of Bethlehem (Plan) as of and for the year ended December 31, 2017. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Plan's financial reporting process.

This report is intended solely for the information and use of the Deferred Compensation Committee and management, and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to be of service to the Deferred Compensation Plan for Employees of the Town of Bethlehem.

Very truly yours,

BST & Co. CPAs, LLP

A handwritten signature in cursive script that reads "Lisa M. Smith".

Lisa M. Smith, Partner

LMS/dmc



Deferred Compensation Plan for Employees of the Town of Bethlehem

Communication With Those Charged With Governance
Year Ended December 31, 2017

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Our Responsibilities With Regard to the Financial Statement Audit

Our responsibilities under auditing standards generally accepted in the United States of America have been described to you in our arrangement letter dated January 23, 2018. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

Overview of the Planned Scope and Timing of the Financial Statement Audit

We have issued a separate communication regarding the planned scope and timing of our audit and have discussed with you our identification of, and planned audit response to, significant risks of material misstatement.

Accounting Policies and Practices

Preferability of Accounting Policies and Practices

Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.

Adoption of, or Change in, Accounting Policies

Following is a description of significant accounting policies or their application that were either initially selected or changed during the year:

Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application* (GASB 72). GASB 72 defines fair value and describes how fair value should be measured, what assets and liabilities should be measured at fair value, and what information should be disclosed in the notes to the financial statements.

Significant or Unusual Transactions

We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Deferred Compensation Plan for Employees of the Town of Bethlehem

Communication With Those Charged With Governance
Year Ended December 31, 2017

Audit Adjustments

There were no audit adjustments made to the original trial balance presented to us to begin our audit.

Uncorrected Misstatements

We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.

Other Information in Documents Containing Audited Financial Statements

With respect to the required supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with Governmental Accounting Standards Board requirements, the method of preparing it had not changed from the prior period, and the information is appropriate and complete in relation to the financial statements as a whole. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements, or to the financial statements themselves.

Disagreements with Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.

Consultations with Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Significant Issues Discussed with Management

No significant issues arising from the audit were discussed with or the subject of correspondence with management.

Significant Difficulties Encountered in Performing the Audit

We did not encounter any significant difficulties in dealing with management during the audit.

Significant Written Communications Between Management and Our Firm

Copies of significant written communications between our firm and the management of the Plan, including the representation letter provided to us by management, are attached as Exhibit A.



**Deferred Compensation Plan for
Employees of the Town of Bethlehem**

Significant Written Communications
Between Management and our Firm
Year Ended December 31, 2017

Representation Letter



TOWN OF BETHLEHEM

Albany County - New York

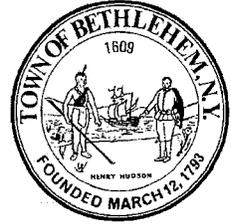
HUMAN RESOURCES

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Email: mtremblay@townofbethlehem.org



July 11, 2018

BST & Co. CPAs, LLP
26 Computer Drive West
Albany, New York 12205

This representation letter is provided in connection with your audit of the financial statements of the Deferred Compensation Plan for Employees of the Town of Bethlehem (Plan), which comprise the statement of net position available for benefits as of December 31, 2017, the related statement of changes in net position available for benefits for the year then ended; and the related notes to the financial statements.

We confirm, to the best of our knowledge and belief, that as of July 11, 2018:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated January 23, 2018, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement whether due to fraud or error.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal controls to prevent fraud.
4. We are responsible for making the accounting estimates included in the financial statements. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and reflect our judgment based on our knowledge and experience about past and current events, and our assumptions about conditions we expect to exist and courses of action we expect to take.

In that regard, we are responsible for the estimation methods and assumptions used in measuring assets and liabilities reported or disclosed at fair value, including information obtained from brokers, pricing services, or other third parties. The methods and significant assumptions used to determine fair values of the financial instruments are determined by Nationwide Retirement Services. The pooled separate accounts are calculated daily using an Accumulation Unit Value, which takes into consideration the daily performance of an investment and related administrative and investment fees assessed.

Our valuation methodologies have been consistently applied from period to period. The methods and assumptions used result in a measure of fair value appropriate for financial statement measurement and disclosure purposes.

5. All significant estimates and material concentrations known to management that are required to be disclosed in accordance with the *Risks and Uncertainties* have been properly recorded and/or disclosed in the financial statements. Significant estimates are estimates at the statement of net assets available for benefits date that could change materially within the next year. Concentrations refer to the nature and type of investments held by the Plan, or markets in which events could occur that would significantly disrupt normal finances within the next year.
6. Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
7. All events subsequent to the date of the financial statements, and for which U.S. GAAP requires adjustment or disclosure, have been adjusted or disclosed.
8. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
9. We have no intention to terminate the Plan.
10. We have properly reported and disclosed amendments to the Plan instrument, if any.
11. We have no knowledge of uncorrected misstatements in the financial statements.

Required Supplementary Information

12. With respect to Management's Discussion and Analysis:
 - a. We acknowledge our responsibility for the presentation of such required supplementary information.
 - b. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by U.S. GAAP.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.
 - d. The following are underlying significant assumptions or interpretations regarding the measurement or presentation of such information:

The methods and significant assumptions used to determine fair values of the financial instruments are determined by Nationwide Retirement Services.
 - e. We will only present the supplemental information together with the audited financial statements and auditor's report thereon and will not separate the supplementary information from the audited financial statements and auditor's report thereon in any document that contains such information.

Information Provided

13. We have provided you with:
 - a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters;
 - b. Additional information that you have requested from us for the purpose of the audit;
 - c. Unrestricted access to persons within the Plan from whom you determined it necessary to obtain audit evidence;

- d. The currently effective version of the Plan document, the trust agreement or insurance contracts, and all related amendment;
 - e. All correspondence, filings, reports and determinations with the Internal Revenue Service (IRS) relating to the Plan's maintenance of its tax-exempt status;
 - f. All Plan financial records and related data. In that regard, the payroll information we provided you covered all employees who were eligible to participate in the Plan; and
 - g. All minutes of the meetings of the Plan's Deferred Compensation Committee, or summaries of actions of recent meetings for which minutes have not yet been prepared.
14. All transactions have been recorded in the accounting records and are reflected in the financial statements.
 15. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.
 16. We have no knowledge of any allegations of fraud or suspected fraud affecting the Plan involving:
 - a. Management.
 - b. Employees who have significant roles in internal control.
 - c. Others where the fraud could have a material effect on the financial statements.
 17. We have no knowledge of any allegations of fraud or suspected fraud affecting the Plan received in communications from employees, former employees, participants, regulators, beneficiaries, service providers, third-party administrators, or others.
 18. We are not aware of any pending or threatened litigation and claims, violations or possible violations of laws and regulations, or other matters, including gain or loss contingencies, whose effects should be considered when preparing the financial statements, and neither we nor the Plan Sponsor, or others acting on behalf of the Plan, have consulted a lawyer concerning litigation and claims or other matters affecting the Plan.
 19. We have disclosed to you the identity of the Plan's related parties and parties-in-interest and all the related-party and party-in-interest relationships and transactions of which we are aware.
 20. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the Plan's ability to record, process, summarize, and report financial data.
 21. We have no plans or intentions that may materially affect the carrying value or classification of assets or liabilities.
 22. The Plan has satisfactory title to all owned assets that are recorded at fair value, and all liens, encumbrances or security interests have been properly disclosed.
 23. Concentrations of credit risk have been properly disclosed.
 24. We have answered your questions about the Plan's tax compliance to the best of our knowledge and belief.
 25. There have been no communications, whether written or oral, from regulatory agencies concerning noncompliance or deficiencies in the operation of the Plan.

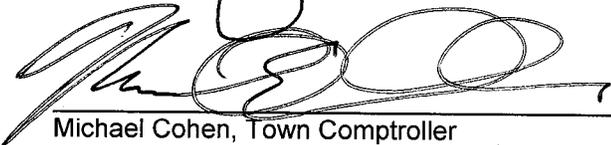
26. We have complied with (a) all aspects of contractual agreements, including provisions of the Plan, that would have a material effect on the financial statements in the event of noncompliance, (b) all participant eligibility and coverage requirements of the Plan, and the Internal Revenue Code (IRC), and (c) the filing requirements of appropriate agencies.
27. We have complied with the Department of Labor's (DOL) regulations concerning the timely remittance of participants' contributions to trusts containing assets for the Plan.
28. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.
29. The Plan is qualified under the appropriate section of the IRC and intends to continue as a qualified Plan.
30. We have reviewed the complementary user entity control considerations of the Service Organization Controls (SOC 1) Report for Nationwide Retirement Nationwide Financial Services Public Sector Retirement Plan Administration dated April 16, 2018, for the period ended December 31, 2017, and we believe all applicable controls are properly designed and implemented and operating effectively.
31. There are no notes receivable from participants or other receivables or investments in default or considered to be uncollectible that were not disclosed in the financial statements or supplemental schedule.
32. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

Very truly yours,

DEFERRED COMPENSATION PLAN FOR
EMPLOYEES OF THE TOWN OF BETHLEHEM



Plan Administrator, Deferred Compensation Committee



Michael Cohen, Town Comptroller