

**Town of Bethlehem, New York**

Single Audit Reports

Year Ended December 31, 2017

# Town of Bethlehem, New York

## Single Audit Reports

Year Ended December 31, 2017

### CONTENTS

	<b>Page</b>
Schedule of Expenditures of Federal Awards	1
Notes to Schedule of Expenditures of Federal Awards	2
<b>Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i></b>	3-4
<b>Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required By the Uniform Guidance</b>	5-6
Schedule of Findings and Questioned Costs	7-8

# Town of Bethlehem, New York

## Schedule of Expenditures of Federal Awards

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Year Ended December 31, 2017			
	CFDA Number	Pass-Through Entity Identification Number	Passed Through to Subrecipients	Federal Expenditures
Department of Housing and Urban Development/ New York State Housing Trust Fund Corporation				
Community Development Block Grants - Entitlement Grant	14.228	103ME11-14	\$ -	\$ 31,782
Community Development Block Grants - Entitlement Grant	14.228	103ME109-16		80,414
Community Development Block Grants - Entitlement Grant	14.228	103S8869-16		22,581
Community Development Block Grants - Reimbursements	14.228	-		6,000
Section 8 Housing Choice Vouchers	14.871	-	-	328,333
Department of Justice				
Equitable Sharing Program	16.922	-	-	1,026
Department of Transportation				
Highway Planning and Construction	20.205	-	-	879,183
State and Community Highway Safety	20.600	-	-	47,871
Department of Homeland Security				
New York State Division of Homeland Security and Emergency Services				
Disaster Grants - Public Assistance	97.036	001-06354-000	-	363,927
				\$ 1,767,117

See accompanying Notes to Schedule of Expenditures of Federal Awards, 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*, Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance.

# Town of Bethlehem, New York

## Notes to Schedule of Expenditures of Federal Awards Year Ended December 31, 2017

### **Note 1 - Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of the Town of Bethlehem, New York (Town) under programs of the federal government or pass-through entities for the year ended December 31, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Town.

### **Note 2 - Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

### **Note 3 - Indirect Cost Rate**

The Town has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.



**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, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated May 10, 2018, 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 questioned costs that we consider to be a material weakness (2017-001).

### **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 questioned costs. 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  
May 10, 2018





**Report on Compliance for Each Major  
Federal Program; Report on Internal Control Over Compliance;  
and Report on Schedule of Expenditures of Federal Awards  
Required by the Uniform Guidance**

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

**Report on Compliance for Each Major Federal Program**

We have audited the Town of Bethlehem, New York's (Town) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on the Town's major federal program for the year ended December 31, 2017. The Town's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the Town's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Town's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2017.

**Report on Internal Control Over Compliance**

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

#### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements. We issued our report thereon dated May 10, 2018, which contained an adverse opinion on the governmental activity financial statements and unmodified opinions on other opinion unit financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

BST & CO. CPAs, LLP

Albany, New York  
May 10, 2018



# Town of Bethlehem, New York

## Schedule of Findings and Questioned Costs Year Ended December 31, 2017

### Section I - Summary of Independent Auditor's Results

#### *Financial Statements*

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with U.S. GAAP: Adverse - Governmental Activities, Unmodified - Other Opinion Units

Internal control over financial reporting:

- Material weakness(es) identified?     X     Yes            No
- Significant deficiency(ies) identified?            Yes     X     None Reported

Noncompliance material to financial statements noted?            Yes     X     No

#### *Federal Awards*

Internal control over major federal programs:

- Material weakness(es) identified?            Yes     X     No
- Significant deficiency(ies) identified?            Yes     X     None Reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)            Yes     X     No

#### Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction

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

Auditee qualified as low-risk auditee?            Yes     X     No

# Town of Bethlehem, New York

## Schedule of Findings and Questioned Costs Year Ended December 31, 2017

### **Section II - Financial Statement Audit Findings**

#### **2017-001. 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:* 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 funding progress - OPEB, 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.